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# DRG Advisory Services

a division of Durham Realty Group LLC

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July 18, 2022

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RE: Fiscal and Economic Impacts  
10-50 Main Street, Ashland MA

This report summarizes the findings of a fiscal (municipal) and economic impact analysis undertaken for the proposed redevelopment of the parcel located at 10-50 Main Street in Ashland, MA into 200 residential apartments and approximately 30,000 gross square feet of commercial space (retail and office). This analysis builds on the work done by me for RKG Associates in 2020 and early 2021.

The proposed project will replace an old, functionally obsolete industrial mill complex on 8 acres of land with approximately 116,000 square feet of space, occupied by a variety of tenants providing retail, services and storage activities. The property is currently (FY22) assessed at \$1,728,600 and generates \$27,450 in annual property tax revenues to the Town. The bulk of the assessed value is in the land (59%, or \$128,350 per acre) with the building valued at only \$6.05 per square foot.

***In summary, the redevelopment of 10-50 Main Street is anticipated to result in a net positive fiscal impact to the Town of Ashland of approximately \$482,500 per year once completed and occupied.***

The proposed project will consist of five buildings with a total of 226,533 gross square feet, with street-level commercial space and residential units on the first, second and third floors. Two buildings (#10 & #20) will retain their historic character and stone facades with the remaining being new, energy-efficient construction, designed to reflect the architectural heritage of the original complex. Parking will be accommodated under and around the buildings, including new street-front parking for customers. The following Table 1 summarizes the key parameters of the project:

Table 1 Project Summary	
<b>Residential</b>	
Square Feet (gross)	226,533
Number of Units	200
Studio	16
One Bedroom	153
Two Bedroom	31
Number of Affordable Units	50
Estimated Population	312
Estimated School Age Children	20
<b>Commercial</b>	
Square Feet (gross)	30,109
Est. Hard Construction Costs	\$61.5 million

## Municipal Impacts

The proposed buildings, when completed, will generate approximately \$977,300 in net new annual property tax revenues for the Town.<sup>1</sup> The town will also realize additional revenues from motor vehicle excise taxes of approximately \$31,300 per year, plus an increase in incidental user fee revenues from the 200 new households (not included in revenue estimates). In addition, one-time revenues from water and sewer hook-up fees are estimated at approximately \$1.1 million along with \$600,000 for building permit fees.

Municipal service costs are estimated at approximately \$331,000 annually, and includes the costs for public safety, public works, human services and general government based on the number of new households and new employees in the commercial space. The 200 new residential units are estimated to house approximately 312 people, including 20 school-age children who will attend Ashland schools.<sup>2</sup> The Town's cost to educate these children is estimated at \$186,000 based on the incremental general fund cost of \$9,200 per student. In total, the annual costs to the Town to provide municipal services and education to the proposed project is estimated at \$515,000.

These costs are offset by the \$1,019,800 in net property and excise taxes, resulting in a positive fiscal impact of approximately \$451,200. The one-time revenues from hook-up and permit fees

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<sup>1</sup> Assumes property when completed is assessed at estimated cost of construction.

<sup>2</sup> The number of potential school age children is provided as a range of 16 to 25. It is anticipated that the actual number of students attending public school in Ashland will be at the low end of this range, however, the midpoint is utilized in this analysis in order to provide a conservative perspective.

(estimated at \$1.7 million) are likely to be larger than the costs associated with providing the needed services, resulting in additional excess funds flowing back to the enterprise or general fund accounts.

The fiscal impacts of the proposed mixed-use project was also evaluated using the Town of Ashland's Fiscal Impact Model, which was developed by RKG Associates in 2018 and updated for this report. The result of that analysis indicates a net fiscal impact of just over \$600,000 per year, as shown in Table 2 below.

Table 2

SUMMARY of PROPOSED DEVELOPMENT		EXPANDED DEVELOPMENT PROGRAM
<b>RESIDENTIAL UNITS</b>		<b>200</b>
	Single family	0
	Condominiums	0
	Apartments	200
	Townhomes	0
<b>COMMERCIAL SQUARE FEET (SF)</b>		<b>30,000</b>
	Retail	15,000
	Office	15,000
	Industrial/Flex	0
	Assisted Living	0
<b>ESTIMATED STUDENTS</b>		<b>17</b>
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<b>SUMMARY of NET FISCAL IMPACTS</b>		
<b>Total Unadjusted Property Taxes</b>	<b>\$</b>	<b>976,620</b>
<i>less</i> estimated Town costs (non-residential)	\$	(14,282)
<i>less</i> estimated Town costs (residential)	\$	(201,432)
<b>subtotal prior to education costs</b>	<b>\$</b>	<b>760,906</b>
<i>less</i> estimated student costs	\$	(156,386)
<b>ESTIMATED NET FISCAL IMPACT</b>	<b>\$</b>	<b>604,520</b>
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<b>SUMMARY of STATE IMPACTS</b>		
<b>Short Term from Construction</b>		
<i>estimated employment</i>		<b>292</b>
<i>estimated income tax from employment</i>	\$	828,528
<i>estimated sales tax from material purchases</i>	\$	996,300
<b>Ongoing from On-Site Activity</b>		
<i>estimated employment</i>		<b>118</b>
<i>estimated income tax from employment</i>	\$	190,362
<i>estimated sales tax</i>	\$	59,063
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<small>Source: RKG Associates, Inc. (RKG)</small>		

