TOWN OF CLINTON - ECONOMIC DEVELOPMENT COMMISSION
NOTICE OF SPECIAL MEETING
Friday, April 17, 2020
5:00 p.m.
Via Zoom Teleconference

Zoom can be downloaded from here: https://zoom.us/download
Zoom meeting link and phone numbers for audio are attached

Opening exercise
• Roll call; determination of quorum

New Business

Indian River LLC Tax Abatement Recommendation

Old Business

Clinton Manufacturing Coalition
• Clinton BOE/CMC Training Program Update
  DECD/CMC Communications

Adjournment

The Economic Development Commission is inviting you to a scheduled Zoom meeting.

Topic: Economic Development Commission
Time: April 17, 2020 05:00 PM Eastern Time (US and Canada)

Join Zoom Meeting
https://us04web.zoom.us/j/78238923429?pwd=dU5oUlZRRlpTSFZ2QVFhOUUGNVUT09

Meeting ID: 782-3892-3429
Password: 410931

Dial by your location
  +1 929 205 6099 US (New York)
  +1 312 626 6799 US (Chicago)
  +1 669 900 6833 US (San Jose)
  +1 253 215 8782 US
  +1 301 715 8592 US
  +1 346 248 7799 US (Houston)
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**PHASE ONE**

| | Improvements Appraised Value | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 |
|---|---|---|---|---|---|---|---|
| | Improvements Assessed Value | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 |
| | Fixed Assessment (%) | 0.00% | 20.00% | 40.00% | 60.00% | 80.00% | 100.00% | 100.00% |
| | Property Tax (Improvements Only) | $0.00 | $90,300.00 | $180,600.00 | $270,900.00 | $361,200.00 | $451,500.00 | $451,500.00 |

**PHASE TWO**

| | Improvements Appraised Value | $0.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 |
|---|---|---|---|---|---|---|---|
| | Improvements Assessed Value | $0.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 | $14,000,000.00 |
| | Fixed Assessment (%) | 0.00% | 0.00% | 20.00% | 40.00% | 60.00% | 80.00% | 100.00% |
| | Property Tax (Improvements Only) | $0.00 | $0.00 | $90,300.00 | $180,600.00 | $270,900.00 | $361,200.00 | $451,500.00 |

Total Property Tax | $0.00 | $90,300.00 | $270,900.00 | $451,500.00 | $632,100.00 | $812,700.00 | $903,000.00 |

Note: These projections assume that the project is built in two phases with 50% of the improvements in service for the 2022 tax year and the other 50% for the 2023 tax year. It then assumes that each phase will have a 5 year tax ramp up resulting in the first full tax year being 2028.
TOWN OF CLINTON

TAX ABATEMENT REQUEST

NAME OF BUSINESS ENTITY:  Indian River Landing
                Greylock Property Group, LLC
                Killingworth Turnpike, Clinton, CT

DESCRIPTION OF BUSINESS:  Indian River Landing retail complex. Development anchored with Big Y grocery store. Additional smaller retain/dining space in available for lease in a separate building. Hotel space (as of yet unnamed) completes the development.

The Developer anticipates construction in phases. Phase 1 would include the anchor tenant and retail/dining space. Phase 2 (one year later) would include the hotel.

ESTIMATED VALUE OF REAL ESTATE IMPROVEMENTS:  Due to the unique circumstances behind this development, both the estimate value for the land and the improvements need to be discussed

1. The land for the site is formally owned by the Town of Clinton and has been off the tax rolls. The estimated land value assessment is $2,595,740 (70% of FMV).

2. Based on the value of similar types of developments undertaken by the Developer, they have assigned a Fair Market Value for the improvements at $40,000,000. The FMV results in an estimated assessment of $28,000,000 when the project is completed.

ESTIMATED VALUE OF ADDITIONAL PERSONAL PROPERTY:  Business personal property tax to be paid is unknown at this point. An abatement is not being sought for personal property tax to be paid by the development’s tenants.

NUMBER OF JOBS CREATED/RETAINED:  As the anchor tenant, more information is known for Big Y’s anticipated hiring. The store will hire 25 full-time and 125 part-time employees.

REASON FOR ABATEMENT:  The purpose of the abatement is to control operating income during lease-up and attract tenants. The leases will be structured as net leases so the savings will go to the tenant who are the job creators and allow the development to be competitive.

The longest leases will have an initial 15-year term. The shortest lease will have an initial 5-year term. All leases will have built-in extension options. The tax abatement will run concurrent with the shortest term lease.
OTHER PUBLIC SUBSIDIES OR INCENTIVES IN THE PROJECT: None.

