

# **Fiscal Impact Analysis**

**Ledgemont Technology Center Redevelopment**

**95 Hayden Avenue & 128 Spring Street (99 Hayden Avenue)  
Redevelopment**

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# **FOUGERE PLANNING & DEVELOPMENT, Inc.**

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## **FISCAL IMPACT ANALYSIS Ledgemont Technology Center Proposed Laboratory/Office**

**95 & 99 Hayden Avenue**

### **1.0 Introduction**

Fougere Planning and Development, Inc. has been engaged by Hobbs Brook Real Estate to undertake this Fiscal Impact Analysis to review both estimated revenues and municipal costs that may arise from a proposal for a phased redevelopment of part of the Hayden Avenue campus (99 Hayden), increasing laboratory space from 416,354 square feet to approximately 743,204 square feet. Some of the existing space is not optimal for modern life science users and the proposed redevelopment of these facilities will reposition this campus, within the center of the Hayden Avenue life science cluster, to attract modern, leading life-science companies.

Construction will proceed in three phases which will involve the demolition of existing space, the addition of 362,000 square feet of new space and the extensive renovation of the remaining 137,403 square foot (combined) laboratory buildings that will also involve small additions resulting in a total building area of 159,000 square feet. Currently, the campus consists of a building program totaling 416,354 square feet. Upon completion of the redevelopment contemplated by this proposal, the total building program will be 743,204 square feet.

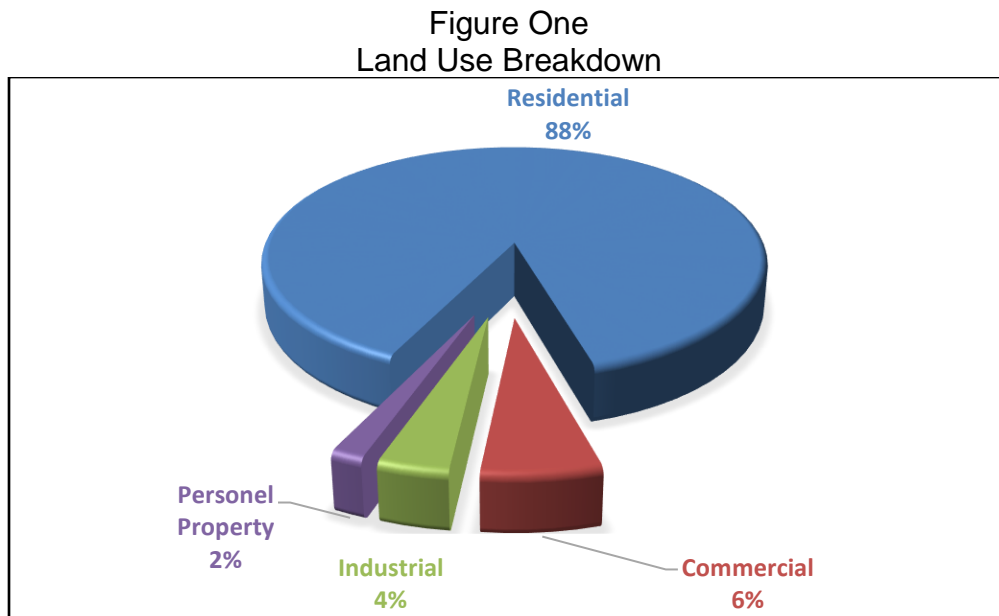
## 2.0 Local Trends

### Population

Lexington's population has seen modest growth over the last 10 years, with new residential development attracting young families along with the sale of existing housing units. Census figures report that from 2010 to 2020 Lexington's population increased from 31,394 to 33,456 representing a 9.7% growth rate over the 10-year census period. During this same timeframe school K – 12 enrollments have increased 14%, rising from 6,366 to 7,269, creating the need for extensive rehab and expansion of school space in the community.

