

***FISCAL IMPACT ASSESSMENT FOR THE
CARPIONATO AVON VILLAGE CENTER PROPOSAL
AVON, CONNECTICUT***

September 23, 2015

**Mullin Associates Incorporated
206 North Valley Road
Pelham, Massachusetts 01002
(413) 253-7950**

INTRODUCTION

Mullin Associates Incorporated has prepared a Fiscal Impact Assessment for the proposed Carpcionato Avon Village Center concept for Avon, CT. The Fiscal Impact Assessment provides the town and others with a tool to determine the cost impact of the proposed new development. In simple terms, the Fiscal Impact Assessment model determines what revenues, in the form of new tax returns, the development will bring into the Town's coffers and how much the Town will have to spend to provide the development with new services.

FISCAL IMPACT ASSESSMENT

Fiscal Impact Analysis is defined by Listokin and Burchell, authors of the Fiscal Impact Handbook, as: "*the projection of the direct, current, public cost and revenues associated with residential or non-residential growth to the local jurisdiction(s) in which growth is taking place.*" The definition needs to be diagnosed:

1. **Direct** means that only the cost and revenue associated with development are measured. In other words, this tool could not be used to measure the fact that the project in question would generate, for example, a new supermarket or a mall.
2. **Current** means that all cost and revenues are based on the provision that the project is "up and running" during the fiscal year in question.
3. **Public** refers to the assessment of public cost and revenues. It is not concerned with the developer's profitability or private amenities. Condominium fees and the like are not public; therefore they are not part of this analysis. However, school expenses, property tax revenues, excise tax revenues and intergovernmental transfers are part of the analysis.
4. **Local jurisdiction** applies only to those cities, towns, districts and counties where there is a direct link to the project in question. In other words, if the project is on the edge of town and will cause increased traffic control costs in the adjacent town, the cost to the adjacent town will not be calculated.

There are six Fiscal Impact Assessment Techniques commonly used by planners across the United States. A brief description of each technique is presented here.

- *The Per Capita Multiplier Method* is most commonly used for residential development in mid sized communities. It relies on a technique that averages costs on a per capita, per housing unit and/or per pupil basis. It assumes that additional costs will be a linear extension of present costs.
- *The Case Study Method* is most commonly used when a project is expected to overburden local service capacity or delivery. Here the planner asks each department head (i.e.: schools, sewers, water, highway) to inform him/her of what the impact of the proposed project will be for his/her department. This impact is converted into cost/revenue projections and added or subtracted from the tax revenues likely to be gained. In other words, this method is appropriate when other approaches do not adequately explain what is likely to occur.
- *The Service Standard Approach* is used frequently in mid-size, moderately growing communities. It is an extension of the Per Capita Multiplier Method in that, instead of relying on gross service cost estimates, it examines the specific costs in ten different service categories. The ten categories are: 1) financial administration, 2) general government, 3) police, 4) fire, 5) highways, 6) sewerage, 7) sanitation, 8) water supply, 9) parks and recreation and 10) libraries. It converts the costs to that required per 1000 people and then assesses the impact accordingly. It should be noted that this approach could also be used to determine school (non-service) costs/revenues.
- *The Comparable City Approach* has not been used extensively. This approach is based upon the community in question identifying another community with similar characteristics and determining what were the costs of development of a similar project in that city or town.
- *The Proportional Valuation Method* uses existing ratios and proportionally applies them to new development. The town's equalized value of all property is divided by the gross value of the project in question to determine the percentage of service costs that could be attributed to the new project. This percentage is then multiplied by the town's service costs to obtain a gross estimate of the service costs due to the project in question. The same method is applied for school costs for residential development.

- *The Employment Anticipation Method* is used for industrial and/or commercial projects where a large number of the workers are expected to move into the community. The application of this method requires knowledge of what the typical practice has been for other similar projects in other communities. Using standard service multipliers and refinement coefficients, one can then take the employment gain and proportionally derive costs by the service sectors.

