SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING ON ADOPTION OF RSA 162-K, MUNICIPAL ECONOMIC DEVELOPMENT AND REVITALIZATION DISTRICTS)
August 1, 2023 at 6:30 PM

Mayor Craig called the meeting to order.

Mayor Craig called on Alderman Cavanaugh to lead the Pledge of Allegiance.

A moment of silence was observed with Mayor Craig asking that everyone keep the Wade, Stawacz, and Brodsky families in their thoughts and prayers.

The Clerk called the roll.

Present: Aldermen Cavanaugh, Stewart, Long, Fajardo, T. Sapienza, Kantor, Trisciani, Levasseur, Heath, E. Sapienza, Burkush, Barry, Gamache

Absent: Alderman George-Kelly

The Clerk presented the proposed ordinance to adopt RSA 162-K Municipal Economic Development and Revitalization Districts:

1. Ordinance:

“Inserting Section 36.60 Municipal Economic Development and Revitalization Districts to the Code of Ordinances of the City of Manchester.”

Mayor Craig requested that Jodie Nazaka, Economic Development Director, make a presentation.

Mayor Craig stated before us we have Jodie Nazaka, Jeff Belanger and Bob Gagne to provide the presentation.

Jodie Nazaka, Economic Development Director, stated as the Mayor stated with me is Jeffrey Belanger, Director of Planning & Community Development and Robert Gagne, the Chairman of the Board of Assessors. We are before you tonight with a public hearing request for the Board to review and adopt the provisions of NH RSA 162-K Municipal Economic Development and Revitalization District to allow the city the ability to establish tax increment financing districts within our jurisdiction. Statute 162-K requires that before adopting the chapter or designating any development district, the governing body shall hold a duly noticed public hearing at least 15 days before the date of Board action. What is tax increment financing, otherwise known as TIF's? TIF's are an economic development tool made possible through state enabling legislation, RSA 162-K. One of the most notable benefits of TIF districts is its potential to fund critical infrastructure improvements such as roadways, utilities, public transportation, community facilities, sidewalks, landscaping, etc. without requiring communities to finance these improvements through their general fund. The size and configuration of districts are determined by the type and nature of economic development activity that the city wants to stimulate and a TIF district can include undeveloped land, an incomplete Main Street district, whole downtowns or just a few parcels. Although TIF districts have been around since the late 1970's, the state of NH revised language in 2019 to make them more accessible. There are a number of municipalities across southern NH that have spurred economic growth and development through RSA 162-K. In fact, three out of the five communities bordering Manchester have utilized TIF districts, including Bedford, Hooksett and Londonderry. Property tax revenue generated within an established TIF district is split into two components. First, when a TIF district is established, the current assessed property values are set at a baseline. Second, any increase in the property values within the district resulting in increased taxes can be used entirely or party to pay for the infrastructure improvements within that district. Through TIF's, funds can be allocated towards enhancing public infrastructure by capturing the incremental property tax revenue generated within the district. This way, the projects can be considered self-financing. Bob, I am not sure if you want to add anything to this slide.

Robert Gagne, Chief of Assessors, stated it is important to note that there is a uniform tax rate. There is no special treatment of the properties within a district. They just get a tax bill with their value at the same rate as everybody else. It is not an additional amount. The difference is that when we report our values to the Department of

Revenue, we break out that increment and once they establish a tax rate they will tell the city how much of the revenue that is coming in goes to the TIF rather than to the general fund. Typically, in a TIF district, and this is something that the Board is going to want to discuss and adopt as part of adopting the legislation, you would not approve any 79-E applications where you are going to waive the increase in taxes for the first five years because you need that revenue to pay for the improvements. As far as I know, the TIF's in Concord don't allow 79-E. They also don't allow…if it is city or town land that is sold as part of the TIF, they usually put a restriction on the deed that you can't have an exempt property because you need that tax revenue to pay. I don't know if that is going to be an issue if Manchester adopts this. It depends on what kind of properties are within the TIF district. It is also important to note that what you are being asked to do today is just adopt the provisions of 162-K. You are not adopting a TIF district with this. That would come later if it is the will of the Board to do that.

