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MEMORANDUM

To:	Town of Mansfield
From:	HR&A Advisors, Inc.
Date:	December 21, 2012
Re:	Storrs Center costs analysis

HR&A Advisors, Inc. ("HR&A") was retained by the Town of Mansfield (the "Town") to conduct a fiscal impact study of the municipal costs and tax revenues generated by Storrs Center, a multi-phase development led by the Storrs Center Alliance. This analysis is an update to a similar analysis conducted in 2010 by AECOM Technology Corporation. With build-out and tenancy at the initial phases of Storrs Center well underway, HR&A was retained to refine projections of municipal costs and revenues using updated program, rent, and tax assessment data and assumptions for Phases 1A, 1B, 1C, and the Market Area.

This memo provides a comparative analysis of the methodology that was utilized to estimate municipal and school costs in 2010 (for Phases 1A and 1B) with the current methodology for Phases 1A and 1B, as well as 1C and Market Area. Two types of costs are examined as part of this analysis: 1) "on-going" costs, which reflect yearly recurring expenditures the Town and school districts will incur as a direct result of Storrs Center, and 2) "one-time" costs, which reflect expenditures the Town will make only once per phase, such as zoning fees, permit fees, etc.

On-going costs

The on-going costs associated with Storrs Center were calculated on a line-item basis per the Town Budget. In both models, the method consisted of identifying those line items in the most recently adopted budgets which were likely to be impacted by additional residents and workers generated by Storrs Center. Cost items were calculated utilizing two primary approaches: average cost basis and marginal cost basis. The average cost methodology estimates the total number of new workers, residents, and school-age children generated by Storrs Center and applies per capita cost estimates. This is distinguished from the marginal costs methodology, which accounts for costs incurred as a result of the development itself, rather than the incremental addition of new residents and workers. The marginal cost basis incorporates staffing and capital cost requirements as each phase is developed and occupied. School costs are estimated based on a per-capita calculation applied in the same manner as average costs, but with a focus on school-age children. These are treated separately from other municipal costs in both models and in this memorandum, namely because school budgets are calculated, allocated, and managed differently from other budget line items.

As shown in Table 1 below, costs for Phases 1A and 1B were projected based on the average cost methodology for Community Services with all other departmental costs accounted for as marginal costs or school costs. This method is consistent between the 2010 and 2012 models. With the build-out of Phase 1C and the Market Area, the development will have reached critical mass in terms of residents, employees, and patrons, and we have therefore utilized the average cost methodology to project municipal costs specific to these later phases. All costs are inflated at CPI, or 3% per year.

Table 1. Budget line items and cost methodology

Town of Mansfield Budget Line Item	Phases 1A + 1B	Phase 1C + Market Area
General Government	Not impacted	Average costs
Public Safety	Marginal costs	Average costs
Public Works	Marginal costs	Average costs
Community Services	Average costs	Average costs
Community Development	Not impacted	Not impacted
Mansfield Board of Education	School costs	School costs
Town-Wide Expenditures	Not impacted	Average costs
Other Financing Uses	Not impacted	Not impacted
Contributions to Region 19	School costs	School costs

Municipal Costs

As described above for Phases 1A and 1B, given the start-up nature of the development, we project that Community Services, which includes costs associated with Youth Services, Library Services, and Senior Services, will be impacted on an incremental average-cost basis. HR&A accounts for this cost impact by using the average cost methodology, which is consistent with the 2010 model.

Table 2 below reflects the differences in average costs for each phase, and between the 2010 and 2012 studies for Phases 1A and 1B. Average costs for Phases 1A and 1B in the 2012 model are lower than those in the 2010 model. Average costs, because they are calculated on a per-capita basis, rely on allocating costs separately to residents and workers based on estimates of how each contribute to both Town tax revenues and expenditures. In the 2010 analysis, the student population was not included to calculate per capita average costs. The 2012 analysis has been updated to reflect our understanding that students currently reside in off-campus housing and that some students will reside in the residential units at Storrs Center, and therefore use, and will continue to use, Town services. Including students in this analysis increases the population count being considered under the average cost calculations, and thus reduces the per capita cost.