After reviewing these models, we have chosen to use the *Proportional Valuation Method* as it is the most widely used technique and required data is available from the following sources:

Project Data: Developer

School Information: CERC Town Profile 2014 and Avon Board of Education Data

School Aged Children Multipliers: Standard New England Data (L&B)

Municipal Data: Avon Annual Budget 2015, Grand List 2014, Avon Annual Report and CERC Town Profile 2014

DEVELOPER'S STATEMENT

The Carpionato Avon Village Center proposal is a mixed use concept that includes 314 stacked/multi-story residential style apartments ranging from studios to two bedrooms and approximately 750,000 square feet of commercial space within 9 specified districts on just over 97 acres in Avon center. The total market value for the development is estimated to be \$225 million.

One of the major cost factors in any residential development is the cost to educate school aged children (SAC). In Connecticut this cost is approximately \$15,000 per child annually. The assessment presented here is on the conservative side using New England wide figures for school aged children and no-state aid for schools. A recent study (2006) on limited homes in Connecticut suggests SAC figures even lower than the ones used here, indicating a demographic trend of fewer children. According to the developers, units in this development will be targeted toward young adults, "Millennials", "empty nesters" and seniors. As such, it is likely that the number of school-aged children could be further reduced from the figures used in this assessment.

Table 1: Listokin and Burchell Multipliers for School Aged Children in New England

	1 Bedroom	2 Bedroom	Blended All bedroom types
Single Family	0.020	0.243	0.890
Townhomes/Apartments	0.053	0.147	0.348

THE RESIDENTIAL ASSESSMENT TECHNIQUE

There are two major components to this model--revenues and costs. The model measures the revenues a project generates against the costs the town incurs in servicing the project. A town has three basic categories of revenues. These are property taxes, state aid and miscellaneous taxes and fees such as those paid for town government services. In recent years, funds from state aid sources have been diminishing while property taxes have been rising. The huge majority of town revenues are generated from property taxes.

A town also has costs. The three basic categories of costs are school costs, service costs such as road maintenance, government, police, fire protection, sewer, water, recreation, waste removal, and debt service. Each new project the town allows to be built generates both revenues and costs. The fiscal impact assessment can help determine these revenues and costs.

In order to calculate the fiscal impact for this development concept, data related to the project was collected from the developer and fiscal information for the local jurisdiction was collected from the Annual Budget, Annual Report and the 2015 Grandlist for Avon, CT.

THE DATA INPUT SHEET FOR IMPACT OF RESIDENTIAL DEVELOPMENT

Residential Portion of Project			
1	Market Value of Residential Development	\$62,800,000	DEVELOPMENT SPECIFIC
2	Number of new homes in development		
a	Studio or 1 bedroom units	200	
b	2 bedroom units	114	
3	Residential Assessment Ratio for Tax Purposes	70.00%	
4	Residential Tax Rate per \$1,000	\$28.80	
5	Total Tax Levy	\$74,486,325	MUNICIPAL DATA
6	Other Misc. Revenue from Local Receipts	\$11,920,671	
7	Service Share of Town Tax Levy	\$25,311,425	
a	General Government	\$3,096,390	
b	Public Works (DPW)	\$5,469,394	
c	Public Safety	\$9,691,107	
d	Health and Human Services	\$483,568	
e	Parks and Recreation	\$795,407	
f	Culture	\$1,503,905	
g	Conservation and Development	\$636,900	
h	Miscellaneous	\$333,814	
i	Debt Service	\$3,300,940	
8	Educational Expenses	\$52,797,999	STANDARD MULTIPLIERS
9	Current School Enrollments	3,320	
10	School Aged Children Multiplier		
a	Studio / 1 bedroom units	0.05	
b	2 bedroom units	0.15	
11	Existing Residential Units	7,129	MUNICIPAL DATA
12	Residential Proportion of Real Property in Town	85.63%	
13	Assessed Value of Residential Properties	\$1,987,939,590	Grand List 2014
14	Median Home Value in Avon	\$492,000	

Based on the input data, the model calculates the following output:

- *Estimated Property Tax Revenue.* This is the amount of property taxes that a town would collect given current tax rates and assessment ratios.
- *Estimated Additional Miscellaneous Income.* This is an estimate of income that would be generated through local receipts and intergovernmental transfers.
- *Total School Costs per Year.* This is based on current costs per student and estimated number of students in the new development, a yearly school cost is calculated.
- *Town Service Costs for Residential Units.* These are service and operating costs for new development are proportional to existing service costs for residential units in town.
- *Capital Improvements Costs.* These are costs associated with Capital Improvements that are triggered by new development are calculated on a yearly bases given current bond rating, interest rates, length of bond issue and percentage directly attributed to new development.
- *Net Benefit (Loss) to the Town.* This is the total dollar amount of *annual* property tax benefit to the Town due to new development, minus the total service costs associated with new development. A negative number indicates a fiscal loss to the Town.
- *Decrease (Increase) in Tax Rate.* A net benefit to the Town will result in lowering the tax rate, per thousand dollars of assessed value for all residents. A net cost, on the other hand, will increase the tax rate for all residents in the Town.
- *Total Yearly Savings to the Average Home Owner.* This is the dollar amount saved, yearly, on property tax payments by the owner of a home with a median value in Town. The median value indicates an assessed value for an average home in Town. Homes that are assessed at a higher value will save more if there is a net decrease in the tax rate per thousand dollars (i.e. net benefit to the town due to new development). The savings would be less than calculated by the model for homes costing less than the median value. Negative numbers indicate an increase in total tax payments on an average home.

Methodology

Revenue Calculations

Revenues to be considered are (a) direct property taxes that will be generated; (b) miscellaneous revenues that will be generated based on existing patterns and proportions and; (c) state aid that may be collected (mainly state aid for education) based on existing patterns and proportions.

I	REVENUE FROM NEW RESIDENTIAL DEVELOPMENT	
A.	Revenue from Property Tax on Development	
A-1.	Market Value of Development multiplied by	\$62,800,000.00
A-2.	Assessment Ratio	70.00%
A-3.	Actual Assessed Value multiplied by	\$43,960,000.00
A-4.	Residential Tax Rate /\$1000	\$28.80
A-5.	Estimated Property Tax Revenue	\$1,266,048.00
B.	Other Miscellaneous Revenue	
B-1.	Miscellaneous Revenue multiplied by	\$11,920,671.00
B-2.	Residential Proportion of all Property	85.63%
B-3.	Miscellaneous Revenue from Residential Use divided by	\$10,207,670.58
B-4.	Number of Residential Units	7,129
B-5.	Miscellaneous Revenue per Housing Unit	\$1,431.85
B-6.	Number of new homes	314
B-7.	Estimated Additional Miscellaneous Revenue	\$449,028.68
C	Total Estimated Revenue	\$1,715,076.68

Cost Calculations

Three types of costs are associated with residential development. The most significant is school costs, calculated by applying the current cost per student to the estimated number of new students. The second cost element relates to service costs. This is calculated based on existing service costs applied in a proportionate manner to new development. The third cost element comes into effect if development triggers some sort of capital expenditure. Again, the capital costs are applied in a proportional manner.

II COSTS DUE TO NEW RESIDENTIAL DEVELOPMENT		
A. School Costs Due to Development		
A-1.	Current School Cost per Student	\$15,903.01
A-2.	Number of Students in New Development	27
A-3.	Total School Cost per Year	\$434,139.50
B. Service Costs Due to Development (Costs associated with Library, Health, Recreation, Police, Fire and Road Maintenance)		
B-1.	Town expenditures excluding Schools multiplied by	\$25,311,425.00
B-2.	Residential portion of All Property	85.63%
B-3.	Service Costs due to Residential divided by	\$21,674,173.23
B-4.	# of Residential Units	7,129
B-5.	Service Cost per unit	\$3,040.28
B-6.	Number of Homes in New Development	314
B-7.	Town Service Costs for Residential units	\$953,432.56
C	Total Costs due to Development	\$1,387,572.06

Summary Results

The fiscal impact of development is calculated by subtracting the total costs associated with development by the total revenue that can be anticipated from development.