### Land Uses

Residential properties are the dominant land use in the community, accounting for 88.2% of the property valuation, followed by commercial properties at 6.2% and industrial uses at 3.7%, as shown in Figure One. There are only 44 industrial properties<sup>1</sup> within Lexington out of a total of 11,352 non-exempt parcels. These industrial properties have a total assessed value of \$500,808,405.

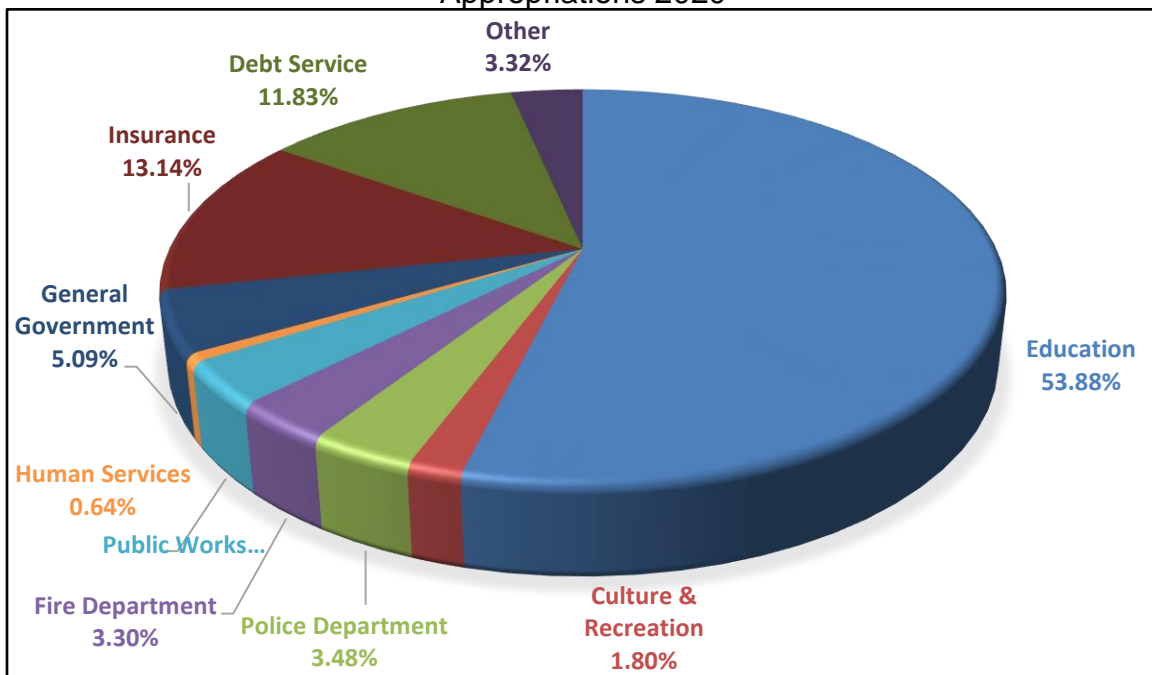


<sup>1</sup> Assessment Categories for FY20, 2020 Town Report page 43.

## Budget History

Lexington's total operating budget for 2020 is \$220,811,872, with Education and Public Safety Departments having some of the largest budgets as outlined in Figure Two. The Education Department has seen the largest dollar increase over the last three years, increasing by 11.5%. Debt accounts for 11.3% of total costs with FY2022 forecasts estimated to be \$27,203,365. In FY2016 debt totaled \$15,280,234, a 78% increase over FY2022 forecasted costs. In order to address capacity issues at the High School, planning has begun to either renovate or construct a new building with estimated costs exceeding \$350 million.

