

The City of New Haven's Assessment Deferral Program: Overview and Recommendations



City of New Haven

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What is the City of New Haven's Assessment Deferral Program?

The Board of Alders enacted the Assessment Deferral Program in 1975 to:

- Encourage needed investment in aging housing stock
- Increase employment opportunities
- Expand the City's tax base

The Board of Alders amended this program in 1981, and, per City ordinance, has renewed it every 5 years since then.

Most recently, the Board of Alders renewed the program in October 2014 for the period 1/1/15 through 12/31/19.

How Does Assessment Deferral Work?

- Assessment Deferral is a property assessment deferral that is permitted by ordinance.
- Applicants with a building or construction project submit an application, along with all supporting documentation, to the Office of Economic Development (OED) before securing building permits to start construction of the project.
- OED staff, along with colleagues in the Office of Building Inspection and Enforcement (OBIE) and the Assessor's Office, review the application for completeness.
- The Assessor's Office confirms the Base Assessed Value (BAV) (otherwise known as the "base assessment" in contracts) and estimates an as-complete assessed value to the project.

What Is the Value of Assessment Deferral to Developers?

- Certainty:
 - Available to all property owners who wish to make substantial property improvements
 - Assessment fixed at the Base Assessed Value (BAV) during the construction period
- Delayed impact of increased taxes: assessed value of improvements phased in during lease-up
- Citywide:
 - Applies everywhere in New Haven
 - Final value must >135% of BAV
 - Up to 2 years of taxes on BAV, then one (1) year at BAV, then a 5-year phase-in of taxes on BAV plus improvements (BAV + 20%, BAV + 40%, BAV + 60%, BAV + 80%, BAV + 100%)
 - Example: 200 College Street (College & Crown, a CenterPlace)
- Enterprise Zone:
 - State program that applies only to certain U.S. Census tracts in New Haven
 - No required threshold amount of improvements over BAV
 - Up to 4 years of taxes on BAV, then a 6-year phase-in of taxes on BAV plus improvements (BAV + 50%, BAV + 60%, BAV + 70%, BAV + 80%, BAV + 90%, BAV + 100%)
 - Example: 100 College Street (Alexion Building)

How Do City Residents Benefit from Assessment Deferral?

- Increased ongoing property taxes, through development of unused or underused property and/or rehabilitation of existing commercial and residential buildings throughout the City, providing valuable revenue to support City services
- Increased building fees, providing valuable one-time revenue to support City services
- Beautification/aesthetic value of rehabilitated properties to neighborhood/community development
- Fair and equitable approach to tax incentives
- Increased overall economic activity

How Can We Improve Assessment Deferral?

Goals:

- Accelerate and increase property tax revenue receipts
- Support affordable housing development
- Maintain or increase the attractiveness of developing and investing in New Haven

Assessment Deferral Proposal

Revise the Citywide Assessment Deferral Program in four ways:

1. Shorten construction-period freeze from 2 years to 1 year
2. Terminate program benefit to a property upon the transfer of ownership or control during deferral period
3. Increase tax phase-in percentage to support affordable housing development
4. Apply revisions #1-3 ONLY to projects with 5+ residential units and all commercial/industrial projects (leave LCI program for 1-4 units as currently structured)

Proposal: Accelerate Taxes, Increase Taxes, Support Affordable Housing Development

- Hypothetical Example:
 - Large, mixed-use project (e.g., Novella)
 - \$32,635,065 final assessed value:
 - Base Assessed Value (BAV)(Land): \$7,329,615
 - Improvements (Building): \$25,305,450
 - Taxes:
 - 1 year of taxes at BAV (construction year; currently 2 years)
 - 1 additional year of taxes at BAV (per CGS 12-65e)
 - 5-year phase-in of taxes on BAV plus improvements (BAV + 25%, BAV + 45%, BAV + 65%, BAV + 85%, BAV + 100%)
 - City Benefits:
 - 30% more revenue over 7-year period:
 - General Fund taxes: \$1,087,629
 - Affordable Housing Fund: \$217,524
 - Total new revenue: \$1,305,153
 - \$37,946,663 total revenue over 30-year period

Tax Impact					
	Assessment Deferral		Revenue Gain		
Year	Current	Proposed	General Fund	Affordable Housing Fund	TOTAL
Year 1	\$315,027	\$315,027	\$ -	\$ -	\$ -
Year 2	\$315,027	\$315,027	\$ -	\$ -	\$ -
Year 3	\$315,027	\$586,933	\$217,525	\$54,381	\$271,906
Year 4	\$532,553	\$804,460	\$217,526	\$54,381	\$271,907
Year 5	\$750,078	\$1,021,985	\$217,526	\$54,381	\$271,907
Year 6	\$967,604	\$1,239,511	\$217,526	\$54,381	\$271,907
Year 7	\$1,185,129	\$1,402,655	\$217,526	\$ -	\$217,526
TOTAL	\$4,380,445	\$5,685,598	\$ 1,087,629	\$ 217,524	\$1,305,153

Next Steps

- Board of Alders submission: end of August
- City Plan Commission hearing: September 18
- Board of Alders hearing: October (TBD)

Questions?

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