

**MARKET AND IMPACT ANALYSIS
OF THE PROPOSED EXPANSION OF
THE DOVER VILLAGE PLAZA**

DOVER, NEW YORK

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I. EXECUTIVE SUMMARY

A. Introduction

RKG Associates, Inc. (RKG), a real estate and economic development consulting firm, was retained by PSK Supermarkets, Inc., to prepare an independent and objective analysis of the grocery supply and demand characteristics in the Town of Dover, New York, market area. This research has been undertaken in order to provide the Town of Dover with additional information regarding the proposed expansion of the Dover Village Plaza shopping center. The proposed expansion of the Dover Village Plaza is to include an approximate 36,000 square feet (SF) grocery store in the southeastern corner of the site (refer to Map 1 for an aerial view of the site and Figure 1 for a conceptual site plan).



Map 1 - Aerial View of the Dover Village Plaza – Dover, NY

The focus of this analysis is to better understand whether or not there exists sufficient market demand for additional grocery store development in this community, specifically:

- this analysis reviews the market size and characteristics of Dover and the surrounding area with respect to consumer demand for grocery store items;
- this analysis then equates this estimate of demand with the supply (SF) of proposed new and existing food stores;
- finally, this analysis discusses the estimated fiscal impacts of this proposed project.

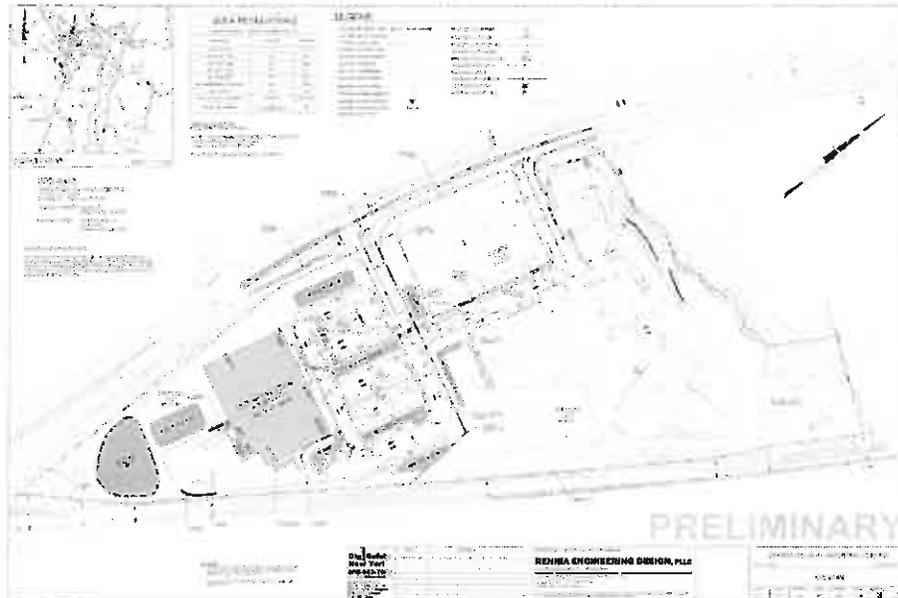


Figure 1 – Conceptual Site Plan for Grocery at Dover Village Plaza – Dover, NY

1. Location

The Dover Village Plaza is located at 3042 New York Route 22, which serves as the primary commercial corridor in Dover. According to assessment records and an in-field survey, current uses include a bank, post office, donut shop, offices (mostly professional services), an auto parts store and a gift shop, totaling an approximate 18,400 SF. Vacant and available storefronts were also noted of approximately 5,500 SF (indicating a 30% vacancy). The proposed 36,000 SF new grocery represents a near 200% increase in building SF at the Dover Village Plaza.



Figure 2 – View of Proposed Development Site for Grocery

According to the Town zoning regulations, the Dover Village Plaza site is zoned Highway Commercial District (or HC) the purpose of which is to allow commercial uses relying on automobile and truck access that would not be compatible with a hamlet mixed-use area¹. Reportedly the average daily traffic counts along Route 22 and by the site are 5,400 autos. According to the zoning regulations a grocery store, not to exceed 40,000 SF, is an allowed use by special permit and as such must meet the requirements of Article IX, *Special Permit and Site Plan Review*, §145-60 through §145-68, which specifically includes:

¹ Article II, §145-8 (6)

- **Article IX, §145-60 (A)** – *“it is the policy of the Town of Dover to allow a variety of uses of land, provided that such uses do not adversely affect neighboring properties, the natural environment, or the rural and historic character of the town.”*
- **Article IX, §145-63 [Amended 12-29-1999 by L.L. No. 3-1999]** – *“in granting or denying special permits, the Planning Board shall take into consideration the scale of the proposed project, the possible impact of the proposed project on the functioning of nearby farm operations, and, in rural areas, the tradition of freedom of land use where such use does not interfere with or diminish the value of adjoining property.”*

Directly across the street from the proposed development site is the existing 32,700 SF Dover Plains Plaza, anchored by an approximate 16,000 SF Freshtown grocery (nearly 50% of the plaza) with other tenants including a bank, drug store, sandwich shop, pizza and Chinese food shops and a gift store.

B. Findings

The following summarizes RKG’s analysis and findings which are discussed in greater detail throughout the remainder of this report.

- Consumer demand for grocery store sales, in the Dover, New York, market area is relatively stable, estimated to be \$14.6 million in 2010 and projected to increase by less than 5% to \$15.3 million in 2015. Essentially this is “inflation growth” and *does not* reflect “real growth”.
- This nominal increase stems from two issues. First, grocery stores typically realize 70% to 80% of their sales from households in a 5-mile radius, noting for example the perishable nature of many grocery store purchases. Second, within a 5-mile radius of Dover and the proposed development site, there is no projected (2010 to 2015) household growth, although there is a projected 0.5% growth for Dover as a whole.
- Any additional grocery store(s) built in Dover would effectively be targeting the same consumer base, without benefit of a growing consumer base, for grocery purchases.
- As indicated on Map 2, there are numerous alternative grocery store destinations in and around Dover, many with *multiple overlapping* 5-mile market areas. This further limits the capacity of existing or potential future grocery stores in Dover, to effectively capture a significant amount of their sales from a broader radius.
- In RKG’s opinion, the Dover 5-mile market could potentially support 22,000± SF of grocery store space *in total* given existing market demand conditions and limited population/household growth.
- In RKG’s opinion, the proposed new grocery store, at 36,000 SF, in and of itself exceeds the consumer demand of the Dover 5-mile market by nearly 64%, let alone considering the existing 16,000 SF Freshtown located across the street.
- In RKG’s opinion, any over-development of grocery store space in the Dover 5-mile market, i.e., more than 22,000 SF of grocery space *in total*, renders the proposed Dover Knolls 40,000 SF grocery infeasible, noting both limited population growth in

the overall market and the 5-mile market overlap (please refer to Map 2 to highlight the potential overlap of a Wingdale grocery with both Dover and Pawlings).