Figure Two  
Appropriations 2020



## 3.0 Fiscal Methodology

Generally, the definition of a fiscal impact analysis is “A projection of the direct, current, public costs and revenues associated with residential or nonresidential growth to the local jurisdiction(s) in which growth is taking place”<sup>2</sup>. There are a number of methodologies that are used to estimate fiscal impacts of proposed

<sup>2</sup> Burchell, Listokin & Dophin.

development projects. The Per Capita Multiplier Method is the most often used analysis 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 a 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. New capital expenditures required for provision of services to a development are not added to current costs; instead, the present debt service for previous improvements is included to represent ongoing capital projects. The advantage of this approach is its simplicity of implementation and its wide acceptance by both consultants and local officials. The downside of this approach is that the methodology calculates the “average” cost as being the expected cost, which is often not the case and costs are exaggerated - significantly in some instances. (For example, if one student is added to a school system, limited cost impacts will occur; however based on an “average” cost to educate one student the cost could be noted as \$18,000/year, which includes such costs as existing debt, building maintenance, administrative and other factors, all of which will be minimally impacted by the addition of one student. The “true cost” could be significantly less, especially in those communities with declining enrollment.)

The Marginal Cost Approach is an alternative methodology that can be used to estimate and measure developmental impacts based on actual costs that occur in the community. At this time, a “level of service” exists in Lexington to serve the community. This existing service level, for the most part, addresses the needs of the community through existing tax collections. As new development occurs, pressures are placed on some departments to address increased demands, while other departments experience negligible, if any impacts. In reviewing the potentially impacted town departments specifically, a truer picture of anticipated cost impacts can be determined.

Given the nature of the development project and the limited impact the expanded laboratory and office use will have on community services, we will use the average costing approach in this analysis. It is our belief that the primary municipal impact will be limited to emergency service departments.

The maintenance of all onsite parking areas will continue to be privately addressed, along with trash disposal. No school related impacts will occur. It should be noted that all revenues and costs are based upon today's dollars and assumes a full buildout of the proposed project.

## **4.0 Local Revenues**

### **4.1 Property Tax Revenue**

Local property taxes provide the bulk of General Fund Revenue<sup>3</sup> for Lexington, with 2021 figures showing that 82.8% came from this revenue source, the remaining income being received from State Aid and Other Receipts. The 2021 Real Estate Tax Rate for industrial/commercial uses is \$27.97.

The Ledgemont Technology Center located at 95 and 99 Hayden Avenue currently consists of an office and laboratory complex and two parking garages totaling 416,354 square feet with a total present assessed value of \$75,691,000. Annual property taxes total \$2,117,077 and CPA surcharges total \$63,512. The proposed redevelopment program is planned for a portion of 99 Hayden Avenue and will be completed in three phases, involving the demolition of two existing buildings, their replacement with two new state-of-the-art lab buildings, and extensive renovation to the adjacent remaining laboratory buildings. Once complete, a modern life science campus will be created totaling approximately 743,204 square feet between the two properties, representing an addition of approximately 326,850 square feet of building area.

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<sup>3</sup> Lexington FY2022 Recommended Budget & Fin. Plan, 2-22-2021.

To arrive at an estimated value for the planned improvements to 99 Hayden Avenue, four local comparable lab office building assessments were chosen and an average building assessed value of \$292.67 per square foot was derived. As summarized in Table One, once completed the 99 Hayden Avenue property will have an estimated building value<sup>4</sup> of \$152,479,890 and a total property value of \$161,576,890 generating \$4,519,306 in annual property tax revenues.

Table One  
Anticipated Yearly Property Tax Revenue

Site	Building Assessment	Building Area	Assessment/Sq. Ft.
115 Hartwell Ave.	\$21,578,222	86,532	\$249.37
200 Shire Way	\$60,128,000	172,201	\$349.17
300 Shire Way	\$30,461,000	120,704	\$252.36
400 Shire Way	\$53,176,000	185,515	\$286.64
<b>Average</b>	<b>\$165,343,222</b>	<b>564,952</b>	<b>\$292.67</b>
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Proposed Lab./Office	\$152,479,890	521,000	
<b>Estimated Property Taxes - Blg.</b>	<b>\$4,264,863</b>		
Land Value	\$9,097,000		
Total Site Value: Blg. & Land	\$161,576,890		
Total Property Taxes @ \$27.97	<b>\$4,519,306</b>		

The existing property is presently assessed for \$35,543,000 and generates \$994,137 in yearly property tax payments. The proposed development initiative will increase property assessment/taxes by 354%, substantially increasing revenues to the community. The redevelopment project will take a number of years to materialize and given the rapidly acceleration value of laboratory space in the community, as well as the subject site's prime location in the Hayden Avenue life science cluster, Assessing Officials believe assessed values will continue to rise for this land use. As such, the stated estimated assessment should be considered conservative and future assessments are anticipated to be greater than those stated.

