

A. Jeffrey Capeci, Chairman  
Mary Ann Jacob, Vice Chair  
Dan Amaral  
Jan Andras  
Kathy Fetchick  
James S. Belden



Gary Davis  
George T. Ferguson  
Kevin Fitzgerald  
Bob Merola  
Ben Spragg  
Dan Wiedemann

## TOWN OF NEWTOWN

3 Primrose Lane  
Newtown, CT. 06470  
Tel. (203) 270-4210  
www.newtown-ct.gov

**Minutes from the public hearing of the Legislative Council  
Held in the Board Room in the Newtown Municipal Center,  
3 Primrose Street, Newtown, Connecticut  
Wednesday, November 16, 2011**

***\* These are draft minutes and as such are subject to correction by the Legislative Council at the next regular meeting. All corrections will be determined in minutes of the meeting which they were corrected.***

Chairman Capeci called the meeting to order at 7:15 pm.

**Present:** Jeffery Capeci, George Ferguson, Kathy Fetchick, Daniel Amaral, Dan Wiedemann, Jan Andras, Mary Ann Jacob, Robert Merola, Kevin Fitzgerald, James Belden, Ben Spragg

**Absent:** Gary Davis

**Also Present:** First Selectman Pat Llodra, 16 members of the public, and two member of the press

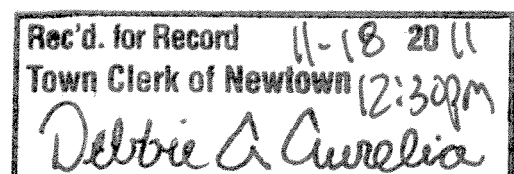
*To hear public comment concerning The Strategic Plan for Economic Development:*

Ruby Johnson, 16 Chestnut Hill Road – She questioned if economic development always resulted in lower taxes. In 1979 Ridgefield looked increase commercial and industrial property to reduce the residential tax base. In 1995 they noticed that their taxes were going up each year. It was because the population went up and therefore required more town services. She asked that they do no assume that it will reduce the tax burden on residents because it just may increase it. She is not opposed to economic development but you have to be careful. Don't make false promises without good research. Handouts that Ms. Johnson gave to the council members are attached (Attachment A)

Deborra Zukowski, 4 Cornfield Ridge Road – Read through the document very carefully and found a few things that would be a benefit to Newtown. There is wording that could mislead people about FFH. What is under the words may make sense but it may preserve that the FFH Master Plan Review Committee didn't exist. A copy of the her mark-up is attached (Attachment B)

The FFH master plan which is on the website has a chart where there are three of the 5 towns with lower commercial ratios have lower mill rates than Newtown. What this points too is that there needs to be more research. More commercial growth will have a short term relief on the tax base but not necessarily long time.

Another area of concern is as they bring economic development they need a concept for what the roads need. It is likely that there will be congestion in area's or throughout town. How is our transportation infrastructure going to handle this?



**Newtown Legislative Council**

One emphasis is on jobs but not all jobs are the same. If you bring in big box retail which would bring in minimum wage workers, the money would likely go out of town. The document reads that the commercial industrial portion of the grand list is basically 6.94%. That is not true, that is the commercial ratio for real property and does not include personal property tax, the real number stands at 10%.