- Furthermore, in RKG's opinion, considering the limited population growth in the Dover market area, any incremental increase above the existing 16,000 SF of grocery store space in Dover renders the proposed 40,000 SF grocery in Wingdale less feasible.
- Further, to the extent that the proposed grocery, in the Dover Village Plaza, results in an over-supply of the market, not only is the 40,000 SF grocery at Wingdale rendered infeasible but in RKG's opinion whatever tax or other fiscal benefits were hoped for from the Dover Knolls grocery would also be unrealized.
- In RKG's opinion an on-site grocery or an "in-neighborhood" grocery enhances the appeal and marketability of both the Dover Knolls residential development and smaller scale retail/commercial development (serving as an anchor tenant). Conversely, if this "in-neighborhood" grocery is absent from the Dover Knolls development this would in turn serve to diminish that appeal and marketability.
- The potential competitive impacts of over-storing a market are *not to favor one retailer over another*, but rather that the market is not dynamic enough to support multiple grocery stores or the combined SF of such stores in Dover.
- As a result, the concern then should be over the potential fiscal impacts and whether the introduction of new development comes at the expense of existing development. The concern is whether the proposed new contributory property taxes would be less than estimated due to the potential loss of property taxes from the existing tax base that may result from store closings and/or prolonged vacancies.
 - Realistically, the proposed 36,000 SF new grocery would likely request and receive a business investment exemption (Section §485-b of the Real Property Tax Law). As such, the property would enjoy an annual and sliding scale exemption from taxation and special ad valorem levies over a 10-year period.
 - As a result of these exemptions, RKG estimates the average annual Town property tax, over the 2012 to 2022 time period, from the proposed 36,000 SF grocery to be \$10,251 prior to any service costs adjustments.
 - Additionally, there are typically service costs incurred by the Town to provide services to commercial properties. As a result of these costs, RKG estimates that the average annual property tax contribution (Town only) of the proposed 36,000 SF grocery diminishes by nearly \$6,000 to an annual average of about \$4,300.
 - Factoring in the estimated loss of property value and property taxes, from likely vacancy impacts at the neighboring Dover Plains Plaza, including the Freshtown grocery and potential other tenants, resulting from an overbuilt market relative to demand, indicates that the estimated net new property taxes to the Town of Dover, from the proposed 36,000 SF grocery, over the projection period, averages \$1,400 per year.

- More specifically, the estimated loss of property taxes from the existing Dover Plains Plaza, the net increase to the Town, from the proposed grocery at the Dover Village Plaza is actually *less than \$1,000 for five years* (over the projection period) *and* an actual loss for two of those years.

C. Conclusions

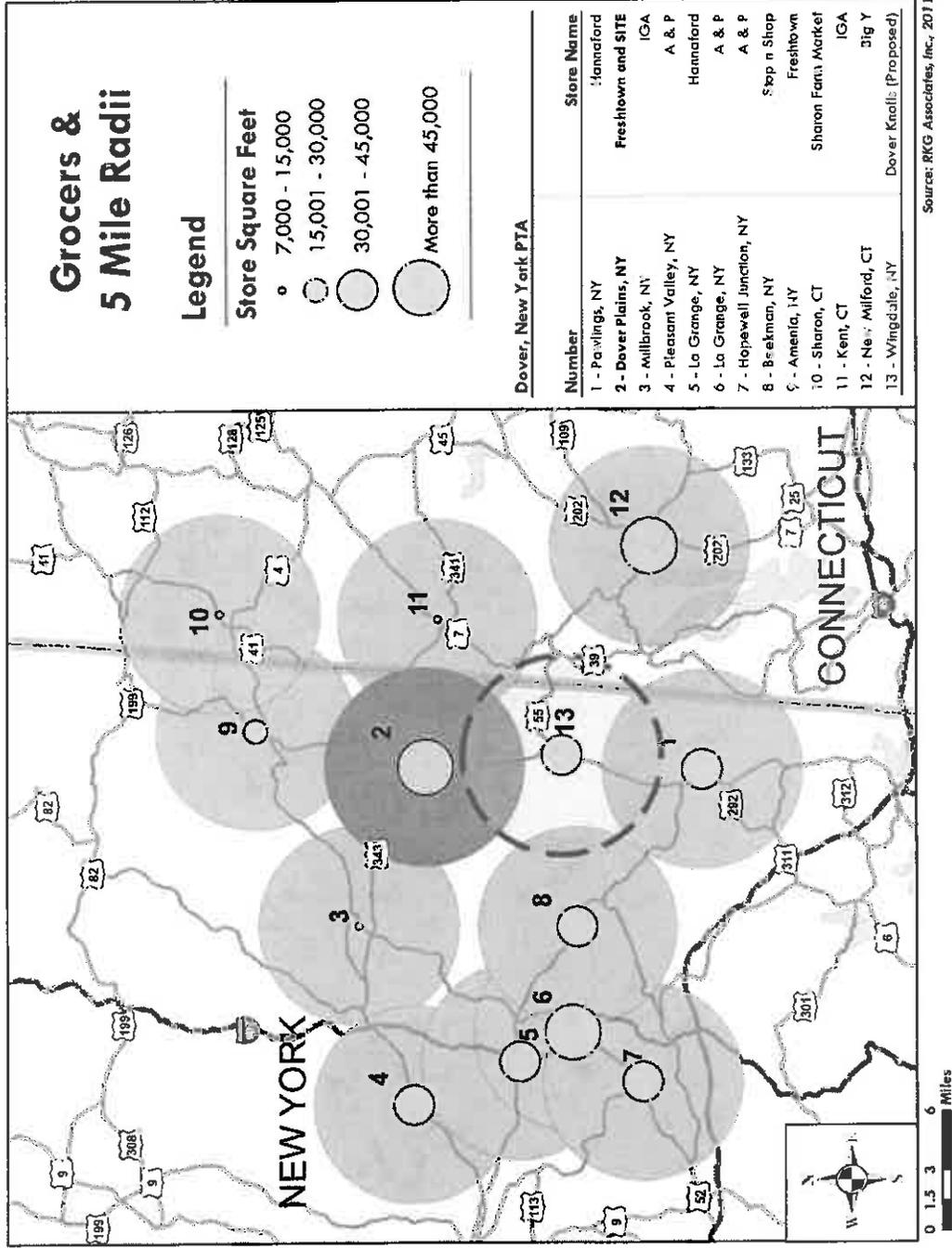
In RKG's opinion, the Dover market area, in terms of consumer demand for grocery purchases, is not growing. As such, even if there were not a 16,000 SF existing grocery in Dover, RKG offers that the proposed 36,000 SF, by itself, essentially over-stores the market by a factor of **nearly 64%**. This is particularly pertinent in light of the proposed Dover Knolls grocery of 40,000 SF as part of the repositioning of the former Harlem Valley Psychiatric Center in Wingdale, approximately 7-miles south on Route 22.

