# Concord Downtown Complete Streets Improvement Project

# Benefit/Cost Analysis — Economic Competitiveness <u>Expected Property Value Benefit: Analysis and Estimation</u>

#### **Background**

The Concord Downtown Complete Streets Improvement Project will have a measurable effect on increased desirability to work, live, and do business in downtown Concord. There have been a number of studies that have shown that complete street projects which feature improvements such as traffic calming, sidewalks, bike lanes, access to public transit raise the value of properties adjacent to the project. In the Rethinking Main Street report, case studies of Keene, NH and Manchester, NH¹ which undertook similar complete street projects in their downtown have shown remarkable change in terms of lowered downtown vacancy rates, higher rents, and increases in property values following the improvement projects.

With opportunity to improve traffic operations and accessibility in the downtown, staff reviewed current assessed values of the properties adjacent to the project. Of the 75 privately owned properties within the project area, over 50% of those properties have been depreciated in value due to vacancy or undeveloped upper story space. Through a conservative approach, we expect that the benefits derived from the complete streets project will increase property values through the life of the project by 8%.

#### **Current Development Activities**

Even through the recent down turn of the economy, Concord hasn't sat idle. In an effort to remove a blighted site in the middle of downtown, Concord created a Tax Increment Finance (TIF) District to encourage the redevelop of the former Sears Block. Created in 2004, the Capital Commons TIF had a total assessed value of \$22,945,600. Given development in the district, including the parking garage, there has been \$35,227,500 in estimated assessed value added, thus expanding the value of the District to \$58,173,100 in 2011.

Project success such as the Capital Commons project is not new to Concord's downtown. Since the late 1970's, the City endeavored major projects including the Eagle Hotel (1979), Firehouse Block (1980), and Capital Plaza (1984). Each of these projects in turn was a catalyst for further development in the downtown. Currently, several major projects in the downtown have been either recently completed or about to start. The Sanel Block opened in summer 2011 and if the neighboring Bindery project happens, it will further expand the District by an additional \$9.1 million to \$67,273,100.

A number of these projects are part of programs designed specifically to encourage development within the downtown. A 2003 study, Development Prospects for Downtown Market-Rate Housing (Bonz/REA) identified an inequity in the type of housing options available in downtown, skewing to lower income/subsidized housing. The study revealed downtown as having the ability to conservatively support 70-80 market-rate housing units in order to begin to correct the imbalance. Barriers to development were identified in 2007 through Main Street Concord's Downtown Housing Study. In addition to downtown housing, Concord currently sees about a 12% store front vacancy with considerable upper story vacancy. In order to address housing and business development needs, three significant policy

<sup>&</sup>lt;sup>1</sup> Hoyle Tanner & Associates, Rethinking Main Street – Final Report (Concord NH, June 1, 2011), Appendix C, Case Studies

changes have since been adopted by City Council to alleviate some barriers:

- a. Lifting the City's On-street Overnight Parking Ban to ensure in-close residential parking options.
- b. Adopting the International Building Code provides flexibility in redevelop of Concord's historic properties.
- c. Adopting NH RSA 79-E<sup>2</sup> allows for deferred building assessments for improvements to historic or blighted properties in order to encourage adaptive reuse or redevelopment in our historic downtown. Property taxes can be deferred for 5, 7 or 9 years, the greatest deferment given to development of downtown housing.

### **Estimates in Property Value Benefits**

Along with the Capital Commons TIF, there are two large projects, Sanel Block and Bindery Block that are both part of the NH RSA 79-E tax relief incentive. Additionally, 2 other projects, Concord Area Trust for Community Housing (CATCH) Menino Place and the Endicott Block project are seeking tax relief and historic renovation tax credits for their projects. The tools are in place to attract and encourage continued large development opportunities but smaller storefront development and upper story redevelopment has been difficult.

The complete streets project is intended to focus on improving downtown conditions and encourage new and continued storefront redevelopment as well as upper story development. Through the creation of jobs, expansion of tourism, and improvements in a state of good repair, it is expected that growth in upper story development will result through the life of this project. As noted above, 50% of the downtown properties adjacent to the complete streets project are depreciated due to vacancy and undeveloped upper story space. Increase in demand on the street level will result in bottom-up development — a change in the typical top-down efforts that have been taking place. With a downtown fully connected and complete, future development looks good.

