



THE CITY OF NASHUA

Economic Development

"The Gate City"

To: Brian McCarthy, President
From: Tim Cummings, Director of Economic Development
Cc: Board of Aldermen - Mayor Donchess – CoS Kleiner – Director Marchant
Date: February/2018

Re: Overview of TIF Program --- Relative to O-18-006

I am writing to share with you and your colleagues a broad overview of how "Tax Increment Financing" works in New Hampshire.

Request

Additionally, I am requesting that this communication be forwarded on to the respective Chair(s) that may have jurisdiction over this matter within the city. Historically and it is my understanding both Planning & Economic Development and the Finance Committees have dealt with this matter in the past.

Ideally, I would welcome an opportunity to appear before each committee to discuss and have a general conversation relative to how a TIF program works.

Tax increment financing (TIF) is a public financing tool used to help spur economic development in areas that may otherwise be left to fallow in the wind. Introduced in California in the 1950's, **TIF** has been used in most states across the county, including **New Hampshire**.

Nashua Specific Background

This is a tool that has been used in Nashua previously. In 2004 the city created the Nashua Riverfront Promenade Tax Increment Finance District and a bond was issued for approximately \$1.0M, which went toward the creation of a river walkway and associated landscaping. Essentially, \$100,000 is collected yearly and applied to a bond as a payment for the above. In development finance this is a very common tool used to spur economic and community investment.

What is a TIF?

In simple terms, a TIF Plan sets forth general goals for improvements to be carried out in a TIF District, which is a defined area made up of individual properties. These improvements usually involve infrastructure [roads, utilities, and public amenities such as parking and parks] which are all key components for attracting and creating a healthy robust community. A TIF can help to create a cooperative public / private partnership to achieve the goals and also be used to bring projects to fruition.

How are the improvements funded?

A key component of a TIF plan is the capturing and dedication of the new tax revenues resulting from the new development to help pay for the costs of the improvements. A variety of other funding sources (for example, bonds, loans, grants, or gifts) can also be used to pay for the improvements performed by the City.

How is new tax revenue captured?

When the TIF district is created by the Board of Aldermen the base line values for the individual properties in the district are established. Improvements to properties or new developments in the district create added value and result in new tax revenues above and beyond the base line revenues. The new revenues are set aside in a dedicated TIF account to pay for the improvements undertaken by the City; if bonds are a funding mechanism for a public improvement, the TIF funds most likely go towards the yearly bond payment obligations. The revenue can be used to achieve goals of the TIF Plan.

How are the financial interests of the City protected?

First, the timing of the City infrastructure improvements and the new revenues from the private investments need to go hand in hand to insure that city costs and revenues match up as much as possible. Second, the TIF plan could include requirements for Developer Agreements where the developers would be responsible for any shortfall between the money the City has in the TIF fund and the outstanding yearly obligations for bond payments. Third, where feasible and appropriate, the exposure of the City for yearly financial obligations is minimized through the smart use of outside grants and other funds to pay for the infrastructure improvements without the issuance of bonds.

How is the TIF district administered?

The TIF statute requires the appointment of a district administrator who oversees operations and issues of the TIF district and plan. Also, an Advisory Board is appointed by the Board of Aldermen, with this Board providing the Administrator and the Board with input and ideas on the planning and implementation of the plan. The Board of Aldermen retains control over the expenditure of TIF funds.

What is the lifespan of the TIF?

Once all of the financial obligations for a set of projects are cleared, the Board can abandon the TIF and the added revenues then flow back into the general funds of the City. But, the TIF plan can be modified in the future by the Board of Aldermen to add new goals and specific projects, and these modifications can create a multi-year TIF program(s) & plan(s). There is also the option of keeping the TIF active and directing some smaller portions of the TIF funds to the ongoing maintenance and upkeep of the improvements (landscaping, parks, etc.). This would be determined by the Board of Aldermen with the recommendation of the Administrator, the Advisory Board, and city staff.

A General TIF Graphic to Visually Demonstrate How the Tool Works

TIF Assessed Value (AV) Over Project Life