In RKG's opinion and given the existing market conditions, any incremental increase in grocery store SF from the existing 16,000 SF in Dover renders the proposed 40,000 SF Wingdale store less feasible. More specifically, any additional square feet of grocery in Dover, exceeding 22,000 SF in total, would render the grocery store in Wingdale infeasible, as well as any potential tax or fiscal benefits that might have resulted from it.

RKG's experience suggests that the inclusion of an on-site grocery at Dover Knolls would serve as a critical development component, not only as a convenience and amenity for the proposed residential component, but as an anchor in attracting other commercial and/or retail development. To the extent that such an "in-neighborhood" grocery were not a part of Dover Knolls could diminish the appeal and marketability of the residential development, and also hinder the leasing of smaller retail space. A subsequent smaller-scale development at Dover Knolls would also diminish any desired tax and fiscal benefits to the Town of Dover.

Specifically with respect to the proposed 36,000 SF grocery in Dover, RKG concludes that the estimated net property taxes to the Town of Dover, over the projection period, average about \$1,900 per year. In other words, the estimated average annual property taxes to the Town of Dover from the project diminish from \$10,300 (with a business investment exemption) to \$4,300 annually considering Town service costs, to \$1,400 annually given potential vacancies and loss in value at neighboring properties, such as the existing Freshtown grocery and potential other tenants in the Dover Plains Plaza.

Considering the estimated loss of property taxes from the existing Dover Plains Plaza, the net increase to the Town, from the proposed grocery at the Dover Village Plaza is actually less than \$1,000 for five years (over the projection period) *and* an actual loss for two of those years. In RKG's opinion, a potential annual net gain of \$1,400 in property taxes to the Town of Dover suggests that there is an overall adverse impact on neighboring properties and the existing tax base. RKG specifically considers such an impact to be contrary to the intent of Article IX, §145-60 (A) and Article IX, §145-63 [Amended 12-29-1999 by L.L. No. 3-1999] of the *Special Permit and Site Plan Review* of the Town of Dover zoning ordinance, as cited previously.



Source: RKG Associates, Inc., 2011

Map 2 - Grocers and 5-Mile PTA Radii in/around Dover, NY

II. BASELINE ANALYSIS AND IMPACTS

This chapter provides a summary overview of selected demographic, market characteristics (supply indicators) and consumer spending potential (demand indicators) for grocery stores in the Dover, New York market area. This analysis reviews the demographic indicators, such as households and household spending, along with estimated grocery store supply and demand indicators that would largely influence the Dover market's ability to absorb an additional 36,000 SF grocery store, and its impacts, if any, on existing grocery stores and sales and subsequent fiscal considerations. The Town planned to include an approximate 40,000 SF grocery store at the Dover Knolls development, in Wingdale (approximately 7-miles south on Route 22)². As such, this analysis also focuses on the Dover market area's capacity to absorb an *additional* 76,000 SF of grocery store space, as is currently proposed for the Dover Village Plaza and for the development at Dover Knolls.

A. Demographic Indicators

Dover realized a more than 10% growth in population between 1990 and 2000, surpassing the approximate 8% growth in population for Dutchess County, as a whole (please refer to Table 1). However, from 2000 to 2010, the approximate rate of population growth rates, for Dover and Dutchess County, has been on par with one another, with a slight margin to the County. More importantly though, the projected population (2010 to 2015) for Dover indicates a decline in population as compared with continued growth for Dutchess County, noting that in 2015 the population of Dover represents about 3% of the County population, just as it did in 1900. The population at selected mileage radii³, as shown in Table 1, also project a declining population at all radii about Dover.

As also indicated Table 1, the average household income in Dover has historically represented nearly 90% of that of the County, remaining consistent for 2010 and 2015.

For Dover, Dutchess County and all three radii indicators, the average household income has continually increased. The projected growth in the 2010 to 2015 average household incomes for all three radii exceeds that for either Dover or the County, and as a result the projected 2015 average household incomes at all radii are above the 2015 average household income for either Dover or Dutchess County.

In RKG's experience⁴, the household is generally considered as the "consumption unit" for grocery store items and expenditures. As indicated in Table 1, despite a projected decline in population for Dover (2010 to 2015) there is a nominal 0.5% projected increase in the

² *Master Development Plan for the Knolls of Dover* submitted the Dover Knolls Development Company II, LLC and adopted May 12, 2010.

³ The selected 3-mile, 5-mile and 10-mile radii about the Dover Village Plaza, approximate the likely market area for any new grocery, as is discussed in more detail elsewhere in this report.

⁴ The author's experience includes working with such grocers as Kroger Food Stores, BJ's Wholesale Club and Wal★Mart, as examples. New York markets in which the author has worked include, but are not necessarily limited to, the following: Rochester, Greece, Ontario County, Irondequoit, Troy, Watkins Glen, Ticonderoga, Lake Placid, Ithaca, Owego and Glens Falls. The resume of this report's author is included in the Appendix. The qualifications and experience of RKG, collectively and on a state-by-state basis, is presented under separate cover.

number of households (approximately 15 in total). More importantly, when considering the customer draw for grocery shopping in Dover, the close-in households, at the 3-mile and 5-mile radii are both projected to lose population and households. Only the 10-mile radius indicates a growth in the number of households, at 0.7% or about 85 households.

Table 1 – Selected Demographics Indicators

Comparative Demographics	Dover	Dutchess County	Dover as % of Dutchess	3 - Mile Radius	5 - Mile Radius	10 - Mile Radius
Total Population						
1990	7,778	259,462	3.00%	4,859	7,691	30,773
2000	8,565	280,150	3.06%	4,919	7,592	33,395
2010	8,949	293,612	3.05%	4,948	7,709	35,141
2015	8,852	296,047	2.99%	4,804	7,511	34,839
% change 1990 - 2000	10.1%	8.0%	NA	1.2%	-1.3%	8.5%
% change 2000 - 2010	4.5%	4.8%	NA	0.6%	1.5%	5.2%
% change 2010 - 2015	-1.1%	0.8%	NA	-2.9%	-2.6%	-0.9%
Total Households						
1990	2,493	89,565	2.78%	1,697	2,538	10,464
2000	3,034	99,536	3.05%	1,869	2,810	12,088
2010	3,159	104,092	3.03%	1,876	2,842	12,693
2015	3,174	106,836	2.97%	1,852	2,813	12,778
% change 1990 - 2000	21.7%	11.1%	NA	10.1%	10.7%	15.5%
% change 2000 - 2010	4.1%	4.6%	NA	0.4%	1.1%	5.0%
% change 2010 - 2015	0.5%	2.6%	NA	-1.3%	-1.0%	0.7%
Average HH Income						
1990	\$42,291	\$49,054	86.21%	\$43,521	\$45,021	\$54,972
2000	\$57,814	\$65,695	88.00%	\$57,364	\$61,777	\$74,854
2010	\$79,208	\$86,793	91.26%	\$85,819	\$89,481	\$103,320
2015	\$85,830	\$93,779	91.52%	\$95,309	\$99,051	\$112,911
% change 1990 - 2000	36.7%	33.9%	NA	31.8%	37.2%	36.2%
% change 2000 - 2010	37.0%	32.1%	NA	49.6%	44.8%	38.0%
% change 2010 - 2015	8.4%	8.0%	NA	11.1%	10.7%	9.3%

Source : DemographicsNow and RKG Associates, Inc.

