

Stone Quarry Mixed Use Tax Increment Finance District (Durham, NH)

Development Program and Financing Plan
Approved by the Durham Town Council
October 15, 2007



October 2007

TABLE OF CONTENTS

I.	Introduction	3
II.	Objectives	3
III.	Proposed Improvements	4
IV.	Project Benefits	4
V.	District Boundaries	5
VI.	Open Space	6
VII.	Environmental controls	6
VIII.	Proposed Re-Use of Private Property	6
IX.	Relocation and Displacement	6
X.	Proposed Operations of the District	6
XI.	Development Agreements	7
XII.	Impacts on Other Taxing Jurisdictions	7
XIII.	Estimated Cost of the Development Program	8
XIV.	Funding Sources	8
XV.	Financing Summary	9
XVI.	Plan Amendments	10
XVII.	Duration of Program	10
XVIII.	TIF District Administration	11
XIX.	Advisory Board	11
XX.	Implementation	11
	Exhibit A – Project Budget	12
	Exhibit B – Properties in the District	13
	Exhibit C – District Map	14
	Exhibit D – Estimate Value of District at Build-Out	15
	Exhibit E – Executive Summary 10 Year Bond Build-Out & School Impacts	16
	Exhibit F – Executive Summary 20 Year Bond Build-Out & School Impacts	17

I. Introduction

The Durham Town Council hereby proposes establishment of the **Stone Quarry Tax Increment Financing (TIF) District** to fund public improvements and infrastructure necessary to attract and advance desirable mixed use development and private investment in the Office & Research and Coe's Corner Zoning districts adjacent to and including the Route 4 and 108 interchange. This particular area of Durham, while having potential to contribute to the Town's tax base through positive economic development, has remained largely underdeveloped because of the lack of public infrastructure and related amenities to support the desired mixed use development. Stimulating mixed use development and investment in this area will provide needed taxable assessed valuation, business revenue, employment opportunities and public amenities within the proposed district that will directly benefit the community as a whole far into the future. The purpose of this Development Program and Tax Increment Financing Plan is to establish a District in compliance with the provisions of New Hampshire RSA 162-K:6, 162-K:9 and 162-K:10. Specifically, these statutes require:

- Municipal adoption of a development program as a condition of establishing a TIF District. (RSA 162-K: 6);
- Municipal adoption of a development and financing plan that allocates use of tax increments for retirement of bonds and notes, operation, maintenance and improvements in the district, and for general municipal purposes (RSA 162-K:9 and K:10).

II. Objectives

The objectives of this Development Program and TIF Plan are to:

- Stimulate mixed use development within the District by providing infrastructure and amenities that encourage and create opportunities for businesses to locate and expand within the district;
- Enhance employment and earnings opportunities for area residents;
- Expand the property tax base of the Town of Durham;
- Stimulate other businesses to locate or expand within the community.

Achievement of these objectives will occur through the construction of public facilities and amenities including the expansion of the municipal wastewater collection system and water distribution system and construction of other public amenities as described hereinafter.

III. Proposed Improvements

The Town of Durham plans to undertake a multiphase approach to completing the improvements within the Stone Quarry TIF District. The initial 2 phases will be initiated immediately upon approval of the District through public borrowing in the amount of \$850,000 for Phase 1 and expenditure from the Town's UDAG account of \$250,000 for Phase 2, which amount will be repaid to the town's general fund.

These 2 phases shall consist of:

Phase 1

- A wastewater collection system extension of 2050' to Stone Quarry Drive;
- A water main extension of 1550' to Stone Quarry Drive.

Phase 2:

- A 1600' water main extension on Canney Drive to complete looping of the water system.

Phase 3 will be funded as grant and private sources are identified and / or the captured increment is sufficient to service the debt on the \$850,000 bond and has repaid the town \$250,000 plus an amount equivalent to accrued interest. The Town Council shall determine if and when the level of captured increment in the District, combined with any other grant funds or private investment, justifies additional borrowing. Otherwise, excess captured increment will be placed under the control of the Town Treasurer until sufficient funds are available to complete Phase 3 which will consist of:

- Walking trails & parking facilities on publicly owned property & Town ROW and other public amenities as determined by the Council.