<sup>4</sup> In discussions with the Director of Assessing, land values are anticipated to remain unchanged as a result of this development proposal.

#### 4.2 Community Preservation Act Surcharge

Lexington has adopted the Community Preservation Act allowing the Town to impose a 3% surcharge on property taxes. Based upon the projected taxes outlined in Table Two, the estimated yearly CPA surcharge of \$135,579 has been estimated as outlined in Table Two.

Table Two  
Community Preservation Surcharge

Property Taxes	% CPA Surcharge	Surcharge
\$4,519,306	3%	\$135,579

#### 4.4 Estimated Yearly Project Revenues<sup>5</sup>

Once the proposed redevelopment is completed, the newly-repositioned Ledgemont Technology Center is estimated to generate a total of \$4,790,464 in gross estimated local revenues from property tax and CPA Surcharge as outlined in Table Three.

Table Three  
Estimated Yearly Revenue

Lab. Property Taxes	\$4,654,885
CPA 3%	\$135,579
<b>Total Estimated Revenue</b>	<b>\$4,790,464</b>

As summarized in Table Four, net new revenues from the proposed redevelopment program will be \$3,766,502.

Table Four  
Net New Revenues

<b>Existing Property</b>	
Existing Site Assessment	\$35,543,000
Existing Property Taxes	\$994,138
CPA 3%	\$29,824
<b>Total Existing Revenue</b>	<b>\$1,023,962</b>
<b>Net New Revenue</b>	<b>+\$3,766,502</b>

<sup>5</sup> Potential Personal Property taxes were analyzed for this project, however the existing laboratory space presently generates limited revenues therefore no new revenues were estimated.



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

## 5.0 Department Findings

Land uses can have a wide range of cost impacts on community services, from increases of students from residential development to increased police calls from a large commercial complex. Given the nature of the proposed use, redeveloping and repositioning part of an existing life science campus, we believe that impacts on municipal services (primarily emergency services) will be minimal. No new roads will be constructed, and all onsite maintenance including snow plowing and lighting will remain private along with trash disposal. Water and sewer use and costs will be addressed through user fees.

### 5.1 Emergency Services

Both the Police and Fire Departments will continue to experience calls to the subject site with only slight increases for these services realized as a result of the proposed development program. Table Five summarizes the average calls to these Departments over the last two years.

Table Five  
Emergency Service Calls 2019 - 2020

	2019	2020	<b>Avg.</b>
<b>Police Calls</b>	13,092	13,749	<b>13,421</b>
<b>Fire Calls</b>	1700	1,682	<b>1,691</b>
<b>EMS Calls</b>	2405	2,340	<b>2,373</b>

To assess the degree of impact the proposed project would have on emergency service departments, calls for service to comparable laboratory buildings were analyzed<sup>6</sup> including the existing laboratory space. Three years of emergency call

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<sup>6</sup> This low emergency impact from office use is similar to data found when reviewing emergency calls from over 2 million square feet of office space in Cambridge.

data<sup>7</sup> from five sites totaling 719,327 square feet (including the subject site) was obtained and averaged to determine the annual numbers of calls per square foot. These ratios were then totaled to derive an average call volume per square foot, which was then used to generate projected emergency calls for each Department, extrapolating from the comparable call data from the proposed development program. Table Six outlines the estimated demand for emergency service calls.