1. Conclusions

There is no projected growth (over the 2010 to 2015 time) among households within a 3-mile to 5-mile radius about Dover, albeit there is a 0.5% projected growth for Dover as a whole. As a result, any increase in grocery store spending in Dover would most reasonably result from an increase in spending among existing households, rather than new, or additional, spending among new households. In RKG's opinion, this indicates that sales at any new grocery store would significantly represent a transfer of sales from existing stores in the market place and not net new sales.

B. Retail Indicators

This section presents an analysis of estimated consumer spending demand for grocery stores and an in-field analysis of supply, including store count and estimated sales, in and around Dover, New York. The difference between estimated demand and sales may be referred to as sales leakage. All markets experience varying degrees of sales leakage, which is defined as local consumer spending demand not captured by local merchants, or "leaking". It is

possible that some sales leakage could be recaptured, *although not all*, either through an expansion of offerings or services among existing retailers, or through the addition of new retailers and SF in the market place.

1. Primary Trade Area (PTA)

Many retailers draw 70% to 80% of their sales (customers) from a tight geography often referred to as a Primary Market Area or PTA. The size of this PTA is influenced by many characteristics including, but not necessarily limited to the following:

- travel times along major highway corridors;
- natural barriers such as rivers, lakes and mountain ranges;
- the influence of competing trade areas on local market area sales; and,
- the nature of goods or products sold by the retailer.

Typically grocery stores draw most of their sales from households within a 3 to 5-mile radius⁵ (or their PTA), as retail sales generally diminish with distance and density noting, for example that the perishable nature of many of the goods sold by grocery stores limits the distance customers are willing to drive in order to complete a shopping trip.

2. Grocery Store Demand Indicators

The following Table 2 presents estimates of the annual consumer spending demand for grocery store merchandise among the households in Dover, Dutchess County and at the PTA selected radii. These demand estimates are presented on a per household basis as well as in the aggregate. Reflecting the relatively stable to marginally declining number of households, the total spending demand for groceries, at the selected radii, is projected to increase by around 5% over the 2010 to 2015 period (refer to Table 2). This indicates that any new grocery store in the Dover market area would be competing for sales and market share in a non-growth market⁶.

Table 2 – Grocery Store Spending Demand Indicators

Per Household Grocery Demand	Per Household			Aggregate Grocery Demand		
	2010	2015	% Change	2010	2015	% Change
Dover	\$4,807	\$5,031	4.7%	\$15,185,313	\$15,968,394	5.2%
Dutchess County	\$4,875	\$5,068	4.0%	\$507,448,500	\$541,444,848	6.7%
<i>Selected Radii</i>						
3-mile radius	\$5,035	\$5,339	6.0%	\$9,445,660	\$9,887,828	4.7%
5-mile radius	\$5,134	\$5,431	5.8%	\$14,590,828	\$15,277,403	4.7%
10-mile radius	\$5,465	\$5,720	4.7%	\$69,367,245	\$73,090,160	5.4%

Source : DemographicsNow and RKG Associates, Inc.

⁵ As noted in *Shopping Centers and Other Retail Properties*, by John White and Kevin Gray in association with the Urban Land Institute, 1996.

⁶ Estimating inflation to be approximately 1% annually over the next five years, the approximate 5% growth over 2010 to 2015 reflects inflation and not real growth.

3. Grocery Store Supply Indicators

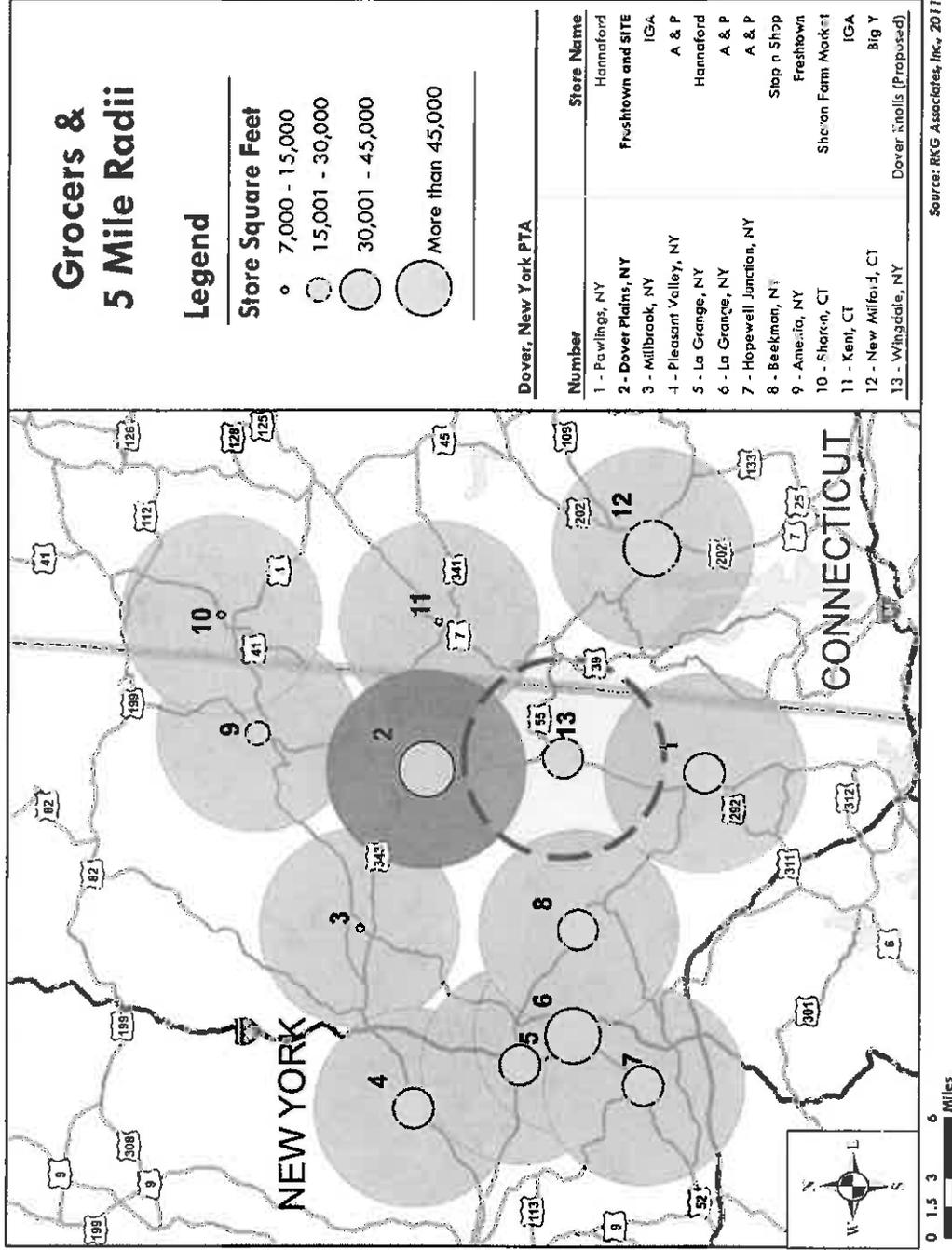
As a starting point, area grocery stores were highlighted via internet searches and sources, which were followed by an on-the-ground and in-the-field analysis. As noted previously, retail sales diminish with distance and density as consumers prefer to shop close to home whenever possible (the distance factor) and the further they must travel the more likely there are alternative and competitive shopping venues (the density factor). This in-field inventory of grocery stores (and planned stores) is summarized in Table 3.

