

CITY OF NEW HAVEN
DEPARTMENT OF FINANCE

John DeStefano Jr.
Mayor

Mark Pietrosimone
Controller

200 ORANGE STREET
NEW HAVEN, CT 06510
Tel. (203) 946-8300

To: Carl Goldfield, President
New Haven Board of Aldermen

From: Mark Pietrosimone, City Controller



Date: December 1, 2010

Re: City's request for capital appropriation for Downtown Crossing Project

I hereby submit the attached financial analyses regarding the City's Downtown Crossing Project and the Tiger Grant application before the Board of Aldermen. These analyses, prepared by the Department of Finance, demonstrate the positive impact this project and associated capital request will have on the City of New Haven. When you take into account the additional cost of debt service and compare it to new tax revenue, the City of New Haven experiences positive results as far as additional tax revenue for the City of New Haven.

The analyses are done for the five year, ten year and twenty year pay down of a \$6.350 million capital borrowing for the City's share of infrastructure improvements. As you know, the City share is being matched with a federal Tiger II grant and State grants that pay for most of the infrastructure improvements necessary for the creation of 10 developable acres within the City.

I will be most happy to offer any additional financial supporting documents that you may need to fully understand the positive impact that this capital appropriation will have on the City, **particularly the City's general fund budget.**

To start with now, each of the attached financial analyses shows the cost of annual debt service for 5, 10 and 20 year borrowings and estimates the tax revenue (both real estate and personal property) for the same amount of time of that capital pay back period. The first part of the analysis shows the impact for the City when only considering the tax revenue from the proposed parcel D development (the first phase of Downtown Crossing). For the 10 year pay analysis, the City has positive cash flow results of about \$8 million. For the 20 year pay back analysis the City has positive cash flow results of about \$23.3 million. Remembering that a mill is worth about \$4.8 million in the City's current budget, these positive cash flow results are very significant for City taxpayers in future years.

The analysis also takes into account the future development of parcels A, B and C. Assuming all parcels were developed over the next few years, the City would experience significant tax revenue, 5 year analysis shows positive cash flow of about \$7.7 million, 10 year analysis shows positive cash flow of \$34.3 million and the 20 year analysis shows positive cash flow of about \$87.1 million.

In addition to the strong financial impact this development will have on the City of New Haven, the City's rating agencies (*Moody's Investor Service, Standard and Poor's and Fitch Financial Services*) have all expressed that the continual growth of the City's tax base as the strongest indicator of the City's financial strength and look very favorably upon such a commitment. All three rating agencies view the City's economic base anchored by the higher education presence of Yale University and other education institutions, strong medical presence, healthcare, pharmaceuticals and biotechnology and commitment to invest in new construction and area improvements as very strong indicators of continued tax base growth.

Should there be any additional questions, please feel free to call me at 203-946-8360.

I look forward to your approval of the Downtown Crossing capital appropriation and shared optimism for the very near future regarding this project.

Thank you for your time in this matter.

Downtown Crossing Project Financial Analysis
Borrowing of \$6.5 million over 5 years at an interest rate of 4.0%

Year	Annual Debt Service Payments - \$6.5 million (*)	Parcel D Real Estate Taxes (Estimate)	Parcel D Personal Property Taxes (2)	Total Projected Taxes	Parcel D Net Cashflow (3)	Projected Real Estate for Parcels A, B, and C	Total Net Cashflow
2011				0			0
2012	1,541,222	412,500	155,000	412,500	-1,128,722		-1,128,722
2013	1,446,900	1,650,000	139,500	1,805,000	358,100		358,100
2014	1,462,500	1,650,000	124,000	1,789,500	327,000		327,000
2015	1,475,500	1,650,000	108,500	1,774,000	298,500	3,750,000	4,048,500
2016	1,453,400	1,650,000	527,000	1,758,500	305,100	3,750,000	4,055,100
	7,379,522	7,012,500		7,539,500	159,978	7,500,000	7,659,978

Property will be divided into 4 parcels of land (A, B, C, and D). Parcel D is assumed to be the 100 College Street property consisting of a 400,000 square foot building.

(1) For the purpose of presenting a conservative analysis it was assumed that the City borrowing would be \$6.5 million.

(2) Personal property taxes were estimated using 300 George Street as a comparable property. The total personal property tax bills for 300 George were divided by the buildings' 485,000 square feet. By doing this we arrived at the estimate of \$0.38 of personal property taxes per square foot. A 400,000 square foot building is planned for Parcel D and by applying the \$0.38 personal property taxes per square foot over the 400,000 square foot building we arrive at these estimates. It is worth noting that these estimates are based upon present value and do not take into account any depreciation on these assets, therefore it can be expected that newer equipment will be assessed at a greater value which will produce a greater personal property tax.

(3) Projected tax revenue minus estimated annual debt service payments.

