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Impacts on economic development patterns in Connecticut - by Robert Santy

July 21, 2017 - Connecticut

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On May 10, I spoke at the Greater New Haven Chamber of Commerce Real estate event. The audience is primarily commercial brokers, bankers, economic developers and local officials. This gave me the opportunity to tie together some of my thoughts about development patterns and the state's fiscal crisis, particularly as it impacts towns.

In Connecticut, towns can only levy taxes on real estate, making Connecticut one of the top two or three states in reliance on the property tax to fund local government. Thus, a town's fiscal health is determined in large part by whether property values are growing, and whether there is a healthy balance between residential and commercial and industrial components.

With the state's current fiscal crisis, towns will be called on to bear some unanticipated costs. That makes understanding trends in real estate values and the inherent changes in the grand list critically important.

We are re-urbanizing as a state. This could benefit some of our cities that are seeing population growth for the first time in almost a century as new housing is being constructed. That housing is almost entirely multi-unit housing, not single family houses, because that's what the market is demanding. On the other hand, suburban communities with many larger single family homes are seeing declines in their grand lists, because that housing product is not holding its value as demand for it declines. Suburban towns on balance have more assets (taxable property) per capita than cities. But re-urbanization may mean a reduction in the residential component of the grand list in these suburban communities. Many suburban and rural communities have more than 90% of the total value of their grand lists in residential properties, well above the state average of 70%.

Two proposals included in governor Malloy's budget would put additional pressure on towns: changes in the education funding formula, and towns absorbing one third of the cost of teacher's retirement benefits.

Unfortunately, I don't have a crystal ball, and therefore won't predict how all this will shake out. But, the cumulative effect of the real estate and fiscal trends in the state means that Connecticut towns

will need to look carefully at the mix of housing choices in their communities, and the ratio of total residential to commercial and industrial property as they plan their budgets in the years ahead.

Towns could be searching for new commercial and industrial projects to make up their gap in funding. If so, towns should be thoughtful and conscious about how this occurs. Debate should center on what type of commercial and industrial development and what residential products are consistent with their town vision.

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