Table 3 – In-Field Inventories of Grocery Stores

MAP #	Proximity to Proposed SITE	Estimated Miles	Travel Time in Minutes	Store Size in SF
<i>Within 5-miles</i>				
2	Freshtown	NA	NA	16,000
2	Proposed Site	NA	NA	35,800
<i>subtotal SF</i>				51,800
<i>Within 5 to 10-miles</i>				
13	Proposed Dover Knolls	7.3	9	40,000
3	Marona's IGA	8.7	13	8,125
9	Freshtown	9.8	13	20,020
<i>subtotal SF</i>				68,145
<i>Within 10 to 20-miles</i>				
1	Hannaford	13.9	19	32,400
11	Davis IGA	14.5	30	7,000
8	Stop n Shop	15.7	20	41,600
4	A&P	16.3	22	36,950
10	Sharon Farm Market	16.3	25	12,600
12	Big Y	18.3	29	50,350
6	A&P	19.4	25	48,300
<i>subtotal SF</i>				229,200
<i>20-miles plus</i>				
5	Hannaford	20.3	26	38,610
7	A&P	23.5	31	41,400
<i>subtotal SF</i>				80,010
TOTALSF				429,155

Source : RKG Associates, Inc.

As indicated in Table 3 there are 12 grocery stores (excluding smaller convenience stores or deli-style stores) within an approximate 20-mile radius of the proposed site, as well as a proposed 40,000 SF store as part of the Dover Knolls development, about 7-miles to the south of the site. The following Map 2 depicts these stores (and proposed stores) along with a 5-mile radius about them, indicating what would normally be considered as a PTA for a grocery store. As indicated in Map 2 there is extensive overlap of numerous PTAs in the market area, most apparently for the existing Freshtown in Dover and the proposed grocery store which compete for the same PTA consumer base.



Source: RKG Associates, Inc., 2011

Map 2 - Grocers and 5-Mile PTA Radii in/around Dover, NY

4. Supportable Grocery Development

The following Table 4 presents a reconciliation of the estimated consumer demand for grocery stores in the Dover 3- and 5-mile market area with the estimated grocery store sales⁷. This reconciliation indicates the following:

- Within a 3-mile radius of the site there exists slightly more than \$9.4 million in annual grocery store demand, while there is slightly less than \$9.1 million in annual grocery store sales⁸ (reflecting demand and sales for grocery store-type merchandise some of which could be purchased at a non-grocery store venue). As a result, there is only \$390,000 in unmet annual demand, indicating that consumer grocery store demand within the 3-mile radius is being met by the existing retail base. In other words, more than 95% of the consumer demand for grocery sales, within the 3-mile radius, is being met.
- As a result, the retail sales at any new grocery within the 3-mile radius would represent a transfer of existing sales from existing stores *and not* represent net new retail sales and activity.
- Cumulatively, at a 5-mile radius (the PTA), there is nearly \$5.3 million in sales leakage, which is typical as retail sales diminish with distance and density.

Table 4 – Grocery Store Supply and Demand Reconciliation

Grocery Store Reconciliation - 2010	Estimated Household		Sales	Additional SF
	Demand	Sales	Leakage	@ 50% Recapture
3-mile radius	\$9,445,660	\$9,054,589	\$391,071	435
5-mile radius	\$14,590,828	\$9,315,798	\$5,275,030	5,861

Source : Claritas, DemographicsNow and RKG Associates, Inc.

Information maintained by the Food Marketing Institute (FMI), a national trade association of the grocery industry, indicates a wide variation in grocery store sales on a per SF basis, ranging from around \$450/SF to \$600/SF as an average. Stores in more densely settled locations, or larger stores with full compliments of specialty departments can have sales that higher on a per SF basis. Although sales for grocery stores depend on numerous factors, such as competition and consumer population and spending power, the minimum threshold of profitability is often estimated to be around \$450/SF, which in RKG's opinion is applicable for the Dover market area.

As noted previously, an expansion of existing stores, such as the Foodtown at the Dover Plains Plaza, or the introduction of additional square footage, could serve to recapture some sales leakage. However, it is unreasonable to estimate that 100% of sales leakage could be recaptured as consumers will continue to shop away from their local market. Reasons for not

⁷ The sales estimates are developed by Claritas, a national vendor of proprietary demographic, economic and spending models.

⁸ Estimates of retail sales provided through Claritas, Inc., a division of Nielsen, providing proprietary consumer spending and behavioral modeling and estimates since 1971. For additional information, please refer to their website at www.claritas.com/dvplaza.com/.

shopping locally vary, but include store/brand loyalty elsewhere, or combining shopping trips such as a grocery store with a general merchandiser, noting that the latter is not in Dover.

In light of this, it is estimated that 50% of the existing sales leakage, or \$2.65 million, might be recaptured within the 5-mile radius. This recapture⁹ of sales leakage within a 5-mile radius of the proposed development site suggests that the market could support an additional 6,000 SF (rounded) of grocery store development, or approximately 22,000 SF in total. Also, given the limited population and consumer demand growth in the Dover market area, any grocery store square footage exceeding the estimated supportable 22,000 SF would, by definition, “cut into” the Wingdale market area thereby rendering infeasible the proposed 40,000 SF grocery at Dover Knolls.