Downtown Crossing Project Financial Analysis
Borrowing of \$6.5 million over 10 years at an interest rate of 4.0%

Year	Annual Debt Service Payments - \$6.5 million (1)	Parcel D Real Estate Taxes (Estimate)	Parcel D Personal Property Taxes (2)	Total Projected Taxes	Parcel D Net Cashflow (3)	Projected Real Estate for Parcels A, B, and C	Total Net Cashflow
2011				0			0
2012	891,222	412,500		412,500	(478,722)		(478,722)
2013	790,400	1,650,000	155,000	1,805,000	1,014,600		1,014,600
2014	800,800	1,650,000	139,500	1,789,500	988,700		988,700
2015	809,900	1,650,000	124,000	1,774,000	964,100		964,100
2016	785,200	1,650,000	108,500	1,758,500	973,300		973,300
2017	793,000	1,650,000	93,000	1,743,000	950,000		950,000
2018	799,500	1,650,000	77,500	1,727,500	928,000		928,000
2019	804,700	1,650,000	62,000	1,712,000	907,300		907,300
2020	808,600	1,650,000	46,500	1,696,500	887,900		887,900
2021	811,200	1,650,000	46,500	1,696,500	885,300		885,300
	8,094,522	15,262,500	852,500	16,115,000	8,020,478	26,250,000	34,270,478

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(3) Projected tax revenue minus estimated annual debt service payments.

Downtown Crossing Project Financial Analysis
Borrowing of \$6.5 million over 20 years at an interest rate of 4.0%

Year	Annual Debt Service Payments - \$6.5 million (1)	Parcel D Real Estate Taxes (Estimate)	Parcel D Personal Property Taxes (2)	Total Projected Taxes	Parcel D Net Cashflow (3)	Projected Real Estate for Parcels A, B, and C	Total Net Cashflow
2011				0			
2012	902,200	412,500		412,500	-489,700		-489,700
2013	471,900	1,650,000	155,000	1,805,000	1,333,100		1,333,100
2014	462,800	1,650,000	139,500	1,789,500	1,326,700		1,326,700
2015	453,700	1,650,000	124,000	1,774,000	1,320,300		1,320,300
2016	477,100	1,650,000	108,500	1,758,500	1,281,400		1,281,400
2017	466,700	1,650,000	93,000	1,743,000	1,276,300		1,276,300
2018	456,300	1,650,000	77,500	1,727,500	1,271,200		1,271,200
2019	478,400	1,650,000	62,000	1,712,000	1,233,600		1,233,600
2020	466,700	1,650,000	46,500	1,696,500	1,229,800		1,229,800
2021	455,000	1,650,000	46,500	1,696,500	1,241,500		1,241,500
2022	475,800	1,650,000	46,500	1,696,500	1,220,700		1,220,700
2023	462,800	1,650,000	46,500	1,696,500	1,233,700		1,233,700
2024	449,800	1,650,000	46,500	1,696,500	1,246,700		1,246,700
2025	469,300	1,650,000	46,500	1,696,500	1,227,200		1,227,200
2026	455,000	1,650,000	46,500	1,696,500	1,241,500		1,241,500
2027	473,200	1,650,000	46,500	1,696,500	1,223,300		1,223,300
2028	457,600	1,650,000	46,500	1,696,500	1,238,900		1,238,900
2029	474,500	1,650,000	46,500	1,696,500	1,222,000		1,222,000
2030	457,600	1,650,000	46,500	1,696,500	1,238,900		1,238,900
2031	473,200	1,650,000	46,500	1,696,500	1,223,300		1,223,300
	9,739,600	31,762,500	1,317,500	33,080,000	23,340,400	63,750,000	87,090,400

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Downtown Crossing

Construction Jobs Created in Phase I: 2,000

Permanent Jobs Created in Phase I: 960 jobs

Projected Annual Tax Revenue from Phase I Project, 100 College: \$1.5 M

Total Project Cost (\$m)	31.7
TIGER II Federal	16
DECD	3
ConnDOT	4.9
City	2
Private	0.5

State Bonding	0.95
Gap	4.35*

* City efforts to seek outside funding and reduce costs are ongoing. Potential for some of the \$4.35 million gap to be filled through city capital.

TIGER Grant Project Summary for Downtown Crossing Project

The City applied for \$21.3 million in construction funds for the first phase of Downtown Crossing. The US DOT awarded the city \$16 million. These funds will be used to convert Route 34 from a limited access highway to a network of urban boulevards from Union Avenue to the existing Exit 3 (College Street). In the first phase, project elements will include:

- Conversion of N. and S. Frontage Road to urban boulevards with road, streetscape, bike, and pedestrian enhancements
- Will pave the way for reconfiguration of local streets, including Church Street and South Orange Street for better traffic flow
- Removal of College Street Bridge and reconstruction of College Street to grade level.
- New express lane tunnel to Air Rights Garage to alleviate traffic of main streets for drivers whose destination is the Air Rights Garage
- All elements will be designed to Complete Streets standards

Phase I infrastructure improvements will pave the way for four new parcels of developable land (ten acres in total), including space for the planned 100 College Street building. Proposed 100 College Street building would provide 400,000 square feet of medical and lab space, on-site parking, underground utility connections and street level amenities. The 100 College Street project is estimated to generate \$1.2m to \$1.5m in tax revenue.