III	Net Fiscal Impact Resulting from Development	
A	Total Revenue from Residential Development	\$1,715,076.68
B	Total Costs due to Residential Development	\$1,387,572.06
C	Net Fiscal Impact per Year	\$327,504.63

THE COMMERCIAL ASSESSMENT TECHNIQUE

The Proportional Valuation Method is an average costing approach used to project the impact of industrial and commercial development on local costs and revenues. This two step process which first assigns a share of total municipal costs to local non-residential uses and secondly allocates a portion of these non-residential costs to new non-residential developments. The basic assumption is that municipal costs increase with the intensity of land use, and change in real property value is a reasonable substitute for change in intensity of use.

DATA SHEET FOR NON-RESIDENTIAL DEVELOPMENT

This presentation of the model assesses the impact of 750,200 square feet of commercial or industrial space. Much like the residential model, any of the variables on this input page may be changed to reflect unique characteristics of the Town and/or the development being assessed.

FISCAL IMPACT ASSESSMENT FOR COMMERCIAL DEVELOPMENT IN AVON, CT.			
1	Total Square Footage of new Development	750,200	DEVELOPER
2	Market Value per Square Foot	\$220	
3	Assessment rate for tax purposes	70.00%	
4	Town Tax Rate per \$1000	\$28.80	
5	Total Property Tax Levy	\$74,486,325	
6	Other Misc. Revenue from Local Receipts	\$11,920,671	TOWN BUDGET
7	Service Share of Town Tax Levy	\$25,311,425.14	
a	General Government	\$3,096,390.00	
b	Public Works (DPW)	\$5,469,394.00	
c	Public Safety	\$9,691,107.00	
d	Health and Human Services	\$483,568.00	
e	Parks and Recreation	\$795,407.00	
f	Culture	\$1,503,905.00	
g	Conservation and Development	\$636,900.00	
h	Miscellaneous	\$333,814.00	
i	Debt Service	\$3,300,940.00	
8	Com./Ind. Proportion of Real Property Value in Town	13.99%	
9	Assessed Value of Commercial/Industrial Prop.	324,003,590	Grand list 2014
10	Median Home Value in Avon	\$425,000.00	

Methodology

Revenue Calculations

1. Assign a share of existing municipal revenues to existing total non-residential uses by using proportional valuation.
2. Project the proportion of incoming facility to total local nonresidential property value and multiply it by total existing municipal revenues attributed to existing nonresidential uses to determine additional revenues due to new development.

I	REVENUE FROM NEW COMM/IND DEVELOPMENT	
A.	Revenue from Property Tax on Development	
A-1.	Market Value of Development	\$165,044,000.00
	multiplied by	
A-2.	Assessment Ratio	70.00%
A-3.	Actual Assessed value	\$115,530,800.00
	multiplied by	
A-4.	Property and District Tax Rate/\$1000 for the Town	\$28.80
A-5.	Estimated Property Tax Revenue	\$3,327,287.04
B	Miscellaneous Revenue	
B-1.	Miscellaneous Revenue (Local Receipts)	\$11,920,671.00
	multiplied by	
B-2.	Commercial Proportion of all Property Value	13.99%
B-3.	Miscellaneous Revenue from Commercial Use	\$1,667,701.87
	divided by	
B-4.	Assessed Value of all Non-Residential Property	\$324,003,590.00
B-5.	Misc. Revenue per \$1 in value	\$0.0051
	multiplied by	
B-6.	Assessed Value of new development	\$115,530,800.00
B-7.	Estimated Additional Local Receipt Revenue	\$594,656.78
C	Total Estimated Revenue	\$3,921,943.82

Cost Calculations

1. Assign a share of existing municipal expenditures to existing total non-residential uses by using proportional valuation.
2. Project the proportion of incoming facility to total local nonresidential property value and multiply it by total existing municipal expenditures attributed to existing nonresidential uses to determine additional expenditures due to new development.