The proposed grocery store, of 36,000 SF *is six times* the estimated additional supportable 6,000 SF. Utilizing the estimated \$450/SF in sales, for the proposed 36,000 SF store, result in estimated annual sales of \$16 million. Assuming that 70% to 80% of these sales are derived from consumers within a 5-mile radius, then the new store’s sales from within the 5-mile PTA would be \$11.3 to \$12.9 million, or approximately 77% to 88% of the estimated \$14.6 million in demand.

If the proposed 40,000 SF grocery at the Dover Knolls project were also to be built, then the three stores in Dover, including the existing Foodtown and the proposed store at the Dover Village Plaza, would equate to approximately **92,000 SF** of grocery store space, indicating a further over-storing, or over supply, of the market relative to demand indicators.

5. Conclusions

The limited growth in households in the market area indicates that additional grocery store development would largely be competing for the same customer base. While the existing grocery stores in the Dover market area are somewhat under-performing (in terms of sales) relative to the estimated consumer demand, this is only marginally so. RKG estimates that the market could reasonably support only an additional 6,000 SF of grocery space, without any significant population/household growth.

The existing Freshtown in Dover, coupled with the proposed grocery would result in an estimated 52,000 SF of grocery in a market with the capacity to support *no more than* 22,000 SF without significant household growth. In RKG’s opinion, this would result in an over-storing of the Dover market area by 30,000 SF of grocery space relative to the market’s capacity. Additionally, to the extent that the immediate Dover market is over-stored, the development of a 40,000 SF grocery in the Wingdale market is rendered infeasible.



Figure 3 – Vacant grocery store in Pawlings, NY

⁹ \$2,650,000 ÷ \$450 = 6,000 SF (rounded).

If the proposed 40,000 SF grocery at the Dover Knolls project were also to be built, then the three stores in Dover (including Wingdale) would equate to approximately 92,000 SF of grocery store space, indicating further over-storing of the market. The potential competitive impacts of over-storing a market are not to favor one retailer over another, but rather that the market is not dynamic enough to support multiple grocery stores, at the same location, or at least the combined SF of such stores in Dover. As an example, whether the closing of the former IGA grocery store in Pawlings was caused by the opening of Hannaford (on Route 22) is unknown, but RKG offers that it is coincidental. As of the in-field analysis for this report, the former IGA remains vacant. From RKG's experience working in other small town and villages, including those in New York, similar "chronic" vacancies exist, in part reflecting markets that are overbuilt relative to demand.

C. Estimated Fiscal Impacts

Over the past several years local governments have become increasingly concerned about the impacts of new developments on municipal budgets and tax bases. Often, new developments have necessitated the hiring of additional local government employees in order to provide municipal services and as such, local residents and officials have increasingly wanted to know that a proposed development would provide an increase in taxes and other revenues which would cover the costs of any increases in municipal services.

In order to better understand this relationship, local officials have utilized fiscal impact analysis to compare future municipal revenues and expenditures associated with a proposed development. Fiscal impact analysis has been defined as "*a projection of the direct current public costs and revenues associated with residential or nonresidential growth to the local jurisdiction in which the growth is taking place*"¹⁰.

RKG understands that as of this analysis, the applicant for the proposed 36,000 SF grocery in Dover has not presented the Town with estimates of such fiscal impacts. As such, RKG offers the following, but cautions that these are not definitive depending on additional information, if any, provided by the applicant or requested by the Town.

1. Estimated Property Taxes

At this time, the information provided by the applicant is insufficient for the Town of Dover Assessor to develop an estimate of assessment value. However, discussions with the Assessor indicate that often as a preliminary starting point, the estimated construction value can serve as an estimate of fair market value, pending additional research into comparable stores and sales activity.

In this analysis RKG has utilized a construction value of approximately \$125¹¹ per SF for the 36,000 SF indicating a construction cost of \$4.5 million (rounded) or a fair market value of \$4.5 million. The Town of Dover Assessor indicated that current assessment values are approximately 50% of the fair market value and as a result the assessed value for the proposed grocery store is \$2.25 million in this analysis. Realistically, the proposed 36,000

¹⁰ Robert W. Burchell, et. al. The New Practitioner's Guide to Fiscal Impact Analysis. Center for Urban Policy Research, Rutgers University, 1985.

¹¹ In other communities where RKG has worked, construction costs have ranged from \$125/SF to \$150/SF. In order to be conservative, meaning to not potentially overstate tax impacts, RKG has opted for the lower dollar amount in this analysis.

SF new grocery would likely request and receive a business investment exemption (Section §485-b of the Real Property Tax Law). As such, the property would enjoy an annual and sliding scale exemption from taxation and special ad valorem levies, specifically excluding fire districts, over a 10-year period.

This scale starts at a 50% exemption for year one and diminishes by 5% increments each year thereafter. As such, the exemption is only 5% in the tenth year and by the eleventh year the taxes are 100%, as presented in Table 5. Only the estimated Town taxes are presented - excluding fire, library, county and school.

Table 5 – Estimated Property Taxes from the Project as Adjusted over Time

Estimated Property Taxes /1	1 2012	2 2013	3 2014	4 2015	5 2016	6 2017	7 2018	8 2019	9 2020	10 2021	11 2022	Annual Average
Proposed NEW Grocery of 36,000 SF												
TOWN <i>Unadjusted</i>	\$12,195	\$12,439	\$12,688	\$12,941	\$13,200	\$13,464	\$13,734	\$14,008	\$14,288	\$14,574	\$14,866	\$13,491
<i>Exemption /2</i>	50.00%	45.00%	40.00%	35.00%	30.00%	25.00%	20.00%	15.00%	10.00%	5.00%	0.00%	
<i>Adjustment</i>											\$0	
AS Adjusted	\$6,098	\$6,841	\$7,613	\$8,412	\$9,240	\$10,098	\$10,987	\$11,907	\$12,860	\$13,845	\$14,866	\$10,251

Source : RKG Associates, Inc.

/1 Assumes 2% annual increase

/2 Assumes receipt of a §485--b. Business Investment Exemption

As a result of these exemptions, the estimated average annual Town property tax, over the 2012 to 2022 time period, from the proposed 36,000 SF grocery is \$10,251 prior to any service costs adjustments or potentially negative impacts to nearby properties and development, the latter which is the intent of Article IX, §145-60 (A) and Article IX, §145-63 [Amended 12-29-1999 by L.L. No. 3-1999] of the *Special Permit and Site Plan Review* of the Town of Dover zoning ordinance.

a) Estimated Municipal Service Costs

Typically there are costs associated with “servicing” commercial development, including fire, police, utilities, and so on. In other communities in RKG has worked these costs have ranged from \$0.10/SF to \$0.30/SF, and in this analysis RKG used a conservative estimate of \$0.15/SF for service costs, towards the lower end of the range of other communities. This estimated service cost excludes fire department which is assumed to recover its costs through the separate fire district tax. As such, the service costs adjustments in Table 6 reflect only the Town, excluding fire, library, county and school.