The total cost of all the phased improvements, including planning, design and administration, is estimated to be One Million Three Hundred Fifty Thousand Dollars (**\$1,350,000**) in 2007 dollars. The projected cost of the 1st Phase is \$850,000, the 2nd Phase is \$250,000 and the 3rd Phase is \$250,000. A more detailed project budget is appended as Exhibit A.

IV. Project Benefits

Economic Development Benefits

The improvements described herein are required in order to service the existing population, accommodate planned growth in the area and trigger additional growth. Looping the water system will provide benefit within the District by increasing water pressure; this will also benefit areas adjacent to the District and the community as a whole. The proposed improvements have the potential to create between \$16M and \$27M Dollars in new property value within seven to fifteen years. This forecast is based on a review of the development capability of existing

vacant properties on Stone Quarry Drive and in the Coe's Corner District. (Exhibit D)

The economic development objectives of the District are consistent with the Town of Durham Master Plan 2000 (DMP), which states the goal of promoting desirable business development and expansion of municipal services to support commercial expansion where appropriate:

- Durham should work to encourage numerous types of office space, including incubator space for start-up businesses and quality, park like settings for mature businesses, (DMP,8.9);
- In the 1998 Master Plan Survey, 74% of the respondents supported office and industrial development, (DMP,8.9);
- Encourage appropriate commercial development; extend commercial zoning where appropriate; and provide municipal services to allow significant commercial development in appropriate areas, (DMP,9.21);
- Create real opportunities for new commercial development through sensible redistricting and provision of municipal services, (DMP,9.22);
- Complete looping of the municipal water system from 108 to Canney Rd., (DMP, 7.50).

V. District Boundaries

A. List of Properties

The TIF district shall include the 30 properties identified in Exhibit B, which is appended hereto.

B. Land Area and Assessed Values¹.

The proposed TIF district contains approximately ninety-two (92) acres, which represents approximately 0.006% of the total land area in the Town of Durham of 14,336 acres – the maximum area percentage allowed under the statute is 5%. The total current assessed value of all property in the district (including Town and UNH property) is \$10,638,965 or 1.28% of the total assessed value of taxable property in the Town (\$809,736,968) – the maximum allowable value allowed under the statute is 8%. Thus, the district complies with the size and value standards of RSA 162-K: 5.2

A plan of the proposed District is appended as Exhibit C.

NOTE: The assessed values contained herein represent those values available to the public at the time of publishing this document. Ultimately, the Town Assessor will certify the actual assessed value of properties within the district at the time of

¹ Land area and assessed values are based on the Town of Durham Assessors Online Database, 2006.

adoption of the district. Thus, any changes in the assessed value will be reflected in this certification.

VI. Open Space

It is not anticipated that any significant amount of additional open space will be added as a result of this initiative.

VII. Environmental Controls

In constructing the planned public improvements described in Section III, above, The Town of Durham, as well as private parties, will be required to comply with all appropriate environmental regulations. These regulations may include, but are not limited to, any or all of the following:

- State and federal regulations regarding the protection of wetlands and floodplains;
- State standards for design of public sewer systems;
- State permits regarding soil disturbance/filling;
- State and federal regulations regarding air, water, and noise pollution;
- Applicable building codes, zoning ordinance, subdivision and site planning regulations.

VIII. Proposed Re-Use of Private Property

TIF proceeds will not be utilized for the purpose of purchasing and/or reusing private property.

IX. Relocation and Displacement

The planned development program will not require relocation and/or displacement of any persons, families, business concerns, or others.

X. Proposed Operations of the District

A. Operations and Maintenance (O&M)

The added cost for operation and maintenance associated with the extended water and wastewater systems in Phase 1 and Phase 2 will be minor and will be reflected in the user fees assessed against the end users for service provided. Maintenance of municipal trails and other public amenities will be incorporated in the normal operations of the Town's Public Works Department.