Having no further business, the meeting was adjourned at 7:47pm

Arlene Miles, Clerk Pro-Tem



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**Commercial Development:**

**Effect on Taxes and Property Values**

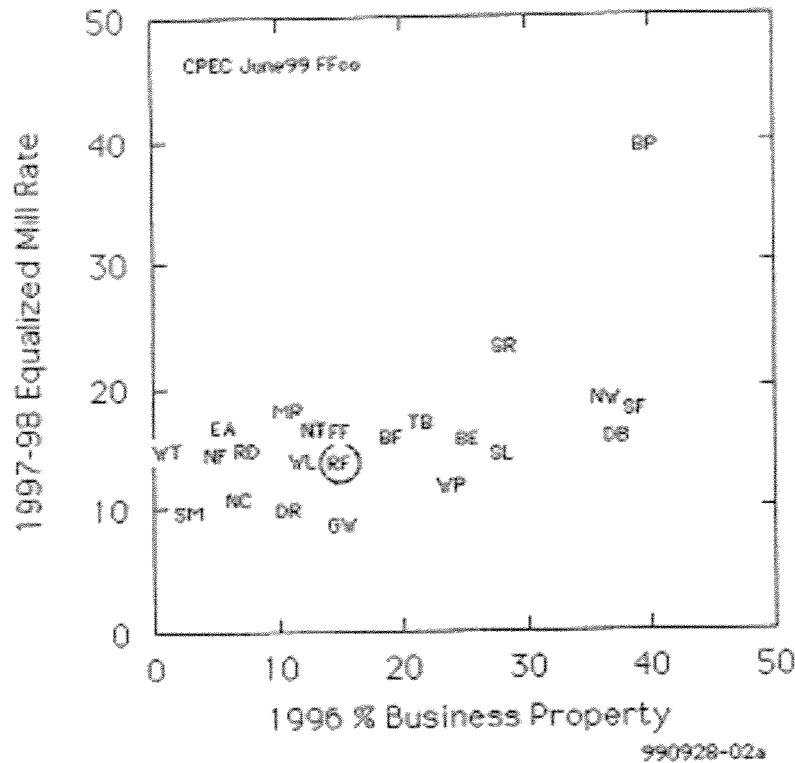
Robert Kleinberg, Bennett's Farm Road, Ridgefield, Connecticut

People dislike taxes. Ridgefield derives about 85% of its revenue from property taxes. Schools are expensive. About two-thirds of the 1999-2000 Ridgefield town budget of \$65 million is being spent on schools. Commercial property is subject to property tax, but does not send children to school. Hence many believe that commercial development is a good way to reduce taxes. This sounds reasonable, but is it true?

I have looked at the experience of the 23 towns and cities of Fairfield County, Connecticut, ranging from struggling Bridgeport to prosperous Greenwich. The range of commercial development extends from Weston, which has scarcely any commercial property at all, to Stamford, with its international corporate presence. The data show that commercial development has little effect on tax rates, and a negative effect on property values.

**Mill Rate**

The mill rate is the amount of tax due for each \$1000 of assessed valuation. It is the most closely watched number in town. The data I use are equalized mill rates, which allow a fair comparison between towns. The details are given in the Appendix. I plot equalized mill rate against the value of business property as a percentage of all assessed property. This is a good measure of the intensity of commercial development. The two-letter town codes are listed in the Appendix. The point representing Ridgefield (RF) is circled. Except for Bridgeport (upper right corner) all the towns fall in a band, with Ridgefield near the middle. If anything, there is a slight trend toward higher mill rates as the percentage of business property increases.