ADDITIONAL DETAILS:

- The Developer’s anticipated occupancy date/commencement of operations has Phase 1 at occupancy by the end of 2021. Phase 2 would be occupied by the end of 2022. Actual timing may vary.
- It is anticipated that the project will be stabilized by the end of Year 5 of the abatement.
- The project carries non-typical costs for the Developer – demolition, abatement, and offsite highway improvements (Route 81).
- Attached is the abatement schedule proposed by the Developer with a 0%, 20%, 40%, 60%, 80%, 100% phase-in of real estate taxes.
John,

The following is my analysis and recommendation to the EDC to be considered at the next EDC meeting. Please let me know if you have any comments or questions or need further information or analysis.

Thanks
Hank

Recently, Clinton’s Town manager, Karl Kilduff, received a request from Greyrock Development for property tax relief associated with its development of the former Morgan School site. In my view, the memo submitted to the Clinton Economic Development Commission (“EDC”), that describes the project and the property tax relief requested is within the scope of Clinton’s economic incentive policy, and should be considered. This e-mail is my consideration and recommendation of that request.

EDC’s role in Clinton’s incentive process is to review requests and provide a recommendation to the Town Council when the EDC feels a project warrants an economic incentive. An economic incentive package is warranted and EDC recommends the adoption of the incentive when 1) It is in the Town’s best interest to do so and 2) where it appears that such economic assistance is necessary to the project.

Question 1, Is the Greyrock development of the former Morgan school site in the Town’s interest?

1) The Development as described and once completed, will be an investment of approximately $40M in Clinton 2020 and 2021. Additionally, there is a possibility of further investments by the developer and tenants at later dates.

2) The positive impact to Clinton (as described in presentations of this project to Clinton’s BOS and PZ commission) are obvious. They include improvements to quality of life, increased commerce, job creation and tax revenues. Moreover, any negative impacts (traffic, environmental, etc...) have been mitigate to the satisfaction of the State of Connecticut and the Clinton Planning and Zoning commission.

Answer:
It is my view that the town of Clinton has an strong interest in the Morgan school site development going forward successfully.

Question #2 Is economic assistance necessary to this project?

As we know, the previous developer, after several years of effort and several million dollars invested, was unable to get this project off the ground. It seems this developer is up against at least equal if not more powerful head winds in light of the commercial property market in Connecticut and the national COVID-19 pandemic. Generally, it appears Clinton providing economic assistance to this development is appropriate. But even more specifically, while we know the developer has commitments from some “anchor” tenants (Big Y, Starbucks etc...) they do not have tenants to occupy the remaining parcels. These smaller leases are 5-15 years long and are typically triple net
leases (meaning tenants pay their own property taxes, insurance and maintenance). In the request for property tax relief, Greyrock has provided the following reason:

**REASON FOR ABATEMENT:** The purpose of the abatement is to control operating income during lease-up and attract tenants. The leases will be structured as net leases so the savings will go to the tenant who are the job creators and allow the development to be competitive. The longest leases will have an initial 15-year term. The shortest lease will have an initial 5-year term. All leases will have built-in extension options. The tax abatement will run concurrent with the shortest term lease.

**Answer:** It is my view that this developments success depends upon its ability to find additional tenants. Its ability to find tenants will be enhanced with a temporary tax abatement. Therefore, Clinton’s assistance will contribute directly to the viability of this project.

**Question # 3 What is the appropriate level of assistance**

When the Clinton EDC considers such a request, it must ensure that the level of economic assistance is commensurate with the level of investment and benefit to the Town. In this case, the investment by the developer is relatively large ($40M) resulting in a significant benefit to the Town (for the reasons stated above). For this reason alone, a phased-in tax abatement for 5-years seems appropriate. However notwithstanding the other benefits, a purely financial analysis also concludes the requested incentive is commensurate.

The project will increase the Town of Clinton’s tax base by $28M in assessed value. That will result in approximately $900k in direct property taxes per year (depending upon the mil rate and assessed value in future years). The proposed abatement is 100% in year 1, 80% in year 2, 60% in year 3, 40% in year 4 and 20% in year 5. Over the phase-in period, had this development not occurred, Clinton would collect $0 in taxes. However if the development occurs, Clinton will collect $2.25M in taxes over the phase-in period. From then on, assuming it is successful, Clinton will collect property taxes ~$900k per year in perpetuity. This is an excellent financial result for Clinton.

**Answer:** A 5-year phase in of property taxes on assessed value at the mil rate in that year is the appropriate level of assistance given the size and importance of this investment.

It is my opinion that the EDC should recommend that the Town Council provide the tax relief requested in this application.