Public Outreach Chronology

2005: First federal authorization of \$5.0 million for R34.

June 18, 2007: Route 34 Concept Study; Public Information Session with SCRCOG and CHA consultants

April 6, 2008: Future of Route 34: Presentation and discussion with TriState Transportation, Urban Design League and former Milwaukee Mayor John Norquist at Career High School.

2008: Mayor holds successive Downtown Crossing community meetings at public libraries across the City.

April 20, 2009: Mayor and medical district principals hold press event kicking off formal design process with Parsons Brinkerhoff, the consultants hired out of the original \$5 million federal authorization.

June 4, 2009: Announcement made on Special Act 07-11. Connecticut State Legislature authorized conveyance of Parcel D for 100 College.

June 2010: Notice of Funding Availability for TIGER II grant

June 16, 2010: Downtown Crossing / Route 34 community meeting with design consultants. Twenty-six people attended at Main Branch of the Public Library

August 25, deadline to submit TIGER II application to USDOT.

September 7, 2010: TIGER II grant application and acceptance submitted to BoA

Sept. 21, 2010: City outreach meetings with Temple Medical/Fusco Management, Yale Medical School Dean Alpern, Knights of Columbus

Sept. 22, 2010: City outreach meetings with Smilow Cancer Center, YNHH, Yale Transportation Director and Yale's Office of State and Local Affairs

Sept. 22, 2010: Open House meeting with Tower One/Tower East, Gateway, Connecticut Mental Health Center, Pfizer, Knights of Columbus

September 30, 2010: Downtown Crossing / Community meeting and environmental review with design consultants. Fourteen people attended.

October 15, 2010: U.S. Senator Christopher Dodd and Congresswoman Rosa DeLauro join Mayor at press conference announcing receipt of \$16 million in TIGER II funds.

October 28, 2010: City Services and Environmental Policy Public Hearing on BoA Submission

November 16, 2nd Community Meeting held on the Downtown Crossing Project at the Main Branch of the Public Library. These meetings will continue on a regular basis with the next meeting likely in February 2011.

TIGER II support letters received from:

The Honorable Senator Christopher J. Dodd

The Honorable Senator Joseph I. Lieberman

The Honorable Representative Rosa L. DeLauro

The Honorable Connecticut Senator Martin Looney

The Honorable Connecticut Senator Toni Harp

Connecticut United for Research Excellence Incorporated
Economic Development Corporation of New Haven
Greater New Haven Convention and Visitors Bureau
Greater New Haven Chamber of Commerce
New Haven Office of Sustainability
New Haven Parking Authority
Regional Plan Association
REX Regional Xcelleration
South Central Regional Council of Governments
Tower One Tower East
Town Green Special Services District
Tri-State Transportation Campaign
Yale-New Haven Hospital
Yale University

New Articles:

Feb 5, 2008

[http://www.newhavenindependent.org/index.php/archives/entry/state_of_city_c
all_every_citizen_a_lobbyist/](http://www.newhavenindependent.org/index.php/archives/entry/state_of_city_c
all_every_citizen_a_lobbyist/) State of the City, Downtown Crossing mentioned

April 17, 2008

[http://www.newhavenindependent.org/index.php/archives/entry/i_say_tear_it
down/](http://www.newhavenindependent.org/index.php/archives/entry/i_say_tear_it
down/)

Jan 22, 2009

[http://www.newhavenindependent.org/index.php/archives/entry/mayor_present
s_wish_list/](http://www.newhavenindependent.org/index.php/archives/entry/mayor_present
s_wish_list/) Downtown Crossing mentioned as part of this article

April 20, 2009

[http://www.newhavenindependent.org/index.php/archives/entry/goodbye_conn
ector_hello_crossing/](http://www.newhavenindependent.org/index.php/archives/entry/goodbye_conn
ector_hello_crossing/)

Feb 2, 2010

[http://www.newhavenindependent.org/index.php/archives/entry/state_of_city_2
010/](http://www.newhavenindependent.org/index.php/archives/entry/state_of_city_2
010/) Downtown Crossing featured

June 25, 2010

[http://www.newhavenindependent.org/index.php/archives/entry/downtown_cr
ossing_promise_questioned/](http://www.newhavenindependent.org/index.php/archives/entry/downtown_cr
ossing_promise_questioned/)

[http://www.nhregister.com/articles/2010/06/25/news/new_haven/aa3neroute34e
ast062510.txt](http://www.nhregister.com/articles/2010/06/25/news/new_haven/aa3neroute34e
ast062510.txt)

Sept 23, 2010

[http://www.newhavenindependent.org/index.php/archives/entry/downtown_cr
ossing_advances_maybe/](http://www.newhavenindependent.org/index.php/archives/entry/downtown_cr
ossing_advances_maybe/)

http://www.nhregister.com/articles/2010/09/23/news/aa3_negrants092310.txt

Oct 1, 2010

[http://www.newhavenindependent.org/index.php/archives/entry/downtown_cr
ossing/](http://www.newhavenindependent.org/index.php/archives/entry/downtown_cr
ossing/)