With the current incentives in place and the expectation that the project will be completed in 2015, the following development assumptions are made:

- 2011 base-year assessed values per <u>Table 1</u>
- Assumed annual property value growth of 0.20% (2% over 10 years)
- With incentive programs in place and streetscape improvement project complete, a 8% property value benefit is expected from years 10 to 20

<sup>&</sup>lt;sup>2</sup> NH RSA79-E, Title V, Taxation, Chapter 79-E, Community Revitalization Tax Relief Incentive, 2006, 167:1, eff. July 20, 2010

Table 1. Estimated Property Value Benefits: Main Street								
		Annual Property	Expected Property Value Growth	Expected				
		Value	from	Property				
Year	Property Value	Growth	Project (%)	Value	Benefit			
2011	\$124,878,400	\$125,115,669						
2012	\$125,115,669	\$125,353,389						
2013	\$125,353,389	\$125,591,560						
2014	\$125,591,560	\$125,830,184						
2015	\$125,830,184	\$126,069,261						
2016	\$126,069,261	\$126,308,793						
2017	\$126,308,793	\$126,548,780						
2018	\$126,548,780	\$126,789,222						
2019	\$126,789,222	\$127,030,122						
2020	\$127,030,122	\$127,271,479						
2021	\$127,271,479	\$127,513,295						
2022	\$127,513,295	\$127,755,570						
2023	\$127,755,570	\$127,998,306						
2024	\$127,998,306	\$128,241,503						
2025	\$128,241,503	\$128,485,162						
2026	\$128,485,162	\$128,729,283	2.00%	\$131,303,869	\$2,574,586			
2027	\$128,729,283	\$128,973,869		\$131,553,346				
2028	\$128,973,869	\$129,218,919	2.00%	\$134,184,413	\$2,631,067			
2029	\$129,218,919	\$129,464,435		\$134,439,364				
2030	\$129,464,435	\$129,710,418	2.00%	\$137,128,151	\$2,688,787			
2031	\$129,710,418	\$129,956,867		\$137,388,694				
2032	\$129,956,867	\$130,203,786	2.00%	\$140,136,468	\$2,747,774			
2033	\$130,203,786	\$130,451,173		\$140,402,728				
2034	\$130,451,173	\$130,699,030		\$140,669,493	\$533,024			

## **Project-Life Property Value Benefit**

Annualized property value benefits are computed in <u>Table 2</u>. The present worth (2011) of the project's downtown future property value over a 20-year service life is \$3,706,194. Assumptions include:

- 2011 base-year costs and benefits per <u>Table 1</u>
- 20-year service life (2015 through 2034)
- Discount rate of 7 percent per guidance in OMB Circular A-94<sup>3</sup>
- Effects of potential cost inflation are not included

<sup>3</sup> Executive Office of the President, Office of Budget and Management, Circular A-94 Guidelines and Discount Rates for Benefit-Cost Analysis for Federal Programs.

Table 2. Annualized Property Benefits								
		7% Discount Rates		3% Discount Rates				
Year	Annual property Value Benefit	Rates	Present Worth (2011 Dollars)	Rates	Present Worth (2011 Dollars)			
2011								
2012								
2013		0.934579		0.970874				
2014		0.873439		0.942596				
2015		0.816298		0.915142				
2016		0.762895		0.888487				
2017		0.712986		0.862609				
2018		0.666342		0.837484				
2019		0.622750		0.813092				
2020		0.582009		0.789409				
2021		0.543934		0.766417				
2022		0.508349		0.744094				
2023		0.475093		0.722421				
2024		0.444012		0.701380				
2025		0.414964		0.680951				
2026	\$2,574,586	0.387817	\$933,148	0.661118	\$1,652,529			
2027		0.362446		0.641862				
2028	\$2,631,067	0.338735	\$832,927	0.623167	\$1,591,838			
2029		0.316574		0.605016				
2030	\$2,688,787	0.295864	\$743,471	0.587395	\$1,533,378			
2031		0.276508		0.570286				
2032	\$2,747,774	0.258419	\$663,623	0.553676	\$1,477,063			
2033		0.241513		0.537549				
2034	\$533,024	0.225713	\$112,440	0.521863	\$270,079			
2035		0.210947	_	0.506692	-			
20-Year Project Lifetime			\$3,285,610		\$6,524,886			