



Economics Research Associates

## Memorandum

**Date:** November 11, 2008  
**To:** Town Council, Town of Mansfield  
**From:** Economics Research Associates  
**RE:** Review of Storrs Center Fiscal Impact Analysis  
**ERA No.** 17869

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The Town of Mansfield, Connecticut requested that Economics Research Associates (“ERA”) review and evaluate the HR&A Advisors (“HR&A”) Fiscal Impact Study of Storrs Center. The study, commissioned by LeylandAlliance (“Leyland”), estimates the potential fiscal impact of the planned mixed-use project on the Town. At this time, ERA understands that the fiscal impact study will be used to communicate the fiscal benefits of the project to the public and other stakeholders. This memorandum summarizes ERA’s critical assessment of the HR&A study, the resulting refinements made to the study by HR&A, and ERA’s conclusions regarding the current fiscal impact estimates.

The HR&A fiscal impact analysis projects the tax revenues and municipal costs that will be generated by the Storrs Center project. The analysis forecasts the net impact that the project will have on the fiscal status of the Town. Tax revenues considered by the analysis include real estate tax, business/personal property tax, motor vehicle tax, and property conveyance tax generated by the project. Municipal costs considered by the analysis include service costs, such as public safety and public works expenditures, and school costs attributable to the project.

HR&A provides an estimate of the fiscal impact of each major phase of development and the project overall. The results reflect the impact of a fully-built and occupied project. HR&A presents the findings of the analysis in current 2008 dollars. Based on the assumptions identified in the fiscal impact study, HR&A finds that the Storrs Center project would have a positive net fiscal impact. Detailed findings include the following:

- Annual tax revenue of \$4.3 million
- Annual expenses of \$1.7 million
- **Annual net revenue of \$2.6 million**

## **Initial Review and Recommendations**

ERA commenced the review process with a critical assessment of the HR&A draft report dated April 21, 2008. ERA's review of the fiscal impact analysis covered both the methodology and assumptions used by HR&A. Overall, ERA agreed with the methodological approach used to estimate the potential net fiscal impacts of the Storrs Center project on the Town of Mansfield. ERA did, however, recommend further consideration of a number of key assumptions relied upon by the analysis. ERA's primary concerns included the following:

- Assumptions regarding product pricing directly translate into property valuation and projected tax revenues accruing to the Town
- Optimistic (i.e., low) school-age-children multipliers contribute to the healthy projected fiscal surplus estimated for the project

The ERA review examined each section of the HR&A report, including (1) development program, (2) public sector revenues, (3) public sector expenditures, and (4) net present value. ERA identified action items that ERA, the Town of Mansfield, HR&A, or Leyland might take to further validate or refine the HR&A estimate of fiscal impact.

Recommended action items included:

- Analyze the sensitivity of fiscal impact estimates to program changes that are allowable under the Municipal Development Plan
- Continue evaluation of market data and conduct analysis concerning the potential range of lease rates and for-sale values achievable at Storrs Center
- Clarify and revise valuation of income-producing properties
- Conduct further review of school-children multipliers and estimates of school-related impacts
- Provide additional explanation of data sources and methodologies relied upon in the public revenue section
- Define specific absorption assumptions by use, develop a detailed multi-year schedule of revenues and costs, and detail garage financing and debt service



## **HR&A Response to Comments**

Based on the comments provided by ERA, HR&A made revisions to their fiscal impact analysis. HR&A took the following measures to refine the fiscal impact analysis:

- Reduced the price of for-sale residential units from \$400 per square foot to \$350 per square foot
- Revisited data concerning school-children generation multipliers. HR&A revised the multipliers and added a 15 percent contingency factor to be more conservative
- Excluded analysis of structured parking from the study
- Provided additional descriptive language explaining methodology and calculations

ERA has reviewed the revisions to the analysis, provided by HR&A in their Fiscal Impact Study of Storrs Center dated October 28, 2008.

## **ERA Conclusions**

ERA agrees with the methodology used to estimate Town revenues, municipal service costs, and the number of school children that the project will generate. Jeff Smith, Town of Mansfield Director of Finance, worked with HR&A to analyze school costs and review estimated school impacts.

Storrs Center will offer unique residential and commercial opportunities in a 'main street' format proximate to a major educational institution. The project will create public spaces and contain a diversity of housing options and retail/restaurant offerings. ERA anticipates that the project will achieve considerably greater market values than those currently observed in the Town of Mansfield. Accordingly, the revenue assumptions (i.e., pricing and lease rates) relied upon by the HR&A fiscal impact analysis reflect a pricing premium at Storrs Center. The project will be competitively positioned and may achieve these pricing goals. It is important to acknowledge that accurate revenue assumptions are difficult to generate, especially considering current macroeconomic conditions. However, given the magnitude of the projected fiscal benefits of the project, even if there are downward adjustments to pricing, the project is likely to generate a positive fiscal impact for the Town.