

FISCAL IMPACT PEER REVIEW MEMORANDUM

TO: Diane M. Williamson, AICP,CFM
Director of Community Development – Town of Bristol
10 Court Street - Bristol, RI 02809

DATE: May 10, 2023

SUBJECT: Fiscal Impact Peer Review – Bristol Yarn Mill Redevelopment

RKG Associates (RKG) was retained on behalf of the Town of Bristol, Rhode Island to provide an independent peer review of the fiscal impact study prepared for the Bristol Yarn Mill¹ (referred to as the Report). The purpose of this peer review is to offer the Town opinions and observations regarding the reasonableness and applicability of the inputs, assumptions, and findings in the Report.

As RKG understands, the proposed redevelopment of the Bristol Yarn Mill is a conversion of a former mill facility² to include 127 new rental residential units and 5,903± SF of unspecified commercial use. Table 1 offers a summary fiscal reconciliation of the Bristol Yarn Mill project from the Report and an alternative analysis from RKG.

Table 1 – Comparative Fiscal Reconciliation FY 2022

Bristol Yarn Mill Fiscal Reconciliation (annual)	The Report	RKG Alternative
Property Tax	\$352,278	\$352,278
Resident Fees (1)	\$27,800	\$27,800
Sewer Use	\$85,650	\$85,650
Total Revenues	\$465,728	\$465,728
Government Services	(\$292,685)	(\$292,685)
Education	(\$111,344)	(\$111,344)
Total Costs	(\$404,029)	(\$404,029)
Loss of "as is" (2)	\$0	(\$39,650)
NET Reconciliation	\$61,699	\$22,049

Source: FJS Associates (2022) and RKG (2023)

(1) -RKG questions whether a per household basis as opposed to per resident basis is more applicable

(2) - this represents the estimated loss to the Town of Bristol from the "as is" property taxes per the Town Assessor.

RKG notes that neither the Report nor the RKG Alternative present an estimate of Town costs associated with the commercial component (5,903± SF), which may be nominal, but would have some impact, nonetheless.

¹ Bristol Yarn Mill Redevelopment, 125 Thames Street, Bristol, RI – Fiscal Impact Analysis as prepared by FJS Associates, Ltd (dated December 2022).

² Identified as tax parcel map/lot 10 60; with a net floor area of 381,974 SF; and land area of 0.773 acres. FY 2022 total assessment of \$4,006,500 with \$2,404,500 for building (\$6.29/SF) and \$1,602,000 for land (\$2,072,445/acre).

Summary of RKG's Fiscal Impact Peer Review

The fiscal reconciliation in the Report indicates an annual net benefit to the Town of Bristol at **\$61,699**, the RKG Alternative suggests an annual net fiscal benefit of **\$22,049** – the difference reflecting an adjustment for the estimated loss “as is” taxes of **\$39,650**. While the estimated net fiscal benefit to the Town is positive for both the Report and the RKG Alternative, the latter is approximately one-third of the former.

The following peer review is intended to provide the Town with a page-by-page walk-through of the Report. The following notes and suggestions identify the page of the Report being referred to and the specific issue addressed.

- **Beginning on Page 2** – RKG finds the utilization of a per capita cost of services approach to be appropriate and a generally accepted standard in the industry.
- **Page 3** – The total FY 2023 town budget of \$29,250,142 is presented and further translated to approximately \$1,316 per capita. The Report utilizes 80% of these costs, or \$1,053 per capita, as being applicable for the Bristol Yarn Mill project. While there is a limited discussion of how this estimated per capita cost and adjustment factor were derived, RKG concurs that an adjustment for presumed incremental and fixed costs is appropriate. With the information available in the Report, **RKG does not dispute** the estimate of \$1,053/capita.

RKG offers as an alternative consideration, that in our experience it is customary to further refine Town incremental costs between those for residential development and those for non-residential development. This is often measured in terms of ratios for the residential property valuation relative to the Town's total property valuation. The same consideration would be given to non-residential property valuation in terms of the total property valuation.³ In this manner, a percentage of Town costs are allocated to residential (on a per household basis) and a separate percentage to non-residential (typically on a per employee basis). As a result, this may lower the above gross estimate of \$1,316 per capita for Town costs.

- **Page 3** – The Report estimates that the 127 units (at 95% occupancy) are projected to house 278 residents. This estimate uses an average household size of 2.3 persons per the 2020 Census. RKG notes that typically the average household size for renter-occupied units is somewhat less when compared to owner-occupied units, and no such distinction has been made in the Report. However, **Page 6** indicates that 95% of the units are to be 2BR and 3BR and as a result while the application of 2.3 persons per unit may be “high” **RKG does not dispute it**, allowing for a conservative (meaning not to understate) margin of error.
- **Page 3** – Using the above assumptions and inputs, the Report estimates the annual cost of services to the Town (excluding education) of **\$292,685**.
- **Page 4** – The Report estimates an average cost to the School District of approximately **\$13,918/student**. Typically, not all education costs fluctuate with enrollment, as RKG generally attempts to make a distinction between incremental

³ A review of FY 2022 assessment information suggests that the appropriate ratio (metric) for residential development would be approximately 86.4% - source – FY 2022 Statewide Net Assessed Value by Class of Property – As Assessed on December 31, 2020- online document.

costs and fixed costs. RKG's understanding of the Report is that no such distinction has been offered and as a result the estimated costs in the Report may be considered "high". However, to err conservatively (meaning not to understate potential costs) **RKG accepts the estimate in the Report.**

RKG offers as an alternative consideration, if more refinement is required, utilizing an estimate of the incremental costs associated with students and education as opposed to the entire budget. In this manner, the average cost per student may be less than the \$13,918/student indicated in the Report.

