

Tax Increment Financing

RSA 162-K





What is TIF?

- A powerful economic development tool for funding desirable public purpose improvements to stimulate community development, business growth and new job creation.
- Uses new taxes created by new increment (increased assessed value) resulting from new construction, expansion, renovation of property, or appreciation within a defined district to pay for public improvements to benefit the district.



What Can TIF Be Used For?

- All activities undertaken must be consistent with a TIF District Development Plan. TIF funding can be used but not limited to:
 - Acquire land or easements
 - Build or improve roads, bridges and transportation systems linking commercial areas, or to meet the goals of the development plan
 - Extend or improve water, sewer, utilities to the development district
 - Install lighting, street signs, landscaping, and/or pedestrian ways
 - Construct parking structures, plazas, or other traffic and parking control features
 - Planning or engineering for public improvements or projects.
 - Fund administration, reserves, maintenance and upkeep of the TIF District and TIF funded projects



How Does TIF Work?

- A district is created with boundaries that include areas where public improvements are needed and areas where new development or redevelopment is likely to take place.
- An inventory of the properties is done, establishing the base value of the district. Taxes on the base value continue to get distributed in the usual way.
- As properties in the district are developed or redeveloped there will be an increase in the taxable value. The difference between the base value and the new value is the new incremental value.
- The taxes derived from the new incremental value are dedicated for use to benefit the TIF district and/or to service debt on a bond rather than the usual distribution.
- If desired, the City Council may reallocate a portion of the revenues back to the general fund.



Bond or Pay-as-you-go

- TIF revenue is set aside to either
 - a) service the debt on a bond issued by the City for improvements associated with the TIF District, or
 - b) complete the improvements in the development plan in phases, or
 - c) saved until sufficient annual increment is available to support a bond for the entire project.
- Bonds issued in this manner do not count against a City's debt capacity.
- Bonds with a dedicated revenue source will not raise the tax rate in the manner that GO Bonds will.

Example



- Dover adopts enabling legislation in RSA 162-K
- The City identifies an area where development or redevelopment will create new increment
- The City identifies public improvements or infrastructure needs in the same area that would benefit the district



Example

- An inventory of the assessed value of the proposed district shows that there is \$1 million of existing assessed value in the district. This shows that \$18,180 of annual property taxes is being divided amongst the City (\$6,910), County (\$1,760), and Schools (\$6,710 to local and \$2,800 to State)
- Proposed new development within the proposed district will create \$3 million of new increment (assessed value). This would result in \$54,540 of new taxes. All of which can be dedicated to pay for public improvements
- Negotiate Development Agreements with property owners/developers to ensure creation of the new increment within the proposed district to cover debt service and related expenses.
- Finish TIF plan details
- Establish the district and fund improvements

Communities Using TIF in NH

- Concord
- Keene
- Hooksett
- Claremont
- Peterborough
- Franklin
- Pembroke
- Plymouth
- Derry
- Bedford
- Laconia
- Nashua
- Londonderry
- Meredith
- Newmarket