Table 6 – Estimated Property Taxes from the Project with Adjustment for Service Costs

Estimated Property Taxes /1	1 2012	2 2013	3 2014	4 2015	5 2016	6 2017	7 2018	8 2019	9 2020	10 2021	11 2022	Annual Average
Proposed NEW Grocery of 36,000 SF												
TOWN <i>Unadjusted</i>	\$12,195	\$12,439	\$12,688	\$12,941	\$13,200	\$13,464	\$13,734	\$14,008	\$14,288	\$14,574	\$14,866	\$13,491
<i>Exemption /2</i>	50.00%	45.00%	40.00%	35.00%	30.00%	25.00%	20.00%	15.00%	10.00%	5.00%	0.00%	
<i>Adjustment</i>											\$0	
AS Adjusted	\$6,098	\$6,841	\$7,613	\$8,412	\$9,240	\$10,098	\$10,987	\$11,907	\$12,860	\$13,845	\$14,866	\$10,251
<i>Service Costs /1 /3</i>												
NETTOWN	\$698	\$1,333	\$1,994	\$2,681	\$3,395	\$4,136	\$4,906	\$5,704	\$6,533	\$7,392	\$8,283	\$4,278

Source : RKG Associates, Inc.

/1 Assumes 2% annual increase

/2 Assumes receipt of a §485--b. Business Investment Exemption

/3 Assumes cost of \$0.15 per SF of gross development

As indicated in Table 6, once adjusted for potential municipal service costs, the average annual property tax contribution (Town only) of the proposed 36,000 SF grocery diminishes by nearly \$6,000 to an annual average of nearly \$4,300, reflecting the imbalance between a sliding scale of tax exemptions and a continuing 100% of service costs.

b) Estimated Impacts on Existing Tax Base

In RKG's opinion an additional 36,000 SF grocery would effectively over-store the Dover market and indicate that sales for the new store and the existing grocery, across the street, would originate from the same consumer base. In RKG's opinion the Dover market could reasonably support 22,000 SF of grocery space, in total, not the existing 16,000 SF Freshtown *and* the proposed 36,000 SF store across the street *and* the proposed 40,000 SF Dover Knolls development, in Wingdale (approximately 7-miles south on Route 22).

Whether the existing grocery would become vacant, and remain vacant, would typically be a matter of debate in a growing market, however, the Dover market is stable with respect to household growth and consumer spending growth. It is reasonable to assume that there would be significant sales transfer from the existing store which could precipitate a diminished property value and a reduction in property taxes, reflecting increased vacancy at the Dover Plains Plaza with the loss of the 16,000 SF anchor tenant, and potentially other tenants. The following Table 7 presents the estimated net property tax contribution to the Town of Dover, reflecting the sliding scale tax exemption, municipal service costs and the potential loss of taxes resulting from vacancy at Dover Plains Plaza.

Factoring in the estimated loss of property value and property taxes, from vacancy impacts, indicates that the estimated net property taxes to the Town of Dover, over the projection period, average \$1,900 per year. In other words, the estimated average annual property taxes to the Town of Dover from the project diminish from \$10,300 (with a business investment exemption) to \$4,300 annually considering Town service costs, to a net \$1,400 annually. In fact, as shown in Table 7, the net tax increase to the Town, from the proposed grocery at the Dover Village Plaza is less than \$1,000 for five years *and* a loss for two of those years.

Over the projection period, as shown in Table 7, RKG considers an average annual \$1,400 net property tax benefit to be minimal, at best, when considered against potential declines in property values, property taxes and overall economic activity at other area business locations.

Table 7 – Estimated NET Property Taxes from the Project to the Town of Dover, New York

Estimated Property Taxes /1	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annual Average
Proposed NEW Grocery of 36,000 SF												
<i>Unadjusted</i>	\$12,195	\$12,439	\$12,688	\$12,941	\$13,200	\$13,464	\$13,734	\$14,008	\$14,288	\$14,574	\$14,866	\$13,491
<i>Exemption /2</i>	50.00%	45.00%	40.00%	35.00%	30.00%	25.00%	20.00%	15.00%	10.00%	5.00%	0.00%	
<i>Adjustment</i>	(\$4,056)	(\$5,988)	(\$5,075)	(\$4,510)	(\$3,968)	(\$3,358)	(\$2,747)	(\$2,101)	(\$1,459)	(\$828)	\$0	(\$3,238)
AS Adjusted	\$6,098	\$6,841	\$7,613	\$8,412	\$9,240	\$10,098	\$10,987	\$11,907	\$12,860	\$13,845	\$14,866	\$10,251
<i>Service Costs /1 /3</i>	(\$5,300)	(\$5,508)	(\$5,615)	(\$5,731)	(\$5,854)	(\$5,987)	(\$6,081)	(\$6,200)	(\$6,317)	(\$6,453)	(\$6,588)	(\$5,974)
AS Adjusted	\$698	\$1,333	\$1,994	\$2,681	\$3,395	\$4,136	\$4,906	\$5,704	\$6,533	\$7,392	\$8,283	\$4,278
Existing Dover Plains Plaza with 16,000 SF grocery												
<i>Taxes</i>	\$5,196	\$5,300	\$5,406	\$5,514	\$5,624	\$5,737	\$5,852	\$5,969	\$6,088	\$6,210	\$6,334	\$5,748
<i>Assumed prolonged vacancy impact(s) /4</i>	\$0	\$0	(\$3,744)	(\$3,308)	(\$3,375)	(\$3,412)	(\$3,511)	(\$3,581)	(\$3,653)	(\$3,745)	(\$3,800)	(\$2,875)
AS Adjusted	\$5,196	\$5,300	\$2,162	\$2,206	\$2,250	\$2,295	\$2,341	\$2,387	\$2,435	\$2,484	\$2,534	\$2,872
NET Contribution of NEW Grocery given Service Costs and Vacancy Impacts	\$698	\$1,333	(\$627)	(\$627)	\$20	\$694	\$1,395	\$2,123	\$2,880	\$3,666	\$4,483	\$1,401

Source : RKG Associates, Inc.

- /1 Assumes 2% annual increase
- /2 Assumes receipt of a §485--b. Business Investment Exemption
- /3 Assumes cost of \$0.15 per SF of gross development
- /4 Assumes 60% decline in value and taxes, year 3, as a result of vacancy of anchor and other tenants

D. Photos of Area Grocers



Figure 4 Hannaford in Pawlings, NY



Figure 5 – FreshTown in Dover Plains, NY



Figure 6 – Marona's IGA in Millbrook, NY



Figure 7 – A&P in Pleasant Valley, NY



Figure 8 – Hannaford in La Grange, NY



Figure 9 – A&P in La Grange, NY



Figure 10 – A&P in Hopewell Junction, NY



Figure 11 – Stop n Shop in Beekman, NY



Figure 12 – Freshtown in Amenia, NY



Figure 13 – Sharon Farm Market in Sharon, CT



Figure 14 – Davis IGA in Kent, CT



Figure 15 – Big Y in New Milford, CT

III. APPENDIX

The resume and experience of the author of this report is included next. The collective qualifications and experience of RKG Associates, Inc., on a state-by-state basis, is presented under separate cover.