B. Other Funding Sources

In order to reduce the amount of municipal bonding, the Town may seek funding from other sources, that may include, but are not limited to, the following:

- Community Development Block Grant Program (CDBG);
- Rural Development Grants;
- NHDES Financial Assistance Water or Wastewater Grant Program;
- NHDOT Enhancement Grants.

The annual cost to the District for Phase 1 is approximately \$122,253 (10 year bond) or \$80,096 (20 year bond) which includes debt service on \$850,000 for a 10 / 20 year bond. Phase 2 improvements will be funded through expenditure from the Town's Urban Development Action Grant (UDAG) account. This amount will be repaid to the Town's general fund, as described in Section XV below, along with an amount equivalent to interest that would accrue on that principle amount at the same rate as the bond, and will be repaid as soon as the total principal and interest amount has been accumulated by the District after satisfying annual debt service payments on the bond. Based upon the build-out projections in Exhibit E, this funding may be repaid before the end of year 5.

Phase 3 will be funded as grant and private sources are identified and / or the captured increment is sufficient to service the debt on the \$850,000 bond and has paid off the inter-fund borrowing of \$250,000 plus any accrued interest. The Town Council shall determine if and when the level of captured increment in the District, combined with any other grant funds or private investment, justifies additional borrowing. Otherwise, excess captured increment will be placed under the control of the Town Treasurer until sufficient funds are available to complete Phase 3.

Cost projections are based upon 2007 cost estimates. To the extent that elements of the project are implemented in out years, an inflation factor derived from the Engineering News Record for the lapsed time period will be applied.

XI. Development Agreements

Since construction of the proposed improvements will commence prior to realization of the required incremental value necessary to service the bonds to complete Phase 1 of the Development Plan (approximately \$5M in assessed value at the existing tax rate), the Town Council will require the developer, or developers, as the case may be, to execute a clearly enforceable Guarantee Agreement. This agreement will require the developer(s) to pay any deficiency between the town's actual annual cost for bond debt service and incremental tax revenues generated in the District.

XII. Impacts on Other Taxing Jurisdictions

A. Property taxes applied to incremental assessed value in the TIF District will include the municipal, school, county, and precinct taxes currently collected by the Town. The 2006, applicable tax rates are as follows:

Municipal	\$06.59/ \$1,000
County	\$02.20/ \$1,000
Education	\$15.95/ \$1,000
State Edu.	\$02.54/ \$1,000
Total	\$27.28/ \$1,000

The State Education Tax (currently (\$2.54/\$1,000) cannot be applied. The Tax Rate applied to TIF District at present will be \$24.74, \$27.28 less the State Education tax of \$2.54.

B. Records and Reports

Pursuant to the requirements of Section 162-K:11, the Town of Durham annual report shall contain a financial report from the District. This report shall contain:

- The amount and source of revenue of the District;
- The amount and purpose of expenditures;
- The amount of principal and interest on any outstanding bonded indebtedness;
- The original assessed value of the District;
- The captured assessed value retained by the District;
- The tax increments received;
- Any additional information necessary to demonstrate compliance with the tax increment-financing plan.

XIII. Estimated Cost of the Development Program

As indicated in Section II and Exhibit A, the total estimated capital cost to implement the proposed project is \$1,350,000. This number excludes annual maintenance and operations costs. Phase 1 will be funded by public borrowing and is estimated to cost \$850,000. Phase 2 will be funded by expenditure from the Town's UDAG account and is estimated to cost \$250,000. Phase 3 will be funded with grants, private investment, accumulated captured revenue, public borrowing or a combination thereof as determined appropriate by vote of the Town Council.

XIV. Funding Sources

The Town of Durham intends to use multiple funding sources to complete the proposed development program as indicated in section X above. A combination of private investment, state, federal & foundation grants, municipal appropriations, and betterment / special assessments may be utilized.

