

MEMORANDUM

TO: RED HOOK TOWN BOARD, RED HOOK VILLAGE BOARD, TIVOLI VILLAGE BOARD

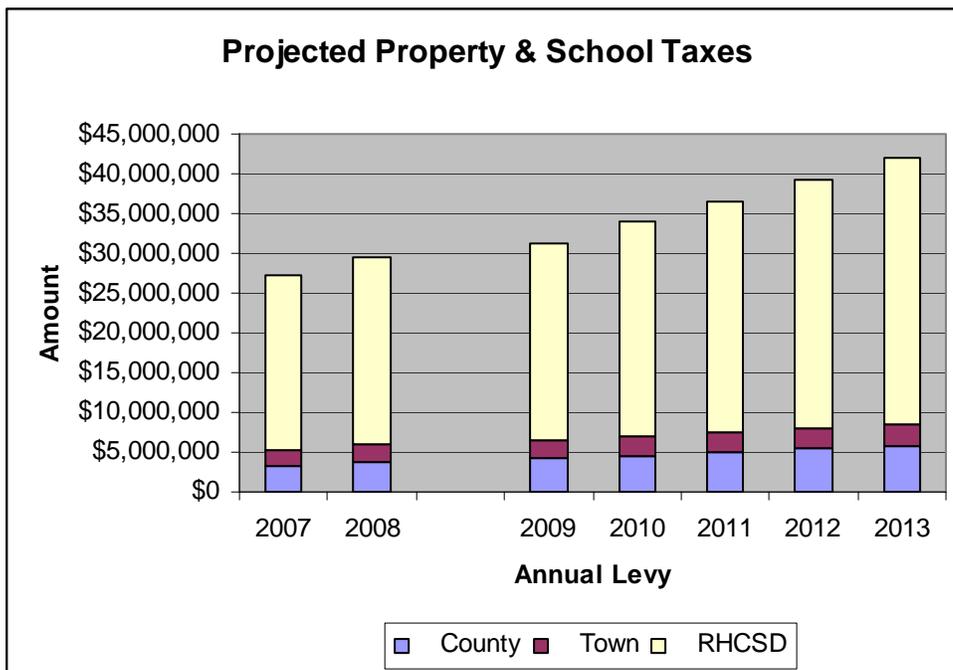
FROM: THE RED HOOK ECONOMIC DEVELOPMENT COMMITTEE

Date: June 10, 2008

The Economic Development Committee (“EDC”) projects that, without significant changes, the total of property and school taxes in the Town will increase 43% over the next five years. This will dramatically affect the demographics of our community – forcing those on fixed or minimal incomes to move, further eroding our commercial/retail business base and limiting our options for responsive action.

Many of the causes of this trend are the result of policies generated at the federal and state level and the effects of union and state demands imposed on the school district. Nonetheless, the Town and Villages cannot ignore options available to them nor can they expect leaders within the state and county governments to be sympathetic and responsive if we do little or nothing at the local level.

The following exhibit shows the actual tax levy for 2007 and 2008 tax years and projected increases for the Town, County and School District over the next five years.



The preceding graph is based on the following calculations.

SUMMARY - PROJECTED TAXES TOWN OF RED HOOK

Tax Year	2007	2008	2009	2010	2011	2012	2013
County	\$3,352,339	\$3,784,258	\$4,224,148	\$4,624,665	\$5,025,181	\$5,425,698	\$5,826,215
% Change	2%	13%	12%	9%	9%	8%	7%
Town	1,841,086	2,237,182	2,329,814	2,435,134	2,540,454	2,645,775	2,751,095
% Change	5%	22%	4%	5%	4%	4%	4%
RHCS D	22,049,159	23,393,770	24,749,441	26,956,985	29,046,798	31,194,106	33,398,908
% Change		6%	6%	9%	8%	7%	7%
Total Taxes	\$27,242,584	\$29,415,209	\$31,303,403	\$34,016,784	\$36,612,434	\$39,265,579	\$41,976,219
		8%	6%	9%	8%	7%	7%

The RHCS D expenses are after receipt of all state and other revenues.