LAWRENCE E. CRANOR JR. SENIOR PROJECT MANAGER

PROFESSIONAL PROFILE

Mr. Cranor joined RKG Associates, Inc. in 1992, with 15 years experience in applied demography, market research, site selection and competition studies for other firms, including national retail chains. Mr. Cranor has applied this background to managing a wide range of assignments with RKG Associates, Inc. These assignments have included a broad variety of retail projects, consumer surveys and spending research, site location research; urban revitalization/marketing strategies; and general economic development.

EDUCATION

- B.A. Sociology, University of Cincinnati, Ohio, 1976
- MBA Marketing/Management, University of Cincinnati, Ohio, 1980

PROFESSIONAL AFFILIATIONS

- Population Association of America
- New Hampshire Main Street

PROJECT EXPERIENCE

Downtown Redevelopment

Project Manager responsible for developing economic strategies and implementation plans instrumental in revitalizing the downtown "urban core" of such communities as diverse as Gulfport, Mississippi; Lewiston, Maine; Watkins Glen, New York; Norwalk, Connecticut; and Hyannis, Massachusetts.

Economic Reuse and Development Strategies

Project Manager responsible for analyzing the economic/market potential for the reuse and redevelopment of the Hunts Point Food Distribution Center, Bronx, New York; retail/market strategies associated with potential expansion of Gillette Stadium, Foxborough, Massachusetts; repositioning of the Pyramid in downtown Memphis, Tennessee; as well as the Memphis Fairgrounds (home of the Liberty Bowl), and reuse of a former Ford assembly plant in Jacksonville, Florida.

Housing Market Research

Prepared housing market studies for projects in

several communities including Chicopee and North Andover, Massachusetts; Jacksonville, Florida; and, Norwalk, Connecticut;

Retail Market Studies

Project Manager responsible for preparing market analyses and determining the expansion potential for national/regional/local retailers such as discount merchandisers, grocers, wholesalers, restaurants and outlet malls. These analyses include specific site/location research, customer surveys, sales forecasting and competition studies in many markets, including Rochester, New York; Merrimack, New Hampshire; Halifax, Massachusetts; and West Hartford, Connecticut.

Local and Regional Economic Development Strategies

Corridor Revitalization

Project Manager for a comprehensive plan to revitalize a blighted urban corridor in DeKalb County, Georgia; sections of the Silas Deane Highway corridor in Rocky Hill and Wethersfield, Connecticut; Irondequoit, New York; and more focused corridor studies for site specific development opportunities in New Jersey. Also, prepared market research and development feasibility studies in support of the recommendations.

Cultural Facilities Analysis

Project Manager responsible for preparing a development feasibility analysis for a waterfront, 600 seat performing arts center in Fall River, Massachusetts. Completed an economic impact analysis, i.e. return to the City, of the Hyde Collection Art Museum in Glens Falls, New York.

Neighborhood Revitalization

Project Manager responsible for developing revitalization strategies and implementation plans for specific neighborhoods within larger metropolitan areas, including: Hyannis, Springfield and Wellesley, Massachusetts; Blacksburg, Virginia; the "Bull's Head" neighborhood of Rochester, New York; and Bowling Green, Kentucky. These revitalization plans identified market-based economic and real

estate opportunities within these neighborhoods (and in context to the larger metropolitan area) and developed implementation plans reflecting local financial and organizational capacities, often prioritizing actions in order to stimulate spin-off growth.

Economic/Fiscal Impact Analysis

Convention/Cultural/Recreational Facilities

Project Manager responsible for analyzing the economic and employment impacts that a proposed expansion of the convention center, Basketball Hall of Fame and retail/restaurants offerings would have on the economy and urban revitalization of downtown Springfield, Massachusetts.

Project Manager in charge of reviewing retail, spending and hospitality analysis of economic and fiscal impacts, for the New York City Department of Environmental Protection, associated with the development of a major tourism and resort facility proposed for 1,960 acres in the Catskill Mountains.

Project Manager responsible for assessing fiscal and economic impacts, noting potential sales tax and income tax revenues, from redevelopment of Graceland and the surrounding neighborhood (in Memphis, Tennessee).

On-call review economist for the Cape Cod Commission, of Massachusetts, for review and recommendations of a variety of developers' proposals for new, expanded retail and other commercial projects and their resultant economic/fiscal impacts.

Development Strategies and Impact Modeling

Project Manager working with Westchester County, New York, to prepare economic and real estate development strategies for a selected cross section of industry clusters, targeting those with the greatest growth potential and fiscal return to the County. As part of this process, websites were also designed for the County, specifically targeting economic development and women/minority owned business and enterprises.

Project Manager responsible for developing a 20-year forecasting model for strategic fiscal planning, reviewing employment, sales tax revenue, property taxes and other income sources, for Ontario County, New York.

Project Manager working with Nassau County, New York, to recommend and prioritize redevelopment alternatives for the major commercial and recreational hub within Nassau County, accounting for more than 15% of the property tax revenue and 25% of the sales tax revenue.

Project Manager in charge of preparing an analysis of the costs and benefits associated with the BRAC expansion of Ft. Sill in Lawton, Oklahoma.

Highway and Airport Projects

Prepared real estate analysis of impacts associated with the proposed reconstruction of the Gowanus Expressway, traversing the length of Brooklyn from Manhattan to Staten Island, on adjacent inner-city commercial districts. Developed a market and real estate analysis of impacts associated with the proposed expansion of Philadelphia, Pennsylvania airport.

Analysis of Proposed Retail and other Commercial Developments

Project Manager for the preparation of economic/fiscal impact analyses of proposed Wal-Mart retail stores in Greenfield, Halifax and Quincy, Massachusetts; Ithaca, Lake Placid, Saratoga Springs, Ticonderoga and Victor, New York; Middletown, Rhode Island; and, St. Albans and St. Johnsbury, Vermont.

Project Manger responsible for developing a comprehensive analysis of the expansion of the Cape Cod Mall in Hyannis, Massachusetts; and repositioning of the former Scarborough Downs in Saco, Maine.

Chapter 43D Priority Development Sites

Project Manager working with MassDevelopment and local communities to complete market studies and asses the redevelopment options for specific "quick-burn" sites throughout Massachusetts, including properties in Athol, Belchertown, Groton, Lee and Uxbridge.