

FOR A
STRONG
SOUTHBOROUGH

Wake Up and Smell the Tax Revenue!

Why our commercially zoned lots shouldn't sit vacant for decades

For this month's EDC news feature we will let the numbers do the talking.

Small, local Main Street businesses in America and elsewhere, often offer a greater revenue per acre than typical box store or other larger retail developments outside the core. Southborough's three Business Villages are zoned for commercial use and could provide a greater source for much needed tax revenue. In addition, they could offer more amenities to Southborough residents and become that sense of place we wrote about in September's EDC newsletter.

The Economic Development Committee (EDC) has taken the liberty of presenting to you three scenarios for a lot that has been vacant for more than two decades in downtown Southborough. For comparison purposes, we used the FY2020 tax rate of \$16.66 per \$1,000 of value to calculate the tax revenue for all three scenarios.

We owe a big thank you to Paul Cibelli, the Southborough town assessor, for his assistance and valuable input in providing the numbers for the two hypothetical developments.

2 East Main Street – VACANT LOT



- Vacant from the year 2000 onwards
- Land Area: 0.45 acres
- Zoned as Business Village
- Building Value: \$0
- Land Value: **\$226,700**

Annual Tax Bill: \$3,777

2 East Main Street – OFFICE BUILDING as proposed by current owner



- 6,500 square feet of good quality office space
- Estimated rent at \$20 per square foot
- With the assumption of a 15% vacancy rate, expenses at 20%, reserves at 3% and a cap rate of 9.17
- Value Estimate of **\$927,900**

Annual Tax Bill: \$15,459

2 East Main Street – MIXED USE DEVELOPMENT as envisioned by the Downtown Initiative



- Four retail suites on the first floor (800 SqFt each) with an estimated retail rent of \$18 per square foot
- Four one-bedroom apartments on the second floor (700-750 SqFt each) with an estimated monthly rent of \$1,600 per apartment
- With the assumption of an

overall vacancy rate of 10%, expenses at 20%, reserves at 3% with a blended cap rate of 8.71

- Value Estimate of **\$1,069,300**

Annual Tax Bill: \$17,815

It should be noted that it is difficult to estimate rents for a proposed new building in downtown Southborough due to limited data availability. The estimates used in the above scenarios are considered conservative.

Exhibit A shows the annual tax revenue for each of the three scenarios when using the 2020 tax rate of \$16.66.

Exhibit B gives a depiction of the total amount of tax revenue, the town of Southborough would have earned, over a 20-year period. Again, using the FY2020 tax rate for all 20 years.

A single empty lot in downtown, could have earned an estimated \$233,640 to \$280,760 more in tax revenue over the last two decades.

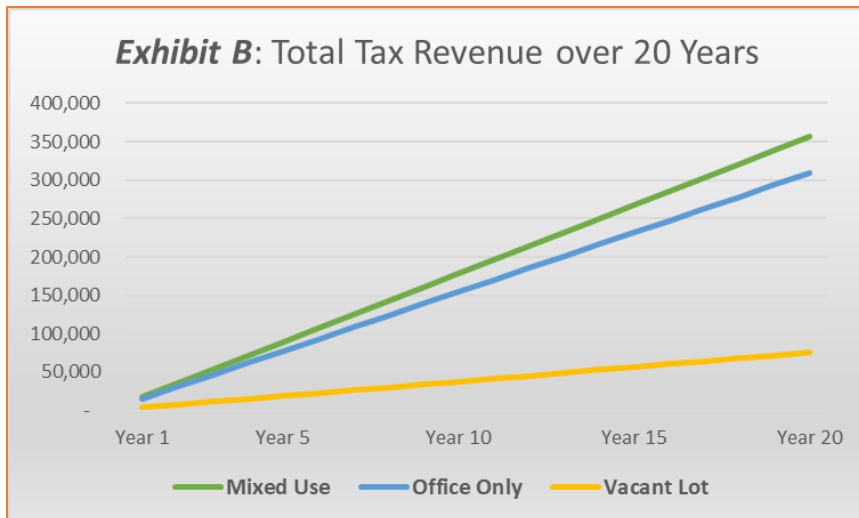
By letting commercially zoned land sit empty, we are losing much needed resources for the town.

In this article, the focus is solely on lost tax revenue calculated for one single lot in Downtown. In reality, much more is lost when our business villages no longer attract new investments. New local jobs could be created during construction and afterwards when the new store, business or restaurant opens its doors. Residents would enjoy additional amenities and existing businesses in Downtown would benefit from a more vibrant town center.

The purpose of the zoning change that the EDC - in close collaboration with the Board of Selectmen, the Planning Board, the Southborough Housing Opportunity Partnership Committee, the Trails Committee and others - is working on, is to update the permitted uses and allow for mixed-use developments in the Downtown Business Village District. In addition, the aim is to update and streamline the permitting process so projects get done in this part of



Based on FY2020 Tax Rate and hypothetical best guess



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town. Ultimately, a vibrant downtown with small-scale commercial activity, makes for a Stronger Southborough!

Reach out to the EDC or attend any of our upcoming meetings to get involved. Contact the EDC Coordinator at mmunsiff@southboroughma.com or 508-485 0710 ext. 3011 with questions, ideas or for more information. Visit us at www.southboroughedc.com. Follow us on Facebook: **Southborough EDC**

Thank you for reading!