Ms. Nazaka stated if the Board is inclined to adopt RSA 162-K, it is important to note that creating a TIF district does have limitations and guidelines that need to be followed. The rules that are laid out in RSA 162-K require that funds raised within that specific TIF district must only be used for public improvements within that particular district. There is no limit to the number of TIF districts a community can have, however, there are restrictions. No one district can include more than 5% of the community's land area or more than 8% of the community's assessed value. All districts combined, if a community has more than one TIF district, cannot exceed 10% of the community's land area or more than 16% of the community's assessed value. Also, the governing body is responsible for administering the TIF funds and must spend them per the official development program and financial plan that is designated at the time of the TIF district's approval. Each district created must have its own TIF advisory committee consisting of members from within the district. They would oversee activities, offer suggestions and make recommendations to the governing body to insure the fulfillment of the district's purpose. Lastly, TIF's in NH have a maximum life span of 30 years. Here we are providing a few local examples that we can point direct reference to. The first one being Concord, NH. Through Concord's TIF districts, the city has seen over one million square feet in new buildings developed, creating an additional assessed value of over $98 million. For each $1 invested, the city has yielded $2.53 in new assessed value. Through the TIF districts in Concord, they have accomplished the redevelopment of their downtown which has spurred numerous other economic development benefits. The other example is Enfield. The Enfield example is provided to show the potential for bonds to be paid off much earlier than planned. The Enfield annual debt payment on the water and sewer improvements that the town completed was over $162,000. The new captured appraised value through the TIF was over $300,000, almost double what was planned for, which allowed the town to pay down the bond payment much sooner. I know that was a very quick presentation, however, the three of us are here to answer any questions specific to the enabling statute, RSA 162-K.

Mayor Craig called for those wishing to speak in favor of the proposed RSA adoption.

There was no one.

Mayor Craig called for those wishing to speak in opposition to the proposed RSA adoption.

There was no one.

Alderman Long stated thank you for the presentation. If and when we set up a TIF district, do we have to put a year span on it? Do we have to say five years or ten years?

Ms. Nazaka answered it is usually as long as the bond payment is valid. Most bonds are 30 years so you don’t have to put a year on it. You could if you wanted to max it out at say 20 years. You probably wouldn’t want to do that thought because you are going to set your bond at 30 years.

Alderman Long asked so once the intent is fulfilled does it automatically goes away.

Ms. Nazaka responded it cannot extend past 30 years. If the bond obligation is paid off sooner, and I know this happened in Concord for example where they paid off their bonds however they continued the TIF to do maintenance. Their downtown is part of the TIF district. They paid off the bond and are now using those increased revenues to continue with their maintenance plan.

Alderman Long asked so in the circumstance of affordable housing type, would those qualify. If somebody was to come in using the affordable housing tax credits, does that qualify for a TIF? I know you can do a 79-E.

Jeff Belanger, Planning & Community Development Director, stated TIF's are really intended for municipal infrastructure and public improvements. They really wouldn't be used for the creation of affordable housing. If it were city-owned land, cities can acquire land and real estate and sell real estate and do different things under the TIF and we can incentivize that but the focus of a TIF is public infrastructure.

Alderman Long responded but what I heard in the presentation is if there is a decrease in taxes or taxes waived for affordable housing somehow, some way within the city, that can't be included in the TIF. Is that what I heard?

Mr. Gagne replied just the 79-E. It wouldn't limit the development of workforce or low income housing so long as…in fact depending on how it is developed, if it is private and they already own the land, you can't restrict what they can do with it but if there were something developed that was exempt, as long as it wasn't a property that was restricted, it would be exempt. All of the affordable housing we have either pays a payment in lieu of tax and that wouldn't change or it pays property tax. To answer your question a little better about affordable housing, a TIF could be used…let's say you had an area that was low density because you didn't have water and sewer. You could put in a TIF to put in water and sewer and change it to high density. That is the TIF and then what gets built is generally private; that low income housing.