Uses of Incremental Tax Revenues

Pursuant to RSA 162-K, the Town of Durham will issue bonds or other appropriate debt instruments up to the amount of \$850,000 to pay for the design and construction of the Phase 1 wastewater & water system improvements. It will secure an additional \$250,000 from the Town's UDAG account to pay for the design and construction of the Phase 2 water system improvements. Phase 3 improvements will be financed only after the tax increment generated within the District is sufficient to service the debt on the bonds issued for Phase 1 and to repay the expenditure for Phase 2 or with other funding sources as noted above. The Town will utilize incremental property tax revenues received from newly developed properties, and increased assessed value in the TIF District to service and payoff the debt. This means that, subject to the explanation and qualification contained in Section XV below, by approving this TIF District Plan any increase in assessed value from the date of establishment of the District by Town Council vote and thereafter will be classified as incremental assessed value. Incremental income is gained by applying the Town property tax rate, less the State education rate, to this incremental value. As indicated in Section XI 1, above, this rate is currently \$24.74/\$1,000. Thus, \$1,000,000 in incremental assessed value would yield \$24,740 in tax revenues.

XV. Financing Summary

Total Cost:
\$1,350,000.00

Bond: \$850,000.00

This number excludes annual maintenance and operations costs. Phase 1 will be funded by public borrowing and is estimated to cost \$850,000.

Anticipated Average Annual Debt Service Payment for Phase 1:
\$122,253 declining to \$88,106 over the life of a 10 year bond
\$80,096 declining to \$44,053 over the life of a 20 year bond

Highest Annual Debt Service Payment:
\$122,253 – 10 year bond or \$80,096 – 20 year bond

Phase 2 expenditure: \$250,000

Phase 2 will be funded from the Town's UDAG account and is estimated to cost \$250,000.

This number excludes annual maintenance and operations costs. Phase 2 will be funded from an existing town trust fund and is estimated to cost \$250,000.

The rate of equivalent Annual Interest on the funds expended and to be repaid for Phase 2 is 4.4% (which is also the projected interest rate for the bond). Interest will accrue until there is sufficient captured incremental revenue to pay off the principal and interest amount anticipated before the end of year 5.

In any year that the amount of the current assessed value for the district exceeds the original assessed value, that excess shall be referred to as captured assessed value.

That captured assessed value shall be dedicated to first paying that amount necessary to make all required debt service payments on the bond. Captured assessment value beyond that necessary for this purpose shall, for the period of time necessary to accumulate a sum required to repay the town (including an equivalent interest payment) for the Phase 2 funds advanced from the UDAG account, be regarded as excess captured assessed value.

Upon full repayment of those amounts utilized for Phase 2, all increased assessed value above the original assessed value shall thereafter be treated as captured assessed value, and shall be available for all District purposes.

The estimated impact of tax increment financing on the assessed values of all other taxing jurisdictions within the Town of Durham is negligible, since the proposed improvements are designed to encourage commercial investment and lessen the residential tax burden. Thus, these activities will contribute to a long-term increase in the non-residential tax base at a faster rate than would otherwise be achieved. Finally, there is no currently taxable property planned to be removed from the tax rolls because of this project.

XVI. Plan Amendments

Pursuant to RSA 162-K:9, this plan can only be amended by a vote of Town Council.

XVII. Duration of Program

The TIF District will exist until all debt issued and borrowing initiated to fund the development program is retired and all improvements anticipated within the Plan for the District as originally adopted, or subsequently amended by action of the Town Council, have been completed.

XVIII. TIF District Administration

The Town Administrator shall administer the District subject to the limitations placed upon him by the Town Charter and any rules and limitations as may be subsequently adopted by the Town Council.

XIX. Advisory Board

In accordance with 162-K:14, the Council shall create, by resolution, an Advisory Board for the District and delineate its advisory roles and responsibilities. The Advisory Board shall consist of five members appointed by the Council. Advisory Board members shall serve for a term of three years and there shall be no limitation on the number of terms a member may serve. The Advisory Board shall cease to exist immediately upon fulfillment of the purposes of the District. A majority of the membership will include owners or occupants of real property within or adjacent* to the district. The role of Advisory Board shall be limited to review of plans and providing recommendations to the District Administrator on matters related to scheduling of improvements, trail locations and location & types of pedestrian amenities. In instances where a majority of the Advisory Board believes that the Administrator has not sufficiently considered the Advisory Board's recommendation, they may, by majority vote, refer the matter along with their written recommendations and explanations therefor to the next regularly scheduled meeting of the Town Council. In such instances the Administrator shall delay implementation pending Town Council review and determination on the matter.

