

4 February 2011

Ms. Rosemary Aldrich, Chairperson
Canton Planning Commission

Dear Ms. Aldrich and fellow Commission members;

On behalf of the Canton Economic Development Agency (EDA), I am forwarding this letter of support for the proposal to move forward with the development of the parcel located at 115 Albany Turnpike by the Konover Development Corporation.

As you may or may not know, one of the primary objectives of the EDA is to substantiate and support the responsible development of commercial and industrial real estate projects in our town. Through the analysis of a Cost of Community Service study and the Konover Commercial Real Estate Template (attached hereto), it can be determined that this project will generate substantial tax revenues for the town, thereby resulting in a positive economic benefit contributing to the greater good of Canton's community.

The additional tax revenue from this project is critical to our town in order to sustain the quality of life our community expects, as well as to fund land use initiatives which preserve a small town feel. In addition, as our state struggles with a budget deficit, it is very unlikely our town will receive the level of state funding it has in the past. Coupling the reduced funding from the state with increasing cost to provide services to residents (e.g., renewal of town employee labor contracts, increases in cost for infrastructure maintenance), Canton's ability to avoid significant financial challenges is unlikely.

The development under consideration of the parcel located at 115 Albany Turnpike has the near term potential to generate very substantial tax revenues, which would significantly help to offset on-going town expense increases and thereby reduce the burden on our residential real estate tax base. This is of critical importance to Canton's lower and middle income residents, since homeowners are already paying tax rates that are among the highest in our area and increases may put their residency at risk.

We understand the Planning Commission has its responsibilities to ensure the development of this property is compliant with town regulations. However, the commission also has responsibility to champion responsible development that benefits our community as a whole, as this project does. As such, we encourage the Planning Commission to work expeditiously to consider this matter, and move forward in a timely and cooperative manner with the developer to ensure any issues that may arise are addressed in a timely manner. Accordingly, we at the EDA express our support for the responsible pursuit of the Konover project. Please know our agency members stand ready to be of assistance to your commission as we all work to best meet the needs of Canton's residents.

Respectfully,

Joe Danajovits, Chair, on behalf of Canton's Economic Development Agency

Enclosures: Town of Canton 2009 Cost of Community Services Results; 2009 Real Estate Assessments for the Town of Canton; and Proposed Commercial Development Project Canton, Ct Analysis

Town of Canton 2009 Cost of Community Services Results

What is the purpose of conducting a Cost of Community Services study?

It is a simple method, developed by the American Farmland Trust, to assess how different types of land use affect a community's fiscal position by comparing annual tax revenues to annual expenses of public services for the various land use categories.

The method is a snap-shot of net fiscal costs of broad land use categories at a specific point in time.

Basically it apportions costs of town services to the respective land use which consume the services.

For example, education costs are exclusively used or consumed by residential properties and therefore apportioned only to residential properties.

The output or result of the study is a revenue : cost ratio for each land use category.

What the ratio tells us is that for every dollar of revenue collected, x number of dollars are spent to provide the services to the respective land use category.

Town of Canton 2009 Cost of Community Services Results

	Residential	Commercial	Industrial	Vacant	Public Utility	Farm	Forest	Open Space
Total Revenues Collected	\$28,667,268	\$4,606,711	\$260,014	\$29,546	\$4,617	\$19,071	\$5,458	\$20,813
Total Expenditures for Services	\$31,383,137	\$1,483,625	\$83,739	\$9,516	\$1,487	\$6,142	\$1,758	\$6,725
COCS Ratio	1 : 1.095	1 : 0.322	1 : 0.322	1 : 0.322	1 : 0.322	1 : 0.322	1 : 0.322	1 : 0.323
Revenue Capacity (Revenue Collected/Assessment Unit)	\$2,279	\$3,996	\$7,318	\$92	\$1,319	\$10	\$3	\$19

Notes

1. Expense distribution based on tax base percentage calculated for '2009 Real Estate Assessments', except as noted.

EDA should continue to review these distributions and make adjustments as necessary

2. All revenues are distribution based on tax base percentage calculated for the '2009 RealEstate Assessments.'

3. Does the 'Farm' landuse include the farm residence?

Confirm with tax assessor

Steps to use Cost of Community Services Model

A. Calculation of the Tax Basis (TB) for landuse =

(Total Grandlist Assessment / Land Use Assessment)

TB = TGA/LUA

B. Calculate Expense and Revenue distributions based on land use, if they are different from Tax Basis on Expense and Revenue distribution sheets.