II.	COSTS DUE TO NEW COM./IND. DEVELOPMENT	
A.	Service Costs	
A-1.	Service Costs associated with All Development	\$25,311,425.14
	multiplied by	
A-2.	Commercial/Industrial Percentage of all property value	13.99%
A-3.	Service Costs due to Commercial/Industrial	\$3,541,068.38
	divided by	
A-4.	Assessed value of current com./industrial property	\$324,003,590.00
A-5.	Service Cost per \$ of equalized value	\$0.0109
	multiplied by	
A-6.	Assessed value of commercial. new development	\$115,530,800.00
A-7.	Town Service Costs for Commercial Development	\$1,262,647.93

Summary Results

The fiscal impact of development is calculated by subtracting the total costs associated with development by the total revenue that can be anticipated from development.

III.	Net Fiscal Impact Resulting from Development	
A	Total Revenue from Development	\$3,921,943.82
B	Total Costs due to Service	\$1,262,647.93
C	Net Fiscal Impact per Year	\$2,659,295.89

IN CONCLUSION

The Carpionato Avon Village Center proposal will yield a positive fiscal impact for the Town of Avon of approximately 2.98 million dollars on an annual basis once development is completed.

	Net Fiscal Impact Resulting from Development			
		Residential	Commercial	Combined
A	Total Revenue	\$1,715,076.68	\$3,921,943.82	\$5,637,020.50
B	Service Costs	\$953,432.56	\$1,262,647.93	\$2,216,080.49
C	School Costs	\$434,139.50	\$0.00	\$434,139.50
D	Net Fiscal Impact per Year	\$327,504.63	\$2,659,295.89	\$2,986,800.52

When translated in terms of the impact to the average homeowner in town, this benefit amounts to an approximate savings of \$343 on the annual property tax bill. These calculations help put the fiscal impact into perspective from a homeowners standpoint.

A	Change in Town Tax Rate	
A-1.	Total Tax Levy	\$74,486,325.00
	divided by	
A-2.	Tax Rate/Thousand	\$28.80
A-3.	Amount affecting Tax Rate	
	by one dollar	\$2,586,330.73
A-4.	Net Fiscal Gain	\$2,986,800.52
	divided by	
A-5.	Amount affecting Tax Rate	
	by one dollar	\$2,586,330.73
A-6.	Decrease in Tax Rate	\$1.15
A-7.	Impact on Average Home Owner	
A-8.	Assessed Value of Home	\$297,500.00
A-9.	Tax Rate per 1000 at Present	\$28.80
A-10.	Annual Tax Payment without Further Growth	\$8,568.00
A-11.	Cost of Home	\$297,500.00
A-12.	Tax Rate per 1000 after New Development	\$27.65
A-13.	Annual Tax Payment after New Development	\$8,224.43
A-14.	Local Tax Savings per year after New Development	\$343.57

POSSIBLE COST-BENEFITS TO INDIVIDUAL DEPARTMENTS

Based on the current distribution of service costs, the estimated service costs from the proposed development could potentially look like the following

COST TO INDIVIDUAL DEPARTMENTS

	CURRENT BUDGET	PERCENT OF TOTAL	PROPOSED DEVELOPMENT
TOTAL BUDGET	78,109,424	100.00%	
Educational Costs	52,797,999	67.59%	\$434,139
Service Share of Town Tax Levy	25,311,425	32.41%	\$2,216,080.49
General Government	3,096,390	3.96%	\$271,097
Public Works (DPW)	5,469,394	7.00%	\$478,860
Public Safety	9,691,107	12.41%	\$848,481
Health and Human Services	483,568	0.62%	\$42,338
Parks and Recreation	795,407	1.02%	\$69,640
Culture	1,503,905	1.93%	\$131,671
Conservation and Development	636,900	0.82%	\$55,762
Miscellaneous	333,814	0.43%	\$29,226
Debt Service	3,300,940	4.23%	\$289,006

For illustrative purposes, if the net fiscal gain was distributed back to the service departments in Town, in the same proportional manner, the benefits would look like the following:

TOTAL ADDITIONAL REVENUE	\$2,986,801
General Government	\$118,277
Public Works (DPW)	\$209,076
Public Safety	\$370,662
Health and Human Services	\$18,518
Parks and Recreation	\$30,465
Culture	\$57,645
Conservation and Development	\$24,492
Miscellaneous	\$12,843
Debt Service	\$126,342