- **Page 5** – The Report offers an inventory of several recent mill redevelopment projects completed by Brady Sullivan, the Applicant. This inventory of projects indicates there is an average of 0.065 school-age children per unit which is used to calculate a projected number of school-age children at the proposed Bristol Yarn Mill project. **RKG notes** that it would be helpful to know the location of these comparable mill redevelopments, affordability mix, rent structure, and their mix by bedroom count. This may help the Town better understand if the 0.065 ratio is potentially understating the impacts – **for example**, if the six complexes identified in the Report have a concentration of studios and/or 1 BR units, that is a very different unit size mix than what is being proposed at Bristol Yarn Mill. In RKG's experience, larger unit sizes tend to produce a higher number of school-aged children compared to studios and 1-bedroom units.⁴

Nonetheless the SAC multiplier of 0.065 as indicated in the Report results in an estimated count of **8 new students** resulting in estimated student education costs of approximately **\$111,344.**

RKG offers as an alternative consideration, if more refinement is required, consulting with the School Department to determine if they have any local metrics for the number of students at similar renter-occupied projects. That information should be presented on a per unit, and if possible, per unit by bedroom type basis. RKG further notes that the Report does not offer a distinction between market rate apartments and affordable apartments, if applicable. Often the latter have more students than the former.

- **Page 6** – The Report offers an initial cost-based approach to estimating valuation, noting that the construction cost may serve as a proxy for valuation until the Bristol Yarn Mill project is built and stabilized. At that time, the Report caveats the Assessor may utilize an income-based approach to valuation. **RKG concurs that this is a reasonable initial estimate and caveat.**
 - Under these assumptions and inputs, The Report estimates a valuation of approximately **\$20.67M** for the residential elements (an overall average of \$165,756/unit) and nearly **\$1.48M** for the 5,903 commercial component (or \$250/SF).
- **Page 6** – The Report holds constant the "as is" land valuation of **\$1,602,000.** RKG notes that once repositioned, the value of the underlying land is likely to increase, given the new development and associated site improvements.

⁴ Noting that the proposed Bristol Yarn Mill project is to include six-1BR units; 84-2BR units; and 37-3BR units, for a development mix of 5%, 66% and 29%, respectively.

However, at this point holding the land value constant *is a reasonable assumption.*

RKG offers as an alternative consideration, if more refinement is required, consulting with the Town Assessor to offer an estimate of the valuation of the land parcel as it transitions from its current use and level of improvements to the proposed 127-unit residential complex.

- **Page 6** – The Report concludes that with an overall estimated valuation of nearly **\$24.50M**, the repositioned Bristol Yarn Mill would render **\$352,278** in gross and unadjusted property tax receipts (at \$14.38/\$1,000 for FY 2022).
- **Page 7 and Table 2** – The Report indicates annual sewer user fees of **\$85,650**. According to representatives of the Town of Bristol, this fee is considered as a revenue to the Town. The revenue collected is earmarked for the sewer, but it would otherwise be considered as a general fund revenue, if not for the enterprise fund. As a result, **RKG does not dispute** its inclusion in the Report.
- **Page 7 and Table 2** – The Report indicates annual resident fees and charges of **\$27,800**, as may be related to “licenses, copies of documents, recreation, docks, etc.” RKG questions whether such fees and charges would be annual and applicable to each resident of the Bristol Yarn Mill complex. RKG questions whether it is more applicable that such fees and charges are applied to the unit count (127 units) as opposed to the residents.

However, for the purposes of this review the figure noted in the Report *is reflected in the RKG Alternative.*

- **Pages 9 and Table 2** – The Report offers a detailing of other permits and fees associated with the repositioning of the Bristol Yarn Mill, totaling **\$477,350** and accurately indicates that these are initial (or one-time) fees and not applicable as recurring tax revenue to the Town’s general fund.
- **The Report does not** present an adjustment to the fiscal reconciliation which would represent the loss of current property tax payments to the Town of Bristol from the property as it is currently developed, assessed, and taxed. Information provided by the Town Assessor indicated that this tax amounts to **\$39,650**.⁵ This amount should be deducted from the gross property tax estimate of the proposed project as presented in Table 1 – RKG Alternative.

⁵ Information from representatives of the Town of Bristol noted that the Town had recently settled litigation regarding the “as is” taxes and that \$39,650 is the correct amount.