C. Update catagories and the respective sums on General Fund Expense Dist and General Fund Revenue Dist sheets

D. Review Ratios

2009 Real Estate Assessments for the Town of Canton

Assessment Code	Assessment Category	# of Accounts	# of Units	Total Assessment Value	Tax Base %
Residential Land Use					
11	Res Dwelling Lot	3,215	3,784.76	\$ 243,071,000	24.27%
12	Res Excess Acreage	1,659	2,698.99	\$ 5,449,620	0.54%
13	Res Dwellings	2,991	3,011.96	\$ 497,284,330	49.65%
14	Res Outbuildings	1,604	2,408.00	\$ 10,396,830	1.04%
15	Res Condominiums	676	676.00	\$ 97,984,060	9.78%
Residential Totals		10,145	12,580	\$854,185,840	85.28%
Commercial Land Use					
21	Com Land	177	748.98	\$ 39,892,420	3.98%
22	Com Buildings	159	201.00	\$ 83,599,050	8.35%
23	Com Apartments	10	13.00	\$ 6,680,530	0.67%
24	Com Condominiums	7	8.00	\$ 4,399,670	0.44%
25	Com Outbuilding	118	161.00	\$ 1,528,140	0.15%
26	Com Land (Apt. Bldg.)	2	20.79	\$ 1,164,350	0.12%
Commercial Totals		473	1,153	\$137,264,160	13.70%
Industrial Land Use					
31	Ind Land	7	16.53	\$ 637,420	0.06%
32	Ind Buildings	3	3.00	\$ 1,492,020	0.15%
33	Ind Improvements	2	2.00	\$ 13,580	0.00%
34	Ind Condominiums	11	14.00	\$ 5,604,500	0.56%
Industrial Totals		23	36	\$7,747,520	0.77%
Public Utility Land Use					
41	PU Land	5	2.50	\$ 118,340	0.01%
43	PU Outbuildings	1	1.00	\$ 19,240	0.00%
Public Utility Totals		6	4	\$137,580	0.01%
Vacant Land Use					
51	Vacant Res Land	41	107.95	\$ 374,670	0.04%
52	Vacant Com Land	40	125.11	\$ 316,810	0.03%
53	Vacant Ind Land	6	25.58	\$ 53,720	0.01%
54	Vacant Wetlands	1	59.00	\$ 123,900	0.01%
55	Vacant Outbuildings	1	3.00	\$ 11,270	0.00%
Vacant Totals		89	321	\$880,370	0.09%
Farm Land Use					
61	Farm	82	1,990	\$ 568,240	0.06%
Forest Land Use					
62	Forest	49	1,659	\$ 162,630	0.02%
Open Space Land Use					
63	Open Space	151	1,113	\$ 622,220	0.06%
Land Use Totals					
Total		11,018	18,855	\$1,001,568,560	100.00%

KONOVER PROJECT COMMERCIAL REAL ESTATE TEMPLATE

The Commercial real estate template is an excel model that shows the future revenue and expenses that the Town can reasonably expect to receive and incur should a proposed real estate project be completed. We have used this template to project future revenue, expense, and net present value of all income and expense streams that can be anticipated if the Konover Route 44 project is completed.

As you will note, the template consists of 5 pages: There is a “Total Project” page which shows the project in total. There are 3 separate pages—one for each of the 3 buildings that are anticipated to be built as part of the project. And, there is an “Initial Fee” page which projects all of the upfront fees to the town that the project is anticipated to generate. While all projected fees and tax projections are estimates, they are based upon the existing fee and tax structures presently existing in the Town, as well as lengthy discussions with the developer, and in some cases, related Town personnel to confirm the reasonableness of projected fees and taxes.

You will see from both the individual building and total project pages, that the format starts with initial fees projected for each building and then consolidated for the total project. Next are projections of real estate and personal property taxes based upon current tax rates and discussions with the developer. Following total revenues are the cost of services that can be anticipated to be incurred by the town. These costs are generated from the Cost of Community Services study that the EDA completed last year, which estimates the cost of services for each real estate type in the town.

Finally, we show projected revenues, and net revenues after all projected cost of services, for the total project. We have further taken the gross (before cost of services) and net (after cost of services) revenues, and projected them for the next 15 years. We have discounted these revenue streams by a 4% discount rate (estimated to be a reasonable town bond interest rate) to show the gross and net present value of this project to the town. This would represent the dollar value to the town that this project would be worth if completed.

PROPOSED COMMERCIAL DEVELOPMENT PROJECT CANTON, CT															
Konover Route 44 Plaza Pharmacy Building 15,000 square feet															
PRE. OPERATING	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
INITIAL FEES	48941														
PROPERTY TAXES TAX ABATEMENTS															
NET PROPERTY TAX	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747	65,747
NET PERS. PROP. TAX	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132	9,132
OTHER TAX REV.															
TOTAL REVENUES	123819.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3	74878.3
APPRAISED VALUE	3,600,000	Based upon averages for pharmacies comparables													
ASSESSED VALUE	2,520,000														
TAX RATE	0.02609														
REAL ESTATE TAX	65,747														
PERSONAL PROP VAL	500,000														
ASSESSED VALUE	350,000														
TAX RATE	0.02609														
PERS. PROPERTY TAX	9131.5														
TOTAL ANNUAL TAX	74,878														
NET PRESENT VALUE @ 4%		\$914,768													

