

SOUTHBOROUGH ECONOMIC DEVELOPMENT TEAM

39 Parkerville Road, Southborough, MA 01772

October 29, 2013

Daniel L. Kolenda, Chair
William J. Boland
John F. Rooney, III
Board of Selectmen
Town of Southborough
17 Common Street
Southborough, MA 01772

Re: Single Tax Rate

Gentlemen:

A vocal minority in Southborough has suggested that the Town should adopt a dual property tax rate and tax business at a higher rate to reduce the tax burden on residential property owners. Part of the rationale for those who oppose the Town's long-standing single tax rate is that increased business in Southborough will cause home values to decline. For a variety of reasons, we suggest that such an approach is misguided, shortsighted, and, in the long run, will undermine the character and financial well-being of Southborough.

First, a dual tax rate would put Southborough in the minority of Massachusetts municipalities and place our Town at an economic disadvantage. Of the 351 cities and towns in Massachusetts, more than two thirds (68%) have a single tax rate. Most of our neighboring communities have a single tax rate, including Westborough, Northborough, Hopkinton, Shrewsbury, Natick, Ashland, Holliston, Sherborn and Wayland. Area cities and towns with a dual tax rate include Framingham, Auburn, Hudson, Marlborough and Worcester.

Second, adopting a dual tax rate does not increase the gross tax revenues to the Town. It simply shifts the tax burden from one group to another.

Third, a dual tax rate is detrimental to the short- and long-term financial stability of Southborough. Currently, business provides 19.35% (*CIP – Commercial, Industrial and Personal*) of Southborough's total tax revenues. One of many benefits of growing our business tax base is that it will provide new taxes that will help to improve our core services, develop our infrastructure and help keep residential taxes manageable. In conjunction with fiscal prudence, the Town will create a sustainable model that encourages additional growth (with additional tax revenue) without the corresponding expenses that residential growth causes.

David Ferris, President & CEO, Ferris Development and resident of Southborough: “Two of the reasons we bought the office building at 352 Turnpike Road were Southborough's single tax rate and its excellent location. The single tax rate enables us to compete and attract tenants.”

Fourth, property values are not driven by small variations in the proportion of a town's commercial tax base relative to its residential tax base, particularly as compared to neighboring communities. Home values rise and fall as a result of many factors, including location, the available housing stock, community quality of life and services, and, perhaps most importantly, the quality of schools. If anything, appropriately located business and commercial uses increase the desirability of a community.

Fifth, a dual tax rate asks our neighbors, friends and colleagues who provide jobs in our Town to bear a disproportionate share of the tax burden. Many of these jobs are held by other neighbors, friends and colleagues in Southborough. The business community in Southborough is a strong partner in the overall well-being of our community. Over 85% of the businesses located in Southborough are small. If a dual tax rate is adopted, this would result in increased costs to our small businesses, making them less competitive and undermining their ability to prosper and to hire and retain employees. A dual tax rate also increases the risk that these businesses would leave Southborough altogether for a neighboring community with a single tax rate, such as Westborough or Northborough.

President John Merrill of Fidelity Bank in Worcester said in late 2012:
"A fair and equitable rate would not only benefit businesses but it would also improve the community as a whole. If there is not a vibrant economy, there are no jobs, if there are no jobs, there is no demand for housing – my property value goes down."

The contributions our businesses and their employees make to our community are enormous. They provide critical jobs, products, and services that enhance Southborough's quality of life. They provide leadership, make generous donations in money and time, help fund youth programs, and participate in our government by serving on key committees and boards. A healthy and engaged business community is crucial to our Town's long-term sustainability.

In a global economy, many of our businesses have a variety of options available about where to locate, invest and expand. While businesses may not vote at the ballot box, they will vote with their feet and take their goods / services, their employees and their property tax revenue to a more business-friendly environment. Many of their employees are residents of Southborough. If the employees of these businesses depart, there will be a critical loss of high quality jobs. It will also have a negative consequence on spending in our retail establishments and will negatively affect other companies within their particular industry cluster.

***Michael D. Goodman, Ph.D., Chair - Department of Public Policy
UMASS Dartmouth; Past President of the New England Economic
Partnership, Co-Editor of Mass Benchmarks, the Journal of the
Massachusetts Economy, stated:*** *"Community leaders and residents that
assume that they can spare their homeowners the burden of paying for the
services they receive from local government by shifting the burden to
commercial taxpayers forget that commercial taxpayers are already*

paying for their share of services, many of which they do not directly use (e.g., schools). An uncompetitive tax rate can lead to a reduction in the commercial tax base which leaves homeowners on the hook for the lost tax payments that result."

Finally, many communities with a dual tax rate have found that it undermines their ability to attract and retain businesses and causes higher taxes for residents in the long run. Framingham has one of the highest dual tax rates in the state. As a result, its businesses are leaving. In critical situations such as TJX, Framingham had to offer a Tax Incentive Financing Agreement to incentivize the company to keep at least one of its offices in town.

Framingham's residential property owners have been left to make up the shortfall. Since 2010, the residential tax rate in Framingham has increased 39% (from \$12.83 to \$17.84). During the same time period, Southborough's single tax rate increased 17% (\$14.06 to \$16.54). Even with Framingham's business tax rate more than double the residential rate, Framingham's residential tax rate is still one of the highest in the state at \$17.84 which is 8% percent higher than Southborough's single tax rate of \$16.54.

Similarly, in Worcester, Marlborough, Ayer, and Auburn, the dual tax rate has caused an exodus of existing business and turned many new businesses away to seek towns with a more favorable business climate and a single tax rate. Saint Gobain Corporation moved from Worcester to Northborough to build a new plant. According to Don Melville, past Chairman and CEO of the Company, Worcester's dual tax rate drove the decision. To attract business, many communities have often had to provide Tax Increment Financing to incentivize companies to move.

The dual tax rate has had a negative impact on tax collections, retaining and attracting business. In response, many of these communities are making progress to reduce the dual tax on business and in some cases return to a single tax rate.

From the Governor's Office to many Boards of Selectmen across the Commonwealth, it is recognized that the business community is a vital partner in our towns and cities. They are a critical part of a team that enables our communities to grow, prosper, provide jobs, and give our families the resources to sustain our quality of life. A dual tax rate is damaging to our families and communities and undermines that partnership between the Town, its residents, and the business community. As we have for many years, the Board of Selectmen, residents and businesses have supported the single tax rate in Southborough. Please join us in supporting the continuation of our single tax rate in our Town.

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Very truly yours,

Christopher Robbins
On behalf of the Southborough Economic
Development Team

The Members of the Southborough Economic Development Team are: Jack Bartolini, Bonnie Biocchi (Advisor), Arlon Brown, Barbara Clifford (Advisor), Steve Davis (Advisor), William Depietri, David Eagle, David Ferris, David McCay, William Pezzoni, Chris Robbins, and Shirley Sheridan.