* "Adjacent" means adjoining or bordering - actually touching a property line or a public ROW line within the District.

XIV. Implementation

Implementation of this plan requires the following actions be taken:

- Creation of the District described herein (RSA 162-K:5), occurred by vote of the Town Council on _____.
- Adoption of the Development Program and Tax Increment Financing Plan (RSA 162-K:6 and 162-K:9) incorporated herein occurred by vote of the Town Council on _____.
- By Action of the Town Council on _____ the following members of the Advisory Board were appointed (RSA 164:K-14):

1
2
3
4
5

Exhibit A - Project Budget

<u>Phase 1</u>					
Water & Sewer Extension to Stone Quarry Office Park					
Water - Rte 108 to Stone Quarry Drive (In Roadway)	12" Water & Appurtenances	1550	ft.	\$145	\$224,750
Sewer - Rte 108 (In Roadway)	Gravity Sewer & Appurtenances	2050	ft.	\$180	\$369,000
	Engineering Design (10%) \$59,375 Engineering Construction (12.5%) \$71,250 Contingency (20%) \$118,750				\$249,375
EST. TOTAL PHASE 1 COST					\$843,125
Round up to \$850,000					
<u>Phase 2</u>					
Canney Rd. Water Loop					
Canney Rd. (Rd. Shoulder) Phase 2	8" Water & Appurtenances	1600	ft.	\$100	\$160,000
	Engineering Design (10%) \$16,000 Engineering Construction (12.5%) \$19,200 Contingency (20%) \$32,000				67,200
EST. TOTAL PHASE 2 COST					\$227,200
Round up to \$250,000					

<u>PHASE 3</u>			
Trails & Parking			
Parking	91 car spaces 5 trailer spaces	\$1527/space	\$146,581.
Trails	1500 feet Jackson's Landing - Business Park	\$62 / ft	\$92,060.
EST. TOTAL PHASE 3			\$238,641
Round up to \$250,000			
TOTAL ALL 3 PHASES			\$1,308,966

Exhibit B – Existing Property Values within District (Including Municipal & UNH Properties)

#	Parcel ID	Total 2006 Value
1	11-8-1	\$ 24,300
2	11-8-2	\$ 24,000
3	11-8-3	\$ 25,700
4	11-8-4	\$ 25,600
5	11-8-5	\$ 25,600
6	11-8-6	\$ 27,300
7	11-8-7	\$ 23,800
8	11-8-8	\$ 23,800
9	11-8-9	\$ 23,800
10	11-8-10	\$ 23,800
11	11-8-11	\$ 23,800
12	11-8-12	\$ 23,700
13	11-8-13	\$ 145
14	11-8-14	\$ 125
15	11-8-15	\$ 157
16	11-8-16	\$ 133,522
17	11-8-0	\$ 299,663
18	11-11-3	\$ 686,400
19	11-11-0	\$ 194,100
20	10-17-0	\$ 502,830
21	10-16-2	\$ 821
22	11-9-2	\$ 105,700
23	11-9-3	\$ 417,700
24	11-9-4	\$ 525,945
25	11-9-5	\$ 6,856,300
26	11-9-6	\$ 29,400
27	11-11-1	\$ 57
28	11-10-2	\$ 174,500
29	11-10-1	\$ 181,600
30	11-11-04	\$ 234,800
Total		\$10,638,965