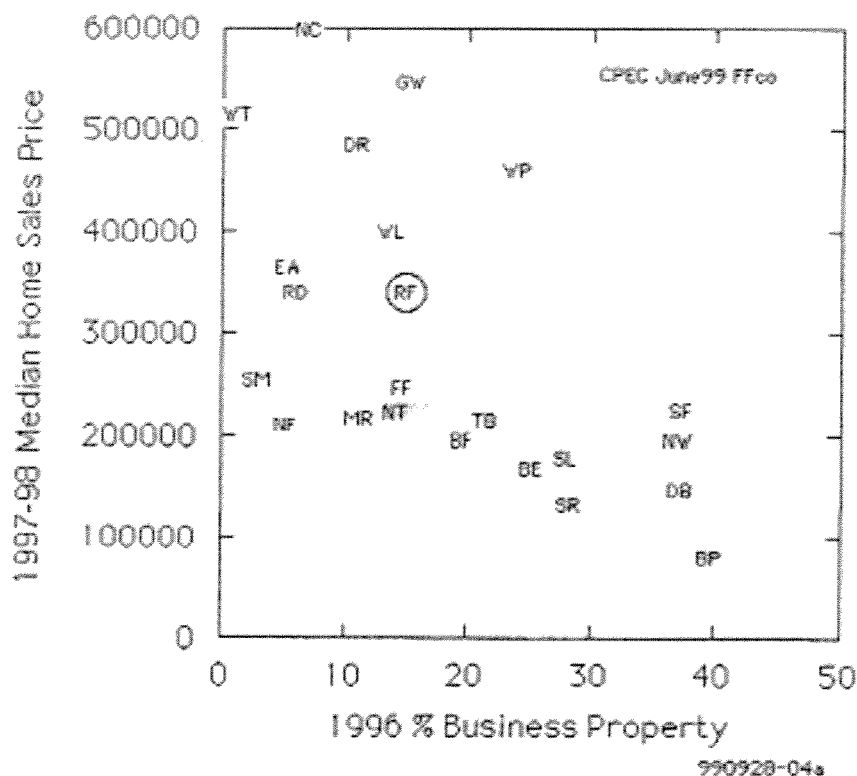
### School Spending

Education is important in Connecticut, which ranks near the top of the 50 states in all measures of educational achievement. Moreover, Ridgefield ranks near the top of Connecticut's 169 towns, a position we wish to retain. We have seen that towns with little commercial development have relatively low mill rates. Do towns with low commercial development keep their tax rates low by skimping on schools? The answer is no: In Fairfield County there no correlation between intensity of commercial development and educational expenditures per pupil.

### Impact of Commercial Development on Residential Property Values

We have seen that, on average, increasing intensity of commercial development does not lead to a lower mill rate. What effect does commercial development have on property values? In the next figure, I plot the median price of a home sold in 1997-98 against the intensity of commercial development. In the 13 towns where the intensity of commercial development is the same as, or less than,

Ridgefield, home prices vary widely. In the 10 towns with more intense commercial development, 9 have lower median home sales prices. These data must be sobering to those who advocate commercial development as a way of increasing the desirability of a town.



### Case Study: Ridgefield vs. Redding

In evaluating the effect of commercial property on town finances, it is very instructive to compare Ridgefield and Redding. The two towns, situated side by side across Route 7, have almost identical socioeconomic profiles. Yet, over the last three decades, the course of development in the two towns has been very different.

A large part of the land area of Redding is owned by Bridgeport Hydraulic Company to protect its watershed, and is taxed at a very low rate. In years past, Redding has further increased its fraction of open space by buying tracts of land for preservation purposes. Commercial development has been discouraged. As a result, the population and population density of Ridgefield is about two and half times greater than that of Redding. The assessed value of Redding's commercial property, which includes the Bridgeport Hydraulic land, is about one-seventh Ridgefield's. According to the

conventional wisdom that commercial development eases tax rates, Redding taxpayers should be groaning under an intolerably higher burden.

In reality, Redding's equalized mill rate, 15.3, is about 11% higher than Ridgefield's, 13.7. This is largely because Redding spends 10% more on its schools, on a per pupil basis, than Ridgefield does. Thus, compared to Ridgefield, Redding has paid little or no tax penalty for preserving itself as a small town with very little congestion and a great deal of recreational and open space.

### Implications for Ridgefield

Ridgefield today is under tremendous development pressure. The recent purchase of the Bennetts Pond property by a New Jersey developer heralds the commercial development of one square mile of the town. The most powerful argument in favor of large-scale commercial development is that it reduces the tax burden on homeowners. This claim has been repeated so many times that everyone assumes it is true, and many towns have welcomed commercial development, promising to decrease the burden on their taxpayers. Unfortunately, those promises have not been kept. Examination of the evidence shows that towns that have welcomed commercial development have tax rates just as high as those towns that have spurned it. Moreover it appears that home prices are generally lower in towns with a high intensity of commercial development. Now Ridgefield must decide whether further commercial development is worth the increase in traffic and congestion, and the decrease in recreational and open space resources, and maybe even property values, that will result.

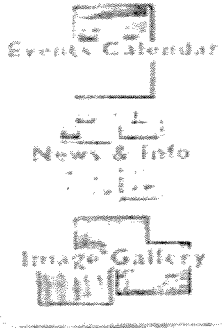
### Appendix: Sources of Data

All data used in this study come from the latest data release (June 1999) of the Connecticut Policy and Economic Council (CPEC). The CPEC is a non-profit, non-partisan research organization that compiles fiscal data on all 169 Connecticut towns.