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## **Economic Impacts**

The construction and on-going operation and occupancy of the proposed project will result in significant new jobs and economic activity in Ashland and elsewhere in the Commonwealth. During the 24-month period of construction, which is estimated to cost in excess of \$61 million, approximately 312 construction-related jobs will be created, generating over \$24 million in payroll and over \$1 million in income tax revenues for the state. Some of these construction wages will be spent in Ashland, benefiting local businesses. An additional 249 indirect and induced jobs will be created in the region as a result of the spin-off effects of the initial spending. Materials purchased to build the project will generate an estimated \$1.4 million in sales tax for the state.

Once fully occupied (and accounting for a 5 percent average vacancy factor), the 30,000 square feet of retail and office uses will support approximately 80 full-time equivalent (FTE) jobs with estimated annual wages of over \$3.6 million. These direct jobs will result in \$154,000 in new annual state income tax revenues. This income and resulting spending by employed households in turn supports an additional 39 indirect jobs elsewhere in the community and region.

Depending on the types of businesses that are attracted to the project, the Town may benefit fiscally from any local option taxes that are generated, such as from restaurant sales. In addition, the on-site employees and visitors to the various businesses will likely spend discretionary dollars elsewhere in downtown Ashland, helping sustain other businesses. Similarly, the 200 new households are anticipated to bring new spending to a variety of businesses in downtown Ashland. In 2019 the average Ashland household spent \$39,600 on retail goods and services, some of which was undoubtedly spent in the downtown. Applying this figure to the 200 new households results in \$7.9 million in new spending. How much of this will accrue to downtown establishments is unknown, but the project's location within easy walking distance of most downtown services will help ensure increased sales by many existing businesses.

Table 3 below summarizes the anticipated fiscal benefits.

<b>Table 2</b>	
<b>Ashland MA – Proposed Development of 10-50 Main Street</b>	
<b>Fiscal Impacts</b>	
<b>Estimated Municipal Revenues</b>	
Estimated Property Taxes	\$977,316
Less: Existing Taxes on Buildings	(\$11,145)
Estimated MV Excise Taxes	\$31,315
Subtotal: Municipal Revenues	\$997,486
<b>Estimated Municipal Service Costs</b>	
Public Safety - Police	(\$92,052)
Public Safety - Fire	(63,314)
Public Works	(66,500)
General Government	(78,891)
Human Service	(30,253)
Subtotal – Municipal Service Costs	(\$331,010)
Education Costs (20 School Age Children)	(\$184,000)
Total Municipal Service Costs	(\$515,010)
<b>Net Fiscal Impact</b>	<b>\$482,477</b>
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## Appendix – Methodology & Data Sources

This fiscal and economic analysis uses industry standard methodology to estimate the changes in revenues and expenditures by the Town of Ashland resulting from the construction and occupancy of the proposed project.

1. Assessed value is estimated hard construction cost is used as a proxy for the future assessed value when completed. Potential property tax revenue based on FY22 tax rate of \$15.88.
2. Excise tax based on 1 vehicle per unit and 2015 Town average motor vehicle excise revenue per registered vehicle of \$156.57
3. Water, Sewer and Building Permit Fees based on 2020 published rates
4. Number of residents assumes 1.1 persons per studio unit, 1.5 per one-bedroom and 2.1 per two-bedroom.
5. Number of school-age children assumes 0.1 per one-bedroom and 0.2 per two-bedroom unit based mix of comparable projects and consultants experience.
6. Education costs per school age child calculated from 2020 published data from Massachusetts Department of Elementary and Secondary Education, net of school revenues (General Fund).

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7. Municipal service costs are based on incremental FY2022 Town Expenditures pro-rated between Residential and Commercial, and calculated on a per unit or per employee basis.
  8. Employment and wages based on 2019 ES202 data for Town of Ashland by NAICS category. Household expenditure data from ESRI.