

**CHALLENGES TO DEVELOPMENT (NOVEMBER 2018) - REVITALIZING HIGGANUM VILLAGE WITH SEWER INFRASTRUCTURE - IS IT A GOOD INVESTMENT?**

**STEP #1 - DETERMINE 100% BUILDOUT INCREASE IN INCREMENTAL CHANGE IN HADDAM'S TAX BASE**

(column F) X (column G)

	Current Higganum Village District	Revitalized Higganum Village District	Change	Increased Square Foot (each residence = 1,000 sf)	BUILDING Assessed Value Per Square Foot	BUILDING 100% Buildout - Increase Assessed Value Higganum Village District
<b>Residential Units</b>	26 Residences	205 Residences	+ 179 Residences	+ 179,000 sf	\$75.00	\$13,425,000.00
<b>Retail &amp; Office</b>	83,200 square feet	139,200 square feet	+ 56,000 sf Commercial	+ 56,000 sf	\$89.00	\$4,984,000.00
<b>TOTAL INCREASE 235,000 square feet = 100% Buildout INCREASE IN ASSESSED VALUE - BUILDING \$ 18,409,000</b>						

**STEP #2 - DETERMINE INCREMENTAL INCREASE IN PROPERTY TAX REVENUE AT VARIOUS LEVELS OF 100% BUILDOUT**

		Increase in Incremental Assessment	Increase in Incremental Tax Revenue	
<b>100% BUILDOUT</b>	31.69 MILLS	\$18,409,000.00	\$583,381.21	100% BUILDOUT
<b>75% BUILDOUT</b>	31.69 MILLS	\$13,806,750.00	\$437,535.91	75% BUILDOUT
<b>50% BUILDOUT</b>	31.69 MILLS	\$9,204,500.00	\$291,690.61	50% BUILDOUT
<b>25% BUILDOUT</b>	31.69 MILLS	\$4,602,250.00	\$145,845.30	25% BUILDOUT

**STEP #3 - DETERMINE NET SURPLUS/(DEFICIT) OF INVESTING IN SEWER INFRASTRUCTURE AT VARIOUS LEVELS OF 100% BUILDOUT**

NET COST	CAPITAL COST	100% BUILDOUT	75% BUILDOUT	50% BUILDOUT	25% BUILDOUT
HIGGANUM VILLAGE SEWER	3.5% - 20 YEARS	SURPLUS OR (DEFICIT)	SURPLUS OR (DEFICIT)	SURPLUS OR (DEFICIT)	SURPLUS OR (DEFICIT)
\$2,500,000.00	\$175,903.00	\$407,478.00	\$261,633.00	\$115,788.00	-\$30,058.00
\$5,000,000.00	\$351,805.00	\$231,576.00	\$85,731.00	-\$60,114.00	-\$205,960.00
\$7,500,000.00	\$527,708.00	\$55,673.00	-\$90,172.00	-\$236,017.00	-\$381,863.00
\$10,000,000.00	\$703,611.00	-\$120,230.00	-\$266,075.00	-\$411,920.00	-\$557,766.00
\$12,500,000.00	\$879,513.00	-\$296,132.00	-\$441,977.00	-\$587,822.00	-\$733,668.00
\$15,000,000.00	\$1,055,416.00	-\$472,035.00	-\$617,880.00	-\$763,725.00	-\$909,571.00

**Assumptions: HIGGANUM VILLAGE SEWER INVESTMENT: COST/BENEFIT ANALYSIS**

- 1) Data on current and projected buildout of Higganum Village from Fuss & O'Neill - Village of Higganum: A Preliminary Study of Opportunities & Constraints - March
- 2) Data on Assessed Building Cost from Essex and Middletown Assessor's Office. Data from Essex on residences overstates actual per square costs since septic system was needed there and not in Higganum
- 3) Assumes that sewer system and 100% buildout of all new construction occurs simultaneously with no phase in for finance costs or incremental tax revenue
- 4) Tax rate per FY2018/19 (31.69 mills)
- 5) No change in land value assessments following construction
- 6) Doesn't take into account possible lower assessment rate on new construction due to 25% commercial space/75% residence requirement in Haddam
- 7) Net Cost of Sewer = BONDED DEBT: Actual Design/Build Cost minus state and federal grants/subsidies - Based on Wright-Pierce Report (2012) cost-range rounded
- 8) Net Cost of Sewer does not include additional annual budgetary charges for operation or connection fees, nor does it include possible revenue from user fees
- 9) STEP #3 - A 'SURPLUS' is good news, means that the investment pays for itself and returns money to taxpayers.
- 10) STEP #3 - A '(DEFICIT)' is bad news, means that investment is not paying for itself and requires additional tax revenue subsidy from taxpayers
- 11) STEP #3 - To determine Surplus/(Deficit) take incremental tax revenue at each level of 100% Buildout and subtract the Capital Cost for each level of Net Cost of Sewer for example: At \$10,000,000 Net Cost and 50% Buildout: Capital Cost = (\$703,611) and Incremental Tax Revenue = \$291,691. Subtract (\$703,611) from \$291,691 = A (Deficit) of (-\$411,920)