These projections, which have been discussed with Town and school officials,¹ are based on an analysis of total tax levies for the County over the past eight years and detailed expenditures for the Town and School District over the last three to eight years.²

For the 2007 tax period, Red Hook had the fourth highest tax burden among the 22 Towns in Dutchess County.³ A number of factors contribute to this. Significant among them are the following.

- Property and school taxes fall disproportionately on residential taxpayers. Residents who own 66% of the assessed property values shoulder 86% of the total taxes. This increased burden is the second highest of the 22 towns in the county.⁴
- Our combined industrial/commercial/retail base represents a mere 4.6% of our total assessed values, the sixth lowest of the 22 towns. *ibid*
- Red Hook has the highest percentage of tax exempt property (28%) among the 22 municipalities in Dutchess County. *ibid*⁵
- Owners of 6,234 acres of land have been approved for the agricultural tax abatement.⁶ On average, these 56 landowners receive a 72% reduction in property and school taxes⁷ – the highest abatement for similarly classified parcels in the

¹ The EDC did not want our elected officials or our school management to be surprised by the publication of this report. Accordingly, these discussions did not solicit their formal approval of any of these findings or recommendations.

² Projections for the County were based on the trend of total assessments over the last eight years. Projections for the Town and RHCS D were based on detailed expense data for three years and eight years respectively.

³ Source: A Dutchess County EDC study in which all tax rates were adjusted to 100% of market values.

⁴ Source: NYS Real Property Service

⁵ Based on 2007 assessments excluding restricted acreage.

⁶ Derived from Town records and confirmed by a review of the county tax records available on-line at the Town Website or at the Dutchess County web site - WWW.dutchessny.gov

⁷ Source: Town and County Records. 67% of the total tax relief is the result of the farm abatement.

county, and currently transfer to other local taxpayers \$1.2 million in additional taxes annually.

- The Red Hook Central School District, like most other districts, receives less than the amount to which it is entitled under the legislatively approved formula. It is estimated by the school management that over the last several years the Red Hook Central School District has been deprived of approximately \$1.5 million to \$2.5 million in state aid.⁸

RECOMMENDATIONS

Believing that the demographics of the community, its existing retail/commercial base and even its rural character cannot be sustained if the current trend in property and school taxes is not addressed, the EDC offers the following observations and recommendations.

1. Over the past decade, there has been strong community support for maintaining “farmland and open space.” Today, 9,070 acres are classified as such.⁹ This total, which is 39% of our total acreage, excludes an additional 427 acres (2%) designated for “*Recreational*” purposes. *Ibid* The Economic Development Committee endorses the goal of maintaining the Town’s rural, agricultural and open space character. However, it recommends that all future recommendations for programs in support of this goal be accompanied by a clear statement of the economic impact on our taxpayers.
2. Red Hook has developed a reputation within the County – and in fact among investors, developers and consultants more widely ranged, for being adamantly against the growth of commercial enterprise. If this is an endorsed policy of the Town and Village Boards then it should be so expressed. If it is not the policy then it behooves the elected bodies to clearly state their position, review the current situation and, recognizing the many benefits of *appropriate* commercial investment, support the steps necessary to improve our circumstances.
3. Few, if any, local programs will materially affect the current and projected burden on our residential taxpayers as will a well-conceived plan of commercial investment. The EDC projects that a \$150 million increase in *appropriate* commercial investment is both necessary and possible over a 15 year period.

Accordingly, the EDC recommends:

- a. The Town and Village Boards endorse this proposed financial objective.

⁸ An actual calculation is made difficult because the final formula has been amended, almost annually, as a succession of governors have attempted to resolve the problem of distributing limited funds in response to the magnitude of the problem.