Table 2. Average Costs Basis

Phase 1A		Phase 1B		Phase 1C	Market Area
2010 Model	2012 Model	2010 Model	2012 Model		
$29,600	$20,100	$31,600	$20,000	$71,600	$11,000

It is crucial to note that Table 2 reflects only the cost basis for average costs incurred by Storrs Center, not the projected costs on an annual basis. Projected annual costs are based on a gradual phasing-in of the cost schedule for each phase, as shown in Table 5 below, which, by example, reflects the actual projected costs for the stabilized 2017-18 fiscal year for both the 2010 and 2012 analyses.

In keeping with the 2010 study, HR&A anticipates that Phase 1A and 1B will have specific startup costs that are estimated using a marginal cost approach. As noted above, HR&A did not anticipate new marginal costs for Phase 1C or the Market Area. Table 3 below compares the marginal cost estimates in the 2010 and 2012 models for Phase 1A and 1B, including both operating and capital costs. Marginal capital cost projections did not change between the two models.

Table 3. Phase 1A and 1B Marginal Costs Basis

Marginal Operating Costs

Public Safety	2010 Model	2012 Model
State Trooper	$100,000	$0
Fire Services	$215,560	$215,560
Total Public Safety	$315,560	$215,560
Public Works		
Roadway/Town Square Maintenance FTE	$86,700	$86,700
Lighting	$16,200	$16,200
Total Public Works	$102,900	$102,900
Intermodal Center	$0	$50,000
Marginal Operating Costs Total	**$418,460**	**$368,460**

Marginal Capital Costs

Public Safety	
Capital Costs	$0
Annual Debt Service	$0
Public Works	
Capital Costs	$100,000
Financing Term	5
Interest Rate	5.0%
Annual Debt Service	$23,097
Marginal Capital Costs Total	**$23,097**

In the same manner as average costs, it is important to note that Table 3 reflects only the cost basis for marginal costs incurred by Storrs Center, not the actual cost flows as projected by the model. Projected annual costs are based on a gradual phasing-in of the cost schedule for each phase. Please refer to Table 5 below, which, by example, reflects the actual projected costs for the stabilized 2017-18 fiscal year for both the 2010 and 2012 analyses.

Between the two models, most marginal operating cost line items are consistent, with two notable differences: the state trooper line item has been removed from the 2012 model, and the Intermodal Center has been added. Based on discussions with various Town staff, HR&A concluded that the hiring of a full-time state trooper is attributable to the Town's plan to increase the number of troopers over a period of years, regardless of new development. Consequently, the cost of hiring the trooper is not solely attributable to the development of Storrs Center and is more accurately reflected on an average cost basis.

In addition to the costs described above, HR&A incorporated costs associated with the garage sinking fund into the most recent analysis. These costs are based on half of the obligation to said cost as provided by the Town, and are reflected in Table 5 below for FY2017-18. Costs for the garage sinking fund are increased 3% per year, the same increase utilized on the other costs.

School costs

In both the 2010 and 2012 models, allowances were made for school-age children taking residence in Storrs Center and the impact this would have on both the elementary schools administered by Mansfield and the high school administered by Region 19 (and by extension, the Town's financial contributions to Region 19). In both models, an average base multiplier of 0.3 students per residential unit was used, ranging from 0.09 students per unit for efficiencies, and 0.9 students per unit for three-bedrooms. However, the product type and unit mixes—as well as Storrs Center's proximity to UConn's campus—would most likely result in very few school-age children residing at the development. Therefore, traditional multipliers would most likely overestimate. To account for this in the 2010 model, an additional 50% reduction factor was applied to the multiplier for both initial phases.