Because each town assesses property differently, the mill rate cannot be compared among towns. Therefore, the State of Connecticut Office of Policy and Management computes the ratio of the sale prices of properties to their assessed valuations, for each town. These ratios are used to compute equalized mill rates, which can be compared among towns. In 1997-98 Ridgefield's mill rate was 20.91 and its equalized mill rate was 13.75.

The Grand List is the total assessed valuation of property in town. The commercial Grand List is the value of commercial, industrial

and utility property, including real estate and equipment. The percentage of business property is found from the ratio of the two.



Town codes: BE=Bethel, BP=Bridgeport, BF=Brookfield,  
DB=Danbury, DR=Darien, EA=Easton, FF=Fairfield,  
GW=Greenwich, MR=Monroe, NC=New Canaan, NF=New  
Fairfield, NT=Newtown, NW=Norwalk, RD=Redding,  
RF=Ridgefield, SL=Shelton, SM=Sherman, SF=Stamford,  
SR=Stratford, TB=Trumbull, WT=Weston, WP=Westport,  
WL=Wilton.

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## ECONOMIC DEVELOPMENT

Economic development is often defined as structures, activities, businesses that pay more in taxes than the costs of municipal and school services they demand

The question before us is, "Does the presence of Commercial, Industrial, or Business Property in a Town lower the tax burden for citizens?"

The 1989 study done by the Vermont League of Cities and Towns and the Ridgefield, CT, longitudinal study completed in 1978 and repeated in 1995 provide helpful information about the impact of economic development on a town. The graphs on the next page illustrate their findings

The Ridgefield, CT Study: As a result of the 1978 study, Ridgefield decided to actively seek to attract businesses to Town in order to broaden the tax base. They knew from their study that commercial property pays more in taxes than it requires in services. Thus, commercial property would contribute excess tax dollars to fund Town government and schools.

But in 1995 it became obvious that in spite of new businesses coming into town, taxes had continued to rise steadily. To determine why, the 1978 study was repeated and completed in 1995. Several of the most obvious reasons for tax increases were:

1. The increase in population- some of the newly created jobs were filled by persons who chose to move into Ridgefield.
2. The second reason was the need to expand the number of multi-family housing units to house some of the new workers moving into town and
3. Multi-family units and single-family homes of the new residents caused a significant increase in school enrollment (Multi-family units sometimes housed fewer students than single-family homes )

Does this information apply to Connecticut? The 1999-2000 report of the Connecticut Policy and Economic Council (Hartford) shows similar results. The following chart shows Hartford and other large towns with significant business property, but also high mil rates.

### BUSINESS PROPERTY VALUES as PERCENT OF GRAND LIST COMPARED TO EQUALIZED MIL RATE RANKING OF LARGE CITIES over 100,000

	Business Property as% of Grand List		Equalized Mil Rate	
		<u>Rank in State</u>		<u>Mil Rate Rank in State</u>
HARTFORD	66%	<u>1<sup>st</sup></u>	33.76	<u>1<sup>st</sup></u>
NEW HAVEN	49.2%	<u>2<sup>nd</sup></u>	31.46	<u>4<sup>th</sup></u>
WATERBURY	46%	<u>3<sup>rd</sup></u>	29.07	<u>5<sup>th</sup></u>
BRIDGEPORT	40.9%	<u>4<sup>th</sup></u>	33.73	<u>2<sup>nd</sup></u>
STAMFORD	37.7%	<u>16<sup>th</sup></u>	15.61	<u>121<sup>st</sup></u>
NEW BRITAIN	30.8%	<u>5<sup>th</sup></u>	33.71	<u>3<sup>rd</sup></u>

(CT Policy and Economic Council 1999-2000)

"Newtown could pave over Fairfield Hills and fill the landscape with office buildings and parking lots and still earn itself less than a mil in revenue. People flocking to town to populate those new office buildings would ... want houses nearby, spurring residential growth even more, ... making our next revaluation an even bigger bombshell." THE BEE 3/28/03

"Rosenthal said the town would need the equivalent of eight Sand Hill Plazas to lower taxes by a single mil." NEWS-TIMES 3/28/03



Does this information apply to the Newtown area? Study the chart that follow. (file: book2)

**BUSINESS PROPERTY AS PERCENT OF GRAND LIST  
COMPARED to EQUALIZED MIL RATE IN NEARBY TOWNS  
(Connecticut Policy and Economic Council 1999-2000)**

