

TECHNICAL MEMORANDUM

TO: Douglas A. Straus
Senior Vice President
National Development
2310 Washington Street
Newton Lower Falls, MA 02462

FROM: RKG Associates, Inc.

DATE: March 29, 2018

SUBJECT: Impacts of Proposed Zoning Adjustment

RKG Associates, Inc., (RKG) was retained by National Development (ND) to offer an independent and summary review of ND's proposal to the Town of Lynnfield to allow a "swap" of a permitted 40,000 SF (square foot) office property at MarketStreet for development of a 40,000 SF 8-screen movie theater. To this end, RKG offers the following market, economic and fiscal observations for consideration:

- MarketStreet is a destination and lifestyle retail, dining and entertainment venue (Figure 1) with an assessed value of \$231,540,400¹. Anchor tenants include Whole Foods and Kings. Per ND representatives, approximately 63,000 SF of a fully-permitted 475,000 SF buildout has not been constructed or is presently under construction.



Figure 1 – MarketStreet – Lynnfield, MA

- In RKG's experience with such destination projects throughout Massachusetts² and nationally, anchor tenants are critical in driving repeat visitations and consumer activity that supports both the anchor store(s), but as importantly, the other retail and dining venues, typically referred to as "in-line" stores. The addition of an 8-screen movie theater to MarketStreet would serve as another anchor tenant and critical driver for the development, bringing both theater-goers and other consumer activity to the center.
- In addition to ticket and food & beverage sales at the movie theater, many patrons also dine, drink and/or shop before or after their movie theater experience thereby further adding to the economic vitality of the "in-line" retail. In RKG's experience, healthy sales volumes often equate to lower vacancy rates and strong lease rates and thereby to sustained assessment values and property taxes, assuming a typical income approach to valuation, as used by many local assessors.
 - Further, any increased spending (taxable food & beverage sales) at local restaurants and the theater will add to Lynnfield's local option sales tax receipts

¹ Identified as parcel 50/0395.

² Examples include Assembly Row, Legacy Place and The Point.

which were reported³ as approximately \$520,000 in 2016. While it is difficult to estimate this increase, an estimate of a five to ten percent increase would result in an additional \$26,000 to \$52,000, annually.

- The site for the potential 8-screen movie theater, as reported by ND, is an approximate 1.5-acre parcel of unimproved land with an assessed value of \$3,265,600 per the Lynnfield assessor. Applying Lynnfield's FY 2018 commercial tax rate (\$17.08/\$1,000) indicates that property taxes from the site "as is" equate to approximately \$55,800⁴.
- Development of the site with an 8-screen movie theater could yield the Town of Lynnfield approximately \$205,000 in annual property taxes, assuming the estimated construction costs of \$300/SF, provided by ND, serves as a proxy for assessed value.
 - Additionally, as part of the proposed total project, ND will develop an adjacent unimproved parcel⁵ of land as a parking garage in support of the 8-screen movie theater, as well as other MarketStreet businesses. The proposed garage will accommodate 383-parking spaces with an estimated construction cost of approximately \$7 million⁶.
 - Using construction costs to serve as a proxy for assessed value, the potential additional property tax receipts, from the parking garage, amount to \$119,600 annually. Applying Lynnfield's FY 2018 commercial tax rate indicates that property taxes from the site "as is" equate to approximately \$20,400.
- The estimated combined property taxes from the proposed 8-screen movie theater and the parking garage results in \$324,600 in annual receipts which the Town is not now realizing. Further, the estimated \$324,600 in tax receipts represents an increase of \$248,400 annually over the current taxes "as is" as unimproved land.
- Estimated one-time revenues for Lynnfield, from the proposed 8-screen movie theater and parking garage, include building permit fees (\$10/\$1,000) or \$190,000 for both, as based on ND's estimated construction costs.
- In contrast, assuming a 40,000 SF office property were to be constructed, RKG considers that the estimated assessed value would likely be somewhat less than a similarly sized theater, based on achievable rents and tenancy. Assuming an average rent for office space of \$25/SF and typical tenant improvement costs, operating costs and market capitalization rates, the assessed value of a stabilized office property might range from a total of \$8 to \$10 million, generating approximately \$153,700 (from the mid-point of \$9 million in assessed value) in annual property taxes.
 - The estimated \$153,700 in annual property tax receipts from an office property is less than one-half of the estimated \$324,600 in annual property tax receipts from the proposed 8-screen movie theater and parking garage. Also, according

³ Massachusetts Department of Revenue, Division of Local Services.

