

Proposed Open Space Tax Abatement Program New Hartford, Connecticut

What is the Proposed Tax Abatement Program?

- The proposed Tax Abatement Program would be a new funding approach for preserving open space in New Hartford
- In 2006, the State legislature passed a law authorizing municipalities to establish this type of program (Connecticut PA 06-128). New Hartford played a key role in drafting and promoting the legislation
- To take advantage of this law, municipalities must pass a local ordinance authorizing the program. Danbury is an example of a community that has passed an Open Space Tax Abatement ordinance
- The New Hartford Plan of Conservation and Development recommends that the Town consider establishing this type of program to help meet its open space goals

How would it work? *(This is a simplified list of steps. The details of how the program will be administered will be finalized in a period of time following passage of the Program at Town Meeting)*

- A landowner would identify land on their property that they would like to preserve in perpetuity and send a pre-application to the Open Space Preservation Commission
- The Open Space Preservation Commission would evaluate the proposal and make a recommendation to the Board of Selectmen (BOS) regarding whether to pursue the project based on the following criteria:
 - Maintain and enhance the conservation of natural or scenic resources
 - Protect natural streams or water supply
 - Promote conservation of soils, including farmland soils, or wetlands
 - Enhance the value to the public of abutting or neighboring parks, forests, wildlife preserves, nature reservations or sanctuaries or other open spaces
 - Preserve historic sites
 - Promote orderly urban or suburban development

- If the OSPC recommends that the land is worthy of preservation and the BOS agrees, the landowner would get an independent appraisal of the value of the land, and apply to the Town for a tax abatement
- The BOS would negotiate the amount of the tax abatement with the landowner, which would be no higher than the appraised value of the preserved land
- If a deal meeting the BOS' approval could be reached, the BOS would refer the proposed project to Town Meeting for review
- A conservation easement meeting the standards required by the Town would be drafted and agreed upon by the landowner and the Town
- If the tax abatement and the conservation easement are approved at Town Meeting, the landowner's taxes would be reduced or eliminated for an agreed upon period
- The conservation easement would be transferred to the Town specifying rights and restrictions of the landowner and the Town. One of the terms would be that the property could never be subdivided for development.

How is this different than what we would do now?

It would be similar to how we evaluate and approve open space projects now. The primary difference would be the way we pay for open space preservation.

Would this give people a "right" to tax abatement?

No, it would not establish a "right" to tax abatement. Any deals would need to be approved by the Townspeople. Open space that Townspeople feel is very valuable would be a higher priority.

How much would this reduce a landowner's taxes?

The maximum annual abatement would be equal to the amount of taxes the landowner owes, never more (i.e., the most the Town would do is "zero-out" annual taxes due). The Town and landowner could agree to an annual abatement that is less than the total annual taxes due.

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What are the benefits of this approach?

- A way to preserve open space without having to raise funds through bonding/borrowing to pay for projects “up front” (which affects taxes)
- A way to help encourage landowners with some philanthropic intent to preserve their open space
- All of the benefits of open space preservation (e.g., preserve rural character, natural resources, wildlife, working lands; provide fiscal/economic benefits)
- A way to help the Town reach our open space goals

When will the program be available?

The proposed ordinance will be on the agenda for a Town Meeting on September 14, 2017. If approved, it will take some time to develop the administrative details of the program and the application form. The program could be ready by November 2017.

Fictitious Example

The following is a fictitious example of how New Hartford could use the tax abatement approach to permanently preserve open space.

Scenario

- A resident owns 10 acres of a particularly conservation worthy piece of undeveloped land that, if protected from development, would help preserve the rural character of New Hartford and would meet the criteria listed on the previous page
- The resident submits a pre-application to OSPC for a tax abatement for preserving the 10 acres
- The Open Space Preservation Commission reviews the application based on the criteria listed above and recommends the project to the BOS as a project that would “maintain and enhance the conservation of

natural or scenic resources.” The BOS agrees it is a worthy preservation project to pursue.

- The resident gets an independent appraisal by a certified appraiser,* and the appraiser estimates the value of a conservation easement for the land to be preserved at \$80,000
- The BOS and resident agree on an amount for the tax abatement which will also determine the remaining value of the conservation easement that will be a “donation” to the Town. For example, the town agrees to abate \$5,000 per year of property taxes for 10 years to pay off \$50,000 of the value of the easement; the remaining \$30,000 in value is a “donation” to the Town.*
- The conservation easement is transferred to the Town which is then obligated to monitor and defend the easement in perpetuity

Benefits

- Valuable open space, scenic views, forest, farmland, water and other natural resources and rural character are preserved
- No borrowing required, no need to raise taxes, and the total cost to the Town could be lower¹
- In the example above, the landowner gets some property tax relief for 10 years, may also be able to take a tax deduction with the IRS for the donation of a portion of the value of the conservation easement, continues to own and enjoy the land, and benefits from knowing that they contributed to preserving the town’s unique character

** Please note that the Town of New Hartford does not provide advice on tax or legal matters. The information that may be provided to you orally or in writing that relates to the donation of conservation easements consists only of general information from publicly available sources. You should confirm its current accuracy with your personal tax advisor and attorney.*

¹ Because the Town will be paying \$50,000 over 10 years instead of \$50,000 in the first year, the overall cost to the Town will be lower.