	BUSINESS PROPERTY AS % OF GRAND LIST	EQUALIZED MIL RATE	# OF MULTI- FAMILY UNITS (5 Or More)
JANBURY	37.4 %	16.32	6,858
RUMBULL	24.6 %	16.25	not given
METHEN	24.2 %	18.56	583
WROOKFIELD	20.3 %	15.09	409
NEWTOWN	13.4 %	16.55	163
MONROE	12.4 %	17.2	240 (P&Z Plan of Development p. 37)

How much do local businesses actually pay in taxes? The assessor's office recently listed the top ten taxpayers in Newtown. Three of these offer insight into the tax revenue situation.

Company	Rank	Assessed Value:2003	Taxes paid in 2002
Sand Hill Plaza	#2	\$ 14,481,780	\$ 340,273
Barnabas Realty	#4	12,351,350	289,021
Newtown Shopping Village (Big-Y)	#6	7,665,440	179,370

**IS NEWTOWN PREPARED TO PROFIT FROM ECONOMIC DEVELOPMENT?**

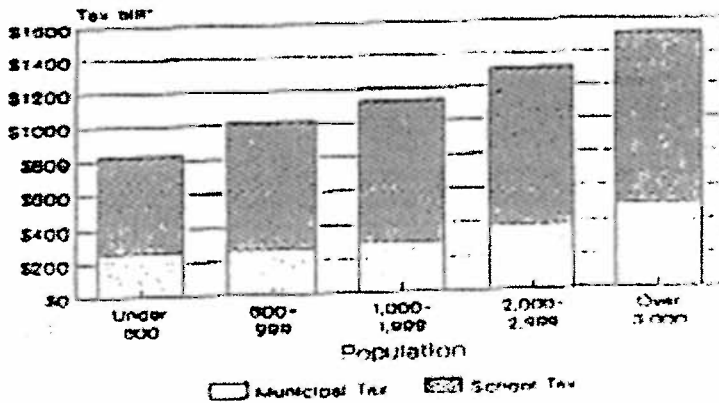
A yes answer means your community will receive more income from economic development than it will need to pay out in services.

1. Do you have a reservoir of unemployed workers? (HMA reports 2.4% 10/31/02)
2. Do you have appropriate housing available for type of workers anticipated?
3. Can the existing highways carry additional traffic?
4. Are there empty seats in the school classrooms to absorb more students?
5. Are municipal services adequately housed, equipped and staffed to accommodate more people?

(CT State Statues: Vol. 2 Sections 7 & 8)

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## 2. Population and Residential Tax Bills



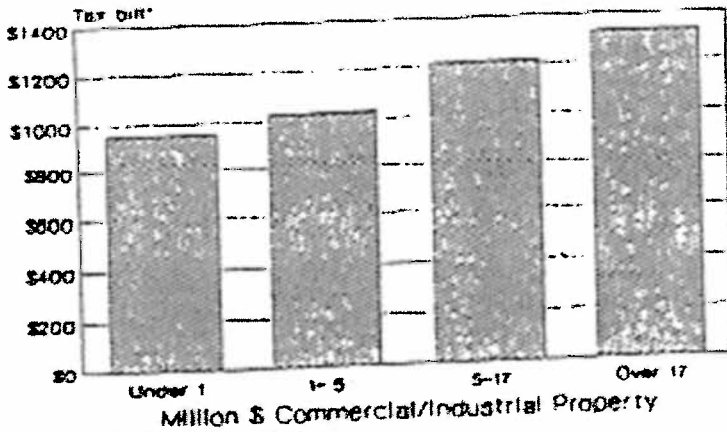
\*Tax bill on the average-value house with less than 6 acres; 1989

## VERMONT LEAGUE OF CITIES 1989 STUDY

"By now, it is fairly well accepted that residences cost the town money."

"...the general trend is that taxes increase with population"

## 4. Residential Tax Bills & the Value of Commercial/Industrial Property in Town



\*Tax bill on the average-value house with less than 6 acres; 1989

"However, the general trend is: the more commercial and industrial property value in a town, the higher the total tax burden."