However, upon completion of the residential portions of Phase 1A, it has become apparent that very few, if any, school-age children have taken residence. Therefore, to reflect current conditions, HR&A applied a 90% and 75% reduction factor to the traditional school-age multipliers for Phases 1A and 1B, respectively, as opposed to the 50% factor employed in 2010. In addition, while the most recent plan accounts for a greater number of units than was originally planned in 2010, these are skewed more toward efficiencies and one-bedroom units, and the number of students generated by these units is less than those generated by two- and three-bedroom units. As shown in Table 4 below, after taking state aid into account, year-one school costs for phases 1A and 1B in the 2012 model are $114,400, as opposed to $157,500 in the 2010 model.

For Phase 1C (the Market Area does not have a residential component), the 50% factor remains as future performance is, of course, less certain, and our projections conservatively account for the possibility that school-age children will be present at Storrs Center in some marginally greater capacity in the future. We estimate that the residential program of Phase 1C, which possesses a total of 92 units, and most of which are efficiencies and one-bedroom units, will initially generate 4.3 students. The projected Year 1 school cost for Phase 1C is therefore $43,400.

The estimated total first-year costs for all three residential phases of Storrs Center—Phase 1A, 1B, and 1C—equal approximately $158,000 in the 2012 model.

Table 4. School Costs Basis

	New students generated		Gross cost		State aid		Net cost	
	2010 Model	2012 Model	2010 Model	2012 Model	2010 Model	2012 Model	2010 Model	2012 Model
Phase 1A + 1B	38.4	11.2	$371,300	$173,600	($213,800)	($59,200)	$157,500	$114,400
Phase 1C		4.3		$65,800		($22,400)		$43,400

Table 5. Phase 1A and 1B Total Costs, FY2017-18

	FY2017-18	
	2010 Model	2012 Model
Average Costs	$72,416	$46,547
Marginal Costs	$527,243	$453,922
School Costs	$170,631	$132,624
Garage Fund	n/a	$54,636
Total	$770,290	$687,729

One-time costs

HR&A calculated one-time costs resulting from fire prevention and construction inspection associated with development, which are demonstrated in Table 6 below. For Phase 1A and 1B, no adjustments were made between the 2010 and 2012 analyses. Fire prevention services were estimated by Town staff to require 1.22 full-time employees at $122,000 in salary and benefits per year. Construction inspection—which is based on square footage—was estimated by Town staff in both models to require one (1) Assistant Building Official for 1,820 hours per year at $48 per hour.

For Phase 1C and the Market Area, which have somewhat smaller development envelopes than the first two phases, fire prevention services were estimated by Town staff to require one (1) full-time employee at $122,000 in salary and benefits per year. Construction inspection was estimated by Town staff to require one (1) Assistant Building Official for 1,500 hours per year at $48 per hour.

Table 6. One-time costs

Phase 1A and 1B

Fire Prevention	2010 Model	2012 Model
Fire Marshal FTEs	1.22	1.22
FTE Salary and Benefits	$122,000	$122,000
Fire Prevention Service Costs	$148,840	$148,840
Construction		
Cost of Assistant Building Official per hour	$48	$48
Hours per year per Inspector	$1,820	$1,820
Number of New Inspectors Required	1	1
Construction Inspection Service Costs	$87,360	$87,360
Total one-time costs	**$236,200**	**$236,200**

Phase 1C and Market area

Fire Prevention	
Fire Marshal FTEs	1
FTE Salary and Benefits	$122,000
Fire Prevention Service Costs	$122,000
Construction	
Cost of Assistant Building Official per hour	$48
Hours per year per Inspector	1,500
Number of New Inspectors Required	1.0
Construction Inspection Service Costs	$72,000
Total one-time costs	**$194,000**

Taking into account projected one-time permit fee revenue of $941, 300 for Phases 1A and 1B—which includes those fees collected from fire prevention and construction permits, as well as fees collected from planning and zoning and tenant improvement inspection—net revenues for 1A and 1B total $705,100. Likewise, for Phase 1C and the Market Area, projected one-time permit fee revenue equals $536,146. In addition, per the developer's agreement, there is an abatement of $175,969 of construction inspection fees for these later phases. Therefore, net one-time revenue for these last two phases equals $166,177.