Table Six  
Estimated Emergency Calls

Project	Town	Sq. Ft.	Police Calls Three Years	Avg. Call Per Year	Avg. Call Per Unit	Projected Yearly Calls
33 Hayden Ave.	Lexington	198,000	24	6	0.00003	
45 - 55 Hayden Ave.	Lexington	180,407	43	10.75	0.00006	
65 Hayden Ave.	Lexington	66,000	27	6.75	0.00010	
113-115 Hartwell Ave.	Lexington	102,096	54	13.5	0.00013	
128 Spring Street	Lexington	172,824		6	0.00003	
<b>Totals</b>		719,327		37	<b>0.00005</b>	
<b>Proposed New Lab</b>		<b>521,000</b>				<b>27</b>
Project	Town	Sq. Ft.	Fire Calls Three Years	Avg. Call Per Year	Avg. Call Per Unit	Projected Yearly Calls
33 Hayden Ave.	Lexington	198,000	4	1.33	0.00001	
45 - 55 Hayden Ave.	Lexington	180,407	2	0.67	0.00000	
65 Hayden Ave.	Lexington	66,000	9	3.00	0.00005	
113-115 Hartwell Ave.	Lexington	102,096	10	3.33	0.00003	
128 Spring Street	Lexington	172,824		2.00	0.00001	
<b>Totals</b>		719,327		10.33	<b>0.00001</b>	
<b>Proposed New Lab</b>		<b>521,000</b>				<b>7</b>
Project	Town	Sq. Ft.	Amb. Calls Three Years	Avg. Call Per Year	Avg. Call Per Unit	Projected Yearly Calls
33 Hayden Ave.	Lexington	198,000	2	0.67	0.00000	
45 - 55 Hayden Ave.	Lexington	180,407	3	1.00	0.00001	
65 Hayden Ave.	Lexington	66,000	2	0.67	0.00001	
113-115 Hartwell Ave.	Lexington	102,096	4	1.33	0.00001	
128 Spring Street	Lexington	172,824		2.00	0.00001	
<b>Totals</b>		719,327		3.67	<b>0.00001</b>	
<b>Proposed New Lab</b>		<b>521,000</b>				<b>3</b>

As summarized in Table Seven, accounting for existing emergency calls to the subject site, the police department is estimated to realize an additional 21 calls annually and the fire department 6 additional calls.

<sup>7</sup> 2013-2016

Table Seven  
Net New Emergency Calls

	Police	Fire	EMS
Existing Calls	6	2	2
Redevelopment Calls	27	7	3
Net New Calls	21	5	1

## 5.2 Police Department

The Police Department presently has a staff of 50 police officers, with 65 full time employees and 31 part-time. The FY2021 tax levy budget was \$7,515,658. Over the last two years the Department averaged of 13,421 calls as detailed above (258/week).

As a laboratory use presently occupies the subject site, police costs are presently included in the budget to address the 6 calls generated from the existing laboratory use. As outlined above in Table Seven, 21 new police calls are estimated from the proposed new development program (.4 calls per week). To assign some cost as a result of this estimated demand for service, a number of options were reviewed including cost per call and cost per capita. Since calls for service provides a clear measure of impact on the Department, this approach was used and results in an estimated annual impact of **\$11,760** as outlined in Table Eight. This cost estimate is not inferring the Police Budget will increase as a result of the proposed development, but assigns a “cost” to account for this expanded land use in the community.

Table Eight  
Police Department Impact

Department	FY 2021 Budget	Calls <sup>8</sup>	Cost/call	Est. Calls	Annual Cost
Police	\$7,515,658	13,421	\$560	21	\$11,760

<sup>8</sup> Town Reports call data, Police and Fire Departments.

### 5.3 Fire Department

The Fire Department presently has a staff of 65 full time employees and 1 part-time. The FY2021 budget was \$6,139,559, which does not include EMS fees which offset portions of the budget. In 2020 ambulance fees totaled \$1,321,540 or an average of \$549 per call. Over the last two years, the Department responded to an average of 1,691 fire calls and 2,373 EMS calls (total 4,064 calls - 79 call per week). The proposed redevelopment project is estimated to generate 6 new calls to the Department.