⁹ A combination of the three state classifications “*Agriculture*,” “*Vacant Land*,” and “*Forests*.”

- b. The Zoning Review Committee and Inter-Municipal Task Force be directed to identify sites that would be suitable for *appropriate* commercial development.
 - c. The Zoning Board be directed to review our code to establish standards that will allow *appropriate* commercial development.
 - d. The Planning Board be directed to:
 - i. Review its current policies to assess their impact on commercial development and,
 - ii. Recognize the value of optimum development of commercially zoned acreage consistent with maintaining the general character of the community.¹⁰
4. Events and attractions within and around the Town draw many people to the area.¹¹ However, these attractions, especially the local ones, suffer from the lack of convenient, overnight accommodation. The EDC recommends that, consistent with support for a plan to develop commercial investment, the Board specifically endorse the merits of a well designed inn befitting the character of the community. Such a project will provide, among other benefits: an increase in tax revenues; a needed place for local meetings, receptions and special events; increased profits from tourism; and, by encouraging visitors to “stop over,” should result in increased support for our local retail businesses.
5. Representative Molinaro has noted the need for the state to seek Federal support for federally mandated programs. We should support this effort as forcefully as possible. Additionally, we recommend that he seek a review of the state’s agricultural tax abatement program. While we endorse its intended purpose to support local family farming it has become a tax shelter for the wealthy land owner in a manner that transfers the tax burden to other taxpayers in local communities.
6. Efforts to control the school district’s expenses, and their impact on local taxes, have been regularly diminished as result of being deprived of legislatively approved funding.¹² While we recognize the potential cost and low odds of success, we nonetheless believe that we should marshal support from among our legal community to investigate the merits of going after some or all of the dollars not funded annually in compliance with the law.

¹⁰ An example where the effort to “preserve the character of the community” trumped economic benefits would be Hannaford. Consistent with the zoning code, Hannaford could have constructed as much as 110,000 square feet. Their final compromise was 47,000 – with the proportionate reduction in taxes.

¹¹ Bard’s Fisher Center, the Old Rhinebeck Aerodrome and our farming community are examples of local offerings. The Dutchess County Fairgrounds, and Rhinebeck Village itself, could supplement our local businesses.

¹² For the financial impact, see page 3 and footnote 7. It is important to note that the school district’s annual efforts to control total expenses do not result in similar tax effects primarily because of the varying contributions from state aid.

7. Sixty-seven landowners in Red Hook who qualify for the agricultural tax abatement enjoy, on average, a 67% reduction in their property and school taxes. With one unusual exception, this is the highest benefit among the 22 towns in the county and compares to a county-wide median of 49%. The EDC recommends:
 - a. That the Town Assessor be directed to ascertain from other communities with substantial agricultural properties how they have limited the size of their abatements.¹³
 - b. That the Board and the Assessor be particularly conscientious when establishing gross assessments for these properties. While this is unlikely to affect current tax revenues, arguments to limit such assessments should be rigorously examined as diminished gross assessments will result in diminished penalties should any portion of these lands be converted from their present uses.¹⁴

CONCLUSION

The members of the Economic Development Committee appreciate the opportunity to present its findings and recommendations to the Town Board. It is hoped that the importance of the presentation will encourage the Town Board to encourage the attendance of the Village Boards and the members of the several independent boards and committees who share responsibility for developing programs that affect the economic health of the community.

Respectively Submitted

Chairman, The Economic Development Committee

¹³ The following towns each have a considerable agricultural community but extend significantly lower benefits to those qualifying for the benefit: Amenia, Northeast, Pine Plains, Rhinebeck and Washington.

¹⁴ The penalty on conversion is five times the taxes on the difference between the gross assessment and the tax assessment. The data indicates that during the last two years the assessed value of the land for these properties increased commensurate with the market but, surprisingly, the value of all structures on the land actually diminished.