Exhibit C- Map of District

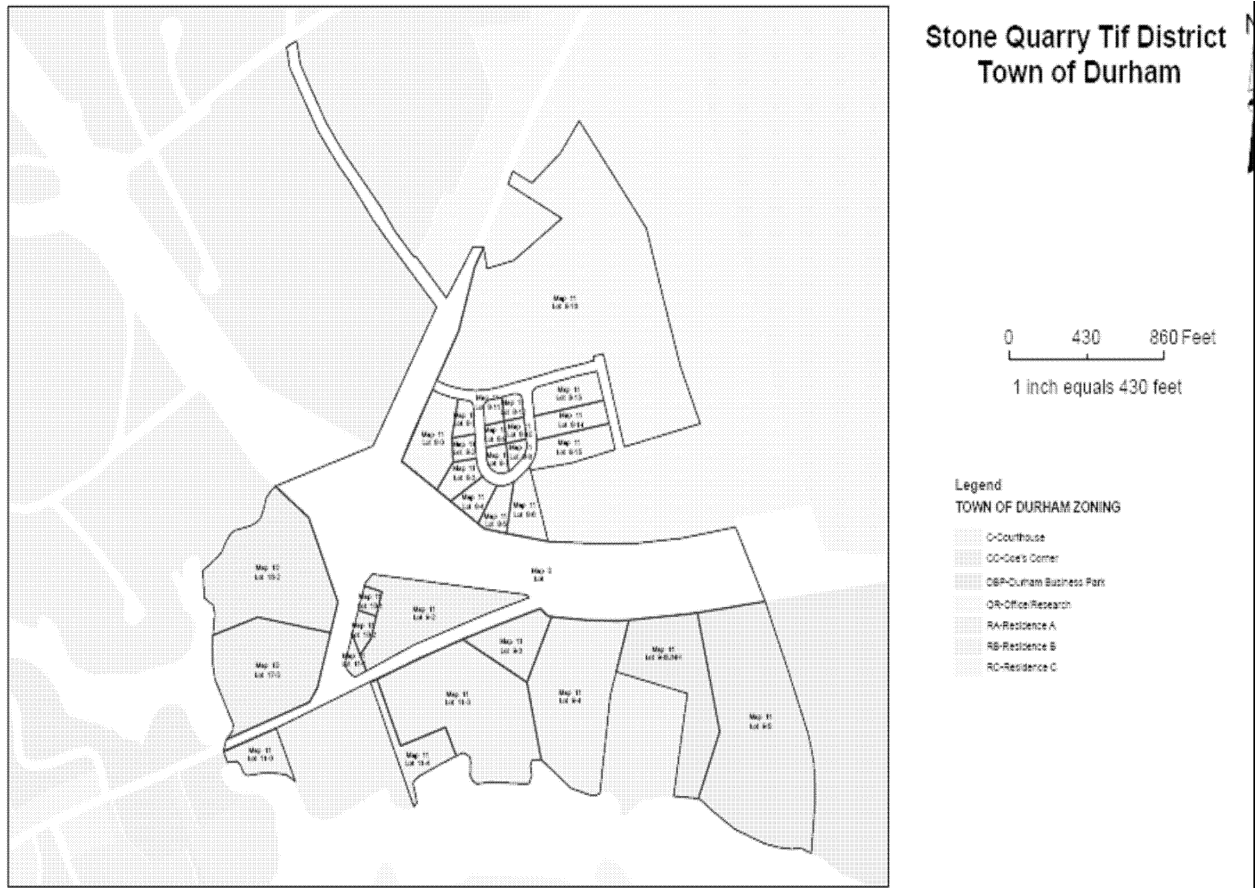


Exhibit D- Estimated Potential Valuations at Build-out

Stone Quarry Drive

Map/Lot	Total Acres	Total SF - Land	Bldgs SF @ 35%	Bldgs SF @ \$150
M11 L8-13	1.27	55,321.2	13,830.3	\$2,074,545
M11 L8-14	1.10	47,916.0	11,979.0	\$1,796,850
M11 L8-15	1.38	60,112.8	15,028.2	\$2,254,230
M11 L8-6	1.24	54,014.4	13,503.6	\$2,025,540
M11 L8-5	0.71	30,927.6	7,731.9	\$1,159,785
M11 L8-4	0.67	29,185.2	7,296.3	\$1,094,445
M11 L8-3	0.70	30,492.0	7,623.0	\$1,143,450
M11 L8-2	0.37	16,117.2	4,029.3	\$604,395
M11 L8-1	0.44	19,166.4	4,791.6	\$718,740
M11 L8-11	0.29	12,632.4	3,158.1	\$473,715
M11 L8-12	0.30	13,068.0	3,267.0	\$490,050
M11 L8-9	0.35	15,246.0	3,811.5	\$571,725
M11 L9-10	0.28	12,196.8	3,049.2	\$457,380
M11 L8-7	0.30	13,068.0	3,267.0	\$490,050
M11 L8-8	0.30	13,068.0	3,267.0	\$490,050
Total	9.70	553,212.0	151,372.0	\$15,844,950 New Value
Coe's Corner				
M10 L16-2	5.00	217,800	76,230	\$11,434,500 New Value
TOTAL Estimated District Value:				<u>\$27,279,450</u>

Exhibit E – Attached Spread Sheet – 10 year bond impacts

The Town's Assessor has determined that, based upon the 2006 tax rate, \$1M in new assessed valuation would impact the tax rate approximately \$0.03. Therefore, the \$27M projected build out valuation would have resulted in an impact of approximately \$0.81 in 2006

Based upon a build out schedule that adds \$3M of assessed valuation in year one and \$2M each year thereafter up to \$27M, the developer will be required to contribute \$49,000 towards debt service in the first year only. Thereafter the captured revenue will be sufficient.

It is anticipated that sufficient captured revenue will be available to reimburse the UDAG allocation of \$250,000 plus interest in 2012 and the \$250,000 required for Phase 3 will be available by the end of 2013. Once the UDAG allocation has been reimbursed and Phase 3 has been completed all but approximately \$3M in new assessed valuation will be added to the Town's tax base – that will result in an increase of approximately \$11M in 2014 rising to approximately \$18M in 2017 when the bond is paid off. Thereafter, it will increase at the rate of approximately \$2M per year until it levels off at \$27M in 2020.