As with the Police Department, to account for some impact from the proposed development, a cost per call ratio was used to assign a “cost” for this expanded use and results in an estimated annual cost of **\$9,066** as detailed in Table Nine.

Table Nine  
Fire Department Impact

Department	FY 2021 Budget	Calls Per Year	Cost/call	Est. Calls	Annual Cost
Fire	\$6,139,559	4,064	\$1,511	6	<b>\$9,066</b>

### 6.0 Other Departments

In reviewing other Town departments, no other measurable impacts were seen. Building permit costs more than offset any inspection related costs in the Building Department. To be conservative, we will carry a miscellaneous cost of **\$15,000** to account for possible unforeseen municipal cost increase.

#### Building Department

At this time, the construction of the proposed laboratory buildings is estimated to cost approximately<sup>9</sup> \$328,500,000. The building permit fee is \$12/\$1,000 which equates to an estimated building permit fee of **\$3,942,000**.

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<sup>9</sup> The building program will be completed over a number of years, with an estimated completion of the final phases in 2028.

## 7.0 Summary

The proposed redevelopment of the Ledgemont Technology Center is expected to generate \$4,790,464 in gross yearly revenues and will place few new demands for general governmental services while decreasing the demand on emergency service departments. Yearly net revenues are estimated to be \$4,754,638 as detailed in Table Ten. Taking into account existing revenues, Lexington will realize an additional \$3,766,502 in annual revenues from this redevelopment program.

The municipal costs outlined are estimates and should not infer that increases in municipal spending will be necessary to accommodate this new land use. Public officials, through appropriate budgetary processes, will make the determination as to appropriate levels of departmental spending necessary to address local needs.

Table Ten  
Fiscal Impact Findings

Estimated Gross Revenues	\$4,790,464
Estimated Municipal Costs	
Police Department	-\$11,760
Fire Department	-\$9,026
Misc.	-\$15,000
<b>Total Costs</b>	<b>-\$35,826</b>
<b>Net Positive Fiscal Impact</b>	<b>+\$4,754,638</b>

## Summary of Findings

- Gross yearly tax revenue from the property will increase to \$4,790,464 a year as a result of the redevelopment, with net revenues estimated to be \$4,754,638.
- The proposed new laboratory/office buildings will increase the total assessed value of industrial properties in the community by 25.1%.

FY20 Industrial Assessed Value <sup>10</sup>	\$500,808,405
Estimated Increased Value	\$126,033,890
<b>Percentage Increase</b>	<b>25.1%</b>

- Property tax revenue from the redevelopment will increase industrial property tax revenue by 25.1%.

FY20 Industrial Property Taxes <sup>11</sup>	\$14,007,599
Estimated Net Increase in Property Taxes	\$3,525,169
<b>Percentage Increase</b>	<b>25.1%</b>

- Measurable impacts to town departments will be limited to emergency services, which will experience only a minor increase in calls from this new use. Police calls are estimated to increase from 6 annually to 27 (21 new calls), while the Fire Department is expected to experience an increase in call volume from 4 to 10 annually (6 new calls).
- Value of the subject site will rise from \$35,543,000 to \$161,576,890, increasing property tax revenue from \$999,137 to \$4,519,306.
- An estimated **\$3,766,502 in new revenue** will be realized with this initiative, monies that will be available to address existing town needs or future investments such as the planned High School capital project.
- It is anticipated that one-time building permit fees will total approximately **\$3,942,000**.

<sup>10</sup> Exhibit D, FY20 Tax Classification Report, Nov. 30, 2020.

<sup>11</sup> Exhibit D, FY20 Tax Classification Report, Nov. 30, 2020.

- Other economic benefits are projected as a result of the proposed addition of Class A laboratory/office space in the community, including the creation of temporary construction jobs along with expanding the local employment base for a variety of full and part-time jobs when the new laboratory buildings are occupied, as well as general local economic growth associated with the new land use.