Alderman E. Sapienza asked what is the recommendation from the three of you. Do you have a recommendation for or against this?

Ms. Nazaka answered I think we all support this. It is a great tool for the city to have whether or not there is a TIF district brought forward. It is something that the city should have in our toolbox ready to use to spur any kind of development in the city.

Alderman E. Sapienza asked how does this affect equity. What is the impetus for this? What spurred this? We are one city and we want to improve everything as much as we possibly can so what was the idea behind this exactly?

Ms. Nazaka responded I think unfortunately the city should have been considering something like this a while ago. We look at Concord as one of the best examples – Concord, Dover and even Londonderry. If you are around the airport, the Town of Londonderry established TIF districts around Pettengill Road to help spur the industrial zone down there and we have seen tremendous impact from the TIF district. They used that to build the new roads and a lot of the town infrastructure in Londonderry and the airport is reaping some of the benefits of those TIF districts. It is unfortunate that we haven't had these tools already but we are getting up to speed and in line with some of our competing communities.

Mr. Gagne stated in a municipality with a tax cap, how are you going to do that infrastructure if you don't have a vehicle like this. If the increase in what you can spend just covers your normal expenses and you have an opportunity to do something else to spur development but you are hindered by that tax cap, this is a way to fund that without having that issue. It is a way for that development to pay its own way as opposed to the general fund paying for it.

Mr. Belanger stated if I can just add, looking ahead we expect to come back to you in the relatively near future with a TIF district laid out on a map showing exactly where it would be and talking about the public improvements that we would like to bring forward with that and have the city invest in itself in that area. We are just taking this one step at a time. The first step, as Director Nazaka stated, is something that we should have adopted a while ago just to have it in our toolbox but we are looking ahead and thinking about the next step and we expect there to be a TIF district brought before you fairly soon.

Alderman T. Sapienza stated thank you for the presentation. I am inclined to support it because like you said, it is another tool and we are not actually approving a TIF district by approving this. On the79-E, did you say you can't have a 79-E in a TIF district or did you say it is optional?

Mr. Gagne stated I would recommend that you don't have a 79-E within a TIF district. You need the incremental change in value to fund the district. A 79-E is a way to spur development or redevelopment. A TIF is a way to spur redevelopment. I think we need to treat them independently so that once you establish a TIF district you specify or I would recommend that you specify that a 79-E is not available within that district.

Alderman T. Sapienza asked so that is a choice we would make when we create the TIF district.

Mr. Gagne answered yes.

Alderman T. Sapienza stated the other question I have is the advisory board. You talked about an advisory board and a governing body. Are we the governing body and the advisory board is advisory only?

Ms. Nazaka replied correct. The Board of Mayor and Aldermen is the governing board and the advisory board is made up of members within the TIF district that help guide decisions.

Alderman T. Sapienza stated on the list of 25 municipalities in your presentation, you highlighted some of the most successful ones. Have all 25 of those been able to cover their expenses or were there some that couldn't make the bond payments?

Ms. Nazaka answered I don't have specifics. I do know that there are cases across the state where there have been less successful TIF districts. I can get that exact number for you if there is any community that hasn't been able to make a payment. I just don't have that on the top of my head. There have certainly been some success stories and some not so successful stories.

Alderman Levasseur asked so the purpose is to finance public improvements within the TIF district. If it is a public improvement, why would you need a TIF if you are the government and you can decide…you don't tax a parking garage unless it is owned by a private developer. If you own a parking garage and you are the government and you want to build that, what is the advantage to making it into a TIF or not putting it in a TIF?

Mr. Gagne replied the plan wouldn't be to tax the improvements you make but that the improvements or additional development or redevelopment…

Alderman Levasseur interjected tax which improvements.

Mr. Gagne stated if you build a parking garage, you are not going to tax it. The parking garage is going to spur higher density development and that additional development is what is going to fund the TIF. If somebody builds a $20 million apartment building, that $20 million goes towards the TIF.