⁴ Throughout this memorandum property taxes, either "as is" or as estimated by RKG, are rounded to the nearest \$100.

⁵ Identified as parcel 45/2329, with a land value of \$1,194,000 per assessment records.

⁶ Or \$18,300/space (rounded) which is consistent with other parking structures RKG has worked on/reviewed.

to conversations with representatives of ND, if the 8-screen movie theater is not built then the parking garage will not be developed. If this is the case, the previously estimated annual property tax contribution, from the parking garage, of \$119,600 will not be realized by the Town of Lynnfield.

- Representatives of ND indicate that they have a tenant-in-hand for the theater, while the market demand for office space in Lynnfield is more speculative, particularly as this site lacks direct highway access and visibility. Given these constraints, an office property would reflect an extended absorption and stabilization period meaning that full realization of the tax base could be several years away.

In summary, the proposed development of an 8-screen movie theater and parking garage at MarketStreet offers Lynnfield an economic and fiscal contributor, resulting in an estimated additional \$324,600 in property taxes, annually. Further, the proposed 8-screen movie theater would serve to further strengthen and reinforce the existing economic vitality and consumer spending activity of MarketStreet. While a specific and direct benefit of the 8-screen movie theater for existing in-line stores and restaurants in Lynnfield is difficult to predict with certainty, RKG estimates that the Town of Lynnfield may realize another \$26,000 to \$52,000 in local option sales tax receipts, annually, from increased consumer activity at these venues. This is in addition to the estimated annual increase of \$324,600 in property taxes from the 8-screen movie theater and parking garage.

STATEMENT OF QUALIFICATIONS

THE COMPANY

Founded in 1981, RKG Associates, Inc. provides private, public and institutional clients, nationwide, a comprehensive range of advisory, planning, and strategic consulting services related to real estate, land use and economic development. We are proud that most of the assignments for which we have been engaged are projects that are built... projects that happen... projects that work... projects with tangible results measured in terms of new jobs, new investments, expanded tax bases or new master plans based on strong community consensus.

Our firm has successfully blended the in-house expertise of professionals who have backgrounds in market research, economics, finance, real estate development and planning. We also call upon an extensive network of other professionals to provide complementary technical expertise in such areas as architecture, engineering, land use planning, legal services and environmental science. Whether it is a large-scale project or a smaller undertaking, we make our full range of skills and disciplines available to every client.

THE SERVICES

ECONOMIC CONSULTING SERVICES

Local & Regional Economic Development

- Economic Development Strategies
- Tax Base Management Strategies
- Property Disposition and Repositioning
- Target Industry Analysis & Promotional Strategies

Economic & Fiscal Impact Analysis

- Commercial, Industrial and Residential
- Development Impact Studies

Economic and Fiscal Analysis of Transportation Projects

- Highway, Airport, Transit, Intermodal and Port Related Project

PLANNING SERVICES

- Project Management/Public Process
- Open Space and Sprawl Management Strategies
- Regional Land Use Plans and Studies
- Rezoning Strategies
- Municipal Land Use and Master Plans
- Military Base Redevelopment Planning and Implementation

REAL ESTATE ADVISORY SERVICES

- Real Estate Consulting
- Market Research
- Highest and Best Use Studies
- Project Marketing/Developer Solicitation
- Real Estate Repositioning Strategies
- Development Feasibility
- Public-Private Partnerships
- Site Selection/Location Analysis
- New Construction, Land Development and Adaptive Reuse
- Brownfields Redevelopment