PROPOSED COMMERCIAL DEVELOPMENT PROJECT CANTON, CT															
Konover Route 44 Plaza Big Building															
PRE. OPERATING	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
INITIAL FEES	133,328														
PROPERTY TAXES TAX ABATEMENTS															
NET PROPERTY TAX	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680	142,680
NET PERS. PROP. TAX	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066	27,066
OTHER TAX REV.															
TOTAL REVENUES	169745.5	169746	169746	169746	169746	169746	169746	169746	169746	169746	169746	169746	169746	169746	169746
APPRAISED VALUE	7,812,500	Based upon 44,500 sq. ft. @ \$125 sq.ft plus 1,500,000 site work base upon 2.5 acres and \$750,000 land cost @ \$300,000/acre.													
ASSESSED VALUE	5,468,750														
TAX RATE	0.02609														
REAL ESTATE TAX	142,680														
PERSONAL PROP VAL	1,482,000														
ASSESSED VALUE	1,037,400														
TAX RATE	0.02609														
PERS. PROPERTY TAX	27,066														
TOTAL ANNUAL TAX	169,745														
NET PRESENT VALUE @ 4%		\$1,962,793													

PROPOSED COMMERCIAL DEVELOPMENT PROJECT CANTON, CT															
Konover Route 44 Plaza Small Building															
PRE. OPERATING	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
INITIAL FEES	14981														
PROPERTY TAXES TAX ABATEMENTS															
NET PROPERTY TAX	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851	27,851
NET PERS. PROP. TAX	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739
OTHER TAX REV.															
TOTAL REVENUES	45571.525	30590.525	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53	30590.53
APPRAISED VALUE	1,525,000	Based upon 5,000 sq. ft. @ \$125/sq.ft plus \$300,000 for 1 acre of land, and \$600,000 site costs based upon 1/5 of \$3 million total site costs.													
ASSESSED VALUE	1,067,500														
TAX RATE	0.02609														
REAL ESTATE TAX	27,851														
PERSONAL PROP VAL	150,000														
ASSESSED VALUE	105000														
TAX RATE	0.02609														
PERS. PROPERTY TAX	2739.45														
Total ANNUAL TAX	30,591														
NET PRESENT VALUE @ 4%		\$368,703													

PROPOSED COMMERCIAL DEVELOPMENT PROJECT CANTON, CT															
Konover Route 44 Plaza Total Project															
PRE. OPERATING	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
INITIAL FEES	197,250														
PROPERTY TAXES															
TAX ABATEMENTS															
NET PROPERTY TAX	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278	236,278
NET PERS. PROP. TAX	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937	38,937
OTHER TAX REV.															
TOTAL REVENUES	291841	275215	275215	275215	275215	275215	275215	275215	275215	275215	275215	275215	275215	275215	275215
INITIAL EXPENSES															
COCS EXPENSES	93389.12	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8	88068.8
NET REV. TO TOWN	198451.88	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2	187146.2
NET PRESENT VAL.															
APPRAISED VALUE	12,937,500														
ASSESSED VALUE	9,056,250														
TAX RATE	0.02609														
REAL ESTATE TAX	236,278														
PERSONAL PROP VAL	2,132,000														
ASSESSED VALUE	1,492,400														
TAX RATE	0														
PERS. PROPERTY TAX	38,937														
Total Annual Tax	275,214														
PRESENT VALUE OF REV. @ 4%		\$3,198,971													
NET PRESENT VALUE AFTER COCS		\$2,175,300													

		Pharmacy	Small Building	Large Building	Total
TYPE OF FEE	DESCRIPTION	AMOUNT	AMOUNT	AMOUNT	AMOUNT
BUILDING PERMITS	\$14/\$1000 OF MARKET VAL.	15,000	5,000	44,500	64,500
WPCA SEWER HOOKUP	PER SCHEDULE	27,384	9,128	81,238	117,750
HEALTH DEPT.	INSIGNIFICANT				
TOWN CLERK RECORD.		\$1,395	465	4,140	6,000
CONVEYANCE TAX	.0025 OF PURCHASE PRICE	4,000			4,000
LAND USE FEES	PER SCHEDULE	1,162	388	3,450	5,000
TOTAL INITIAL FEES		48941	14981	133,328	197250
Building permit fees were calculated on the basis of \$75/sq.ft for the pharmacy and large building, and a lower, \$45/sq. ft. for the small building which assumes that building will be used for a restaurant.					
Town clerk recording fees and land use fees are rough estimates, and will be further refined.					
Sewer hookup fees are based upon actual estimates from the Town					
Conveyance fees are for the sale of the pharmacy upon its completion.					
Town Clerk fees, land use fees, and sewer hook up fees are apportioned to specific buildings based upon square footage as follows:					
	Pharmacy	15,000 sq. ft.			
	Small Building	5,000			
	Big Building	44,500			
	Total	64,500 sq. ft.			