Alderman Levasseur asked so the taxes from that development would pay for the bond on the parking garage but what stops you from doing the same thing without the TIF. If you build the garage and they pay the taxes to the general fund, we can shift the general fund money to pay the bond on the parking garage. I am a little bit confused about the public use and it being a public improvement and where the taxes are coming from to pay for it and why it has to be put in its own district. What is the advantage there?

Mr. Belanger stated to use the example that Chairman Gagne brought up before, if you have a lot that is not densely developed with just a few houses on it or something and you do not have sewer there. The municipality can invest in a sewer line to go there and that spurs maybe 20 or 30 units going on those lots that wouldn't have arisen otherwise. That is the advantage of the TIF. You would get additional development that would not have happened but for the public improvements and those public improvements are done knowing that it will spur the development.

Alderman Levasseur asked do you do the improvements before you designate a TIF or do you designate a TIF first.

Mr. Belanger answered you designate a TIF first.

Alderman Levasseur asked but then what if the project is already slated for that and they are responsible for putting in water and sewer.

Mr. Belanger stated the idea is that they would not have done it on their own. Municipal investment and the city investing in itself and putting more infrastructure in spurs…

Alderman Levasseur interjected I get it. So it is a public-private partnership situation. That's fine. I don't understand why the taxes have to stay within that, say an LLC, with just that address and not to the general fund.

Mr. Belanger replied they don't stay within an LLC. They go to a separate account.

Alderman Levasseur stated I was just using that as the verbiage. I don't know what you would call it but let's say the TIF or TIF 2. So TIF 2 is built and it has the infrastructure and a big project puts itself all there, all of the money that would have been coming to us, the city, as a tax to the general fund will just be going instead to pay the bond. I don't understand why it has to stay in that circle.

Mr. Gagne stated you wouldn't have to do it that way. If the city had a will to, without a TIF, build that infrastructure on the hopes that development would come on board, you could do that.

Alderman Levasseur asked so there is an advantage somewhere to somebody. Is the advantage to the developer because their taxes are lowered or are you still going to be taxing it as you would it if wasn't in a TIF?

Mr. Gagne responded exactly. It is the same tax rate and the same level of value. It just makes it more transparent that the area is supporting paying for that infrastructure.

Mayor Craig stated so that's it. The district that benefits is where the TIF is. They are paying for the infrastructure.

Alderman Levasseur asked do you make the assumption that the project that is going there…will it be able to pay for the actual development or is there going to be a deficit or do you always have it at the right number.

Mr. Gagne answered that would be part of the plan. There is a development plan and a finance plan that has to come before this Board when you establish that district. I don't think you would want to propose a TIF district that didn't support itself. I don't think we would recommend spending say $20 million on a project that is going to spur $5 million worth of additional development because the taxes wouldn't cover that. It is part of the plan that comes before this Board. There will be recommendations made and it will be a decision of the Board whether it makes sense or not.

Alderman Levasseur asked if it is a public use issue, the party that developed that property…the surrounding areas can use that public parking garage so they are in essence still paying for that project and letting the other guys that are inside that should have been paying for the full bond off the hook. Am I correct?

Mr. Gagne replied no. The revenue you are going to capture is only for the new development. Not just projects that might be planned at the same time as the TIF but anything else. You might have a particular development in mind when you do the TIF, but you may have some other development that occurs that wasn't in the plans at the time and that incremental change in value is going to stay within the TIF to cover that difference. It is also important to note that the additional revenue doesn't go away when the bonds are paid off. It goes to the general fund. It comes back. Once the bonds are paid off and whatever expenses that were part of the TIF conclude or the TIF is generating more incremental revenue than what is needed to carry the annual bond payments and expenses, the rest does come back to the general fund.

This being a special meeting of the Board, no further business can be presented and on motion of ***Alderman Long****, duly seconded by* ***Alderman Stewar****t, it was voted to adjourn.*

A True Record. Attest.

Matthew Normand

Clerk of Committee