LOCATIONS

Massachusetts Office

76 Canal Street, Suite 401
Boston, MA 02114
Tel: 617-847-8912

Virginia Office

300 Montgomery Street, Suite 203
Alexandria, Virginia 22314-1590
Tel: 703-739-0965

Other offices in Atlanta GA, Dallas TX & Durham NH

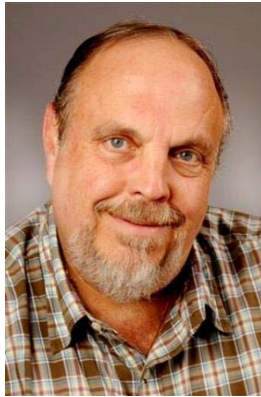
E-Mail: mail@rkgassociates.com

Web site: www.rkgassociates.com

LAWRENCE E. CRANOR JR, SENIOR PROJECT MANAGER

PROFESSIONAL PROFILE

Mr. Cranor joined RKG Associates, Inc. in 1992, with 15 years experience in applied demography, market research, site selection and competition studies for other firms, including national retail chains. Mr. Cranor has applied this background to managing a wide range of assignments with RKG Associates, Inc. These assignments have included a broad variety of retail projects, consumer surveys and spending research, site location research; urban revitalization/marketing strategies; and general economic development.



EDUCATION

- B.A. Sociology, University of Cincinnati, Ohio, 1976
- MBA Marketing/Management, University of Cincinnati, Ohio, 1980

PROFESSIONAL AFFILIATIONS

- Population Association of America
- New Hampshire Main Street

PROJECT EXPERIENCE

Downtown Redevelopment

Project Manager responsible for developing economic strategies and implementation plans instrumental in revitalizing the downtown "urban core" of such communities as diverse as Gulfport, MS; Lewiston, ME; Watkins Glen, NY; Norwalk, CT; and Hyannis, MA.

Housing Market Research

Prepared housing market studies for such communities as Chicopee and North Andover, MA; Jacksonville, FL; and, Norwalk, CT.

Retail Market Studies

Project Manager responsible for preparing market analyses and determining the expansion potential for national/regional/local retailers such as discount merchandisers, grocers, wholesalers, restaurants and outlet malls. These analyses include spe-

cific site/location research, customer surveys, sales forecasting and competition studies in many markets, including Rochester, NY; Wellesley, MA; Halifax, MA; and West Hartford, CT.

Cultural Facilities Analysis

Project Manager responsible for preparing a development feasibility analysis for a waterfront, 600 seat performing arts center in Fall River, MA. Completed an economic impact analysis, i.e. return to the City, of the Hyde Collection Art Museum in Glens Falls, NY.

Neighborhood Revitalization

Project Manager responsible for developing revitalization strategies and implementation plans for specific neighborhoods within larger metropolitan areas, including: Hyannis, Springfield and Wellesley, MA; Blacksburg, VA; the "Bull's Head" neighborhood of Rochester, NY; and Bowling Green, KY. These revitalization plans identified market-based economic and real estate opportunities within these neighborhoods (and in context to the larger metropolitan area) and developed implementation plans reflecting local financial and organizational capacities, often prioritizing actions in order to stimulate spin-off growth.

Convention/Cultural/Recreational Facilities

Project Manager responsible for analyzing the economic and employment impacts that a proposed expansion of the convention center, Basketball Hall of Fame and retail/restaurants offerings would have on the economy and urban revitalization of downtown Springfield, MA.

Analysis of Proposed Retail and other Commercial Developments

Project Manager for the preparation of economic/fiscal impact analyses of proposed Wal-Mart retail stores in Greenfield, Halifax and Quincy, MA; Ithaca, Lake Placid, Saratoga Springs, Ticonderoga and Victor, NY; Middletown, RI; and, St. Albans and St. Johnsbury, VT. Project Manager responsible for developing a comprehensive analysis of the expansion of the Cape Cod Mall in Hyannis, MA; repositioning of the former Scarborough Downs in Saco, ME; and, the Merrimack (NH) Premium Outlets.