

# Tax Increment Financing



# Tax Increment Financing

- RSA 162-K:2 Entitled Municipal Development and Revitalization Districts, allows communities to create Tax increment Financing Districts for economic development purposes.
- TIFs allow for the re-investment of all new property tax dollars in the designated district.
- How TIFs work: Key Facts
  - TIFs work by capturing all new property tax revenues from a specific area and reinvesting them in that area.
  - The new revenues in the TIF arise either through new development or “fair market” increases in the property values of existing residents and businesses.

# Valid Public Purposes

- The public purposes valid under state statute are summarized below:
  - Acquire, construct, improve and/or operate and maintain physical facilities, quality of life and quality of transportation.
  - Acquire land or easements through negotiation or through powers of eminent domain.
  - Adopt ordinances regulating public parking and traffic within the district.
  - Require construction of buildings to accommodate pedestrian systems.
  - Install lighting systems, signage, and landscaping and snow removal systems.
  - Acquire property for the district.
  - Lease air rights over public property and construct supports for buildings to be constructed on air rights.
  - Lease buildings constructed in the district.
  - Negotiate the sale or lease of property for private development.
- In addition, administrative expenses related to the district can be charged to the TIF.

# Authorization and Adoption

- Authorized by Chapter 162-K- “Municipal Development and Revitalization Districts”
- Municipality may adopt this chapter after holding a public hearing and thereafter be authorized to establish one or more development districts (162-K:2,3)
- For each district the municipality shall establish a development program and tax increment financing plan (162-K:6)
- If first time, municipality may carry hearing procedures for establishment of district at same time as conducting the planning and hearing procedures for adoption of this chapter.

# Requirements for Establishment of Districts

Prepare a development program and tax increment finance plan

## Development Program

- Plan for public facilities to be constructed, open space to be created, environmental controls, reuse of private property, and operation of districts after improvements completed.
- Relocation plan for people, businesses, and others displaced by project.

# Requirements for Establishment of Districts

## Tax Increment Finance Plan

- Plan shall allocate use of tax increments for retirement of bond, operation, maintenance and improvements in the district and for general municipal purposes.
- Plan shall:
  1. Be incorporated into the Development Program
  2. Contain estimates for : cost of development program; sources of revenues, including tax increments; amount of bonded indebtedness to be incurred; and duration of program.
  3. Contain a statement of estimated impact of tax increment financing on assessed value of all taxing jurisdictions in which district is located.

# Requirements for Establishment of Districts

## Tax Increment Finance Plan

- Public hearing shall be held as part of hearing on the development district.
- Provide reasonable opportunity for county commissioners and members of school board to meet with governing body.
- May include agreements with county commissioners and school board to share portion of captured tax increment.
- Funding
  1. Grants - may accept grants from state, federal government, or any other entity to do studies and to construct and operate public improvements.
  2. Issue Bonds - may authorize, issue and sell general obligation bonds which shall mature within 30 years from date of issue to carry out development plan. All dedicated tax increments received by municipality shall be pledged for repayment of these bonds.

# Establishment of Districts- Limitations

- I. The total acreage included in any one development district when designated shall not exceed 5 percent of the total acreage of the municipality, and when added to the total current acreage within the development districts for which bonds remain outstanding shall not exceed 10 percent of the total acreage of the municipality.
- II. The total assessed value of taxable real property of any one development district when designated shall not exceed 8 percent of the most recent total assessed value of taxable real property in the municipality, and when added to the current total assessed value of taxable real property within development districts for which bonds remain outstanding, shall not exceed 16 percent of the most recent total assessed value of taxable real property in the municipality.
- III. The TIF plan can be modified, if modifications are approved by the legislative body with notice and hearing taking place again. The physical boundaries of the TID can only be altered in the first five years of the TIF.

# Administration

- The municipality may create a department or designate an existing department or office or agency or municipal housing and redevelopment authority, or form a corporation under RSA 292, to administer development districts subject to limitations as adopted by the governing or legislative body.
- An Advisory Board shall be created for each development district. A majority of members shall be owners or occupants of real property within or adjacent to the development district.
- The advisory board shall advise the governing body and district administrator on planning, construction and implementation of the development program.

# Keene NH Examples

- The City of Keene used a tax increment financing district to bolster the success of the Black Brook Corporate Park
  - The bonds for the TID were not issued until four businesses had expressed commitment to the development
  - The City was able to get minimum investment agreements from the businesses, assuring that there would be a new tax base to draw the increment from

# Keene NH Examples

- The district was established in 1996, the park is now home to over 13 businesses and is receiving increments in excess of what was needed to make bond payments
- The Black Brook Corporate Park generates nearly \$30 million in new tax increments, \$9 million of which was used to service the debt of the bond
- When the bond debt was repaid, the remaining tax increment funds were placed in the general fund and the TID was abolished.

# Keene NH Examples

- The City of Keene also used TIF as a tool of development to encourage the retention of downtown businesses and the creation of residential units.
- The TID provided the opportunity to construct a new parking facility. The structure harbors long term and metered parking as well as residential parking.
- Without this facility, the downtown structures would not provide enough parking for area residents.

# Other NH TIF Examples

- The Town of Antrim used a TID to add beauty and culture to the infrastructure of the downtown area, through road and sidewalk improvements.
- Town of Peterborough, this downtown development TIF was used more like a savings account. Once sufficient new tax value had been created, then bonds were issued. The Peterborough Community Development Director worked as the District Administrator, identifying road and utility improvements that needed to be made.
- The District Administrator worked with the Chamber of Commerce, Planning Board, Economic Development, and the TIF Committee to attract private sector investments to the area.

# To ensure security in a TIF program

- Try to establish safe guards when creating a TID, do not rely upon a single project
- Establish formal written agreements with all key development projects that include a minimum amount of investment from all developers. To assure that assessed values wilt not decline
- Include projects that will benefit the TID area and the community as a whole
- Implement the development district in an area where property values will increase with new development, assuring that district will produce increased assessed values and thus allowing the new tax increments to be captured

# Positive Benefits of TIF:

- Provides another “tool” for economic development
- Builds “public/private” partnerships with developers
- Promotes investment by developers in an area that community is committing infrastructure improvements
- Bonded amounts in a TID do not count against a communities debt cap
- Taxpayers outside of a tax increment district do not see their tax bills increase as a result of TID improvements

# Some things to be aware of:

- Without strong and sustained public participation TIF's may give the city power to change the basic character of a neighborhood against the wishes of those who live or work in the area.
- The gentrification process may be accelerated through rising property values, forcing limited income people from residences or running businesses in the area.
- Lost revenues, increased revenues from a TID may not be available for a rise in general fund spending caused by increased services and costs that occur in the community as a whole

# Alternatives to Tax Increment Financing

- Dover Business and Industry Development Authority has many of the same powers as a TID
- Redevelopment Areas: similar to TIF but without tax-related provisions, gives city land acquisition power, makes some areas eligible for state and federal grants and loans. The waterfront project resides under this classification
- Including the development area in the capital improvement program plan and use CIP funding, an example of CIP funding in Dover is the Enterprise Park Project