The school funding formula incorporates total assessed valuation – based upon the 2006 tax rate calculation, each \$1M in new assessed value results in an additional \$4500 allocation to the school. Therefore, based upon the 2006 tax rate calculation, \$1M in assessed valuation would generate new revenue of \$24,740 of which \$4500 would be automatically allocated to the school leaving approximately \$20,240 for use to reduce taxes. If the projected build out value of \$27M had been available in 2006 it would have generated \$666,000 in new revenue of which \$121,500 would have been allocated to the school by formula leaving \$544,500 to reduce taxes.

The spreadsheet detail for the 10 year bond and related build out scenario is attached.

Exhibit F – Attached Spread Sheet – 20 year bond impacts

The Town's Assessor has determined that, based upon the 2006 tax rate, \$1M in new assessed valuation would impact the tax rate approximately \$0.03. Therefore, the \$27M projected build out valuation would have resulted in an impact of approximately \$0.81 in 2006

Based upon a build out schedule that adds \$3M of assessed valuation in year one and \$2M each year thereafter up to \$27M, the developer will be required to contribute \$6,530 towards debt service in the first year only. Thereafter the captured revenue will be sufficient.

It is anticipated that sufficient captured revenue will be available to reimburse the UDAG allocation of \$250,000 plus interest in 2012 and the \$250,000 required for Phase 3 will be available by the end of 2013. Once the UDAG allocation has been reimbursed and Phase 3 has been completed all but approximately \$3M in new assessed valuation will be added to the Town's tax base – that will result in an increase of approximately \$10M in 2013 rising by approximately \$2M per year to approximately \$25M in 2027 when the bond is paid off. Thereafter, it will increase approximately \$2M and level off at \$27M in 2028.

The school funding formula incorporates total assessed valuation – based upon the 2006 tax rate calculation, each \$1M in new assessed value results in an additional \$4500 allocation to the school. Therefore, based upon the 2006 tax rate calculation, \$1M in assessed valuation would generate new revenue of \$24,740 of which \$4500 would be automatically allocated to the school leaving approximately \$20,240 for use to reduce taxes. If the projected build out value of \$27M had been available in 2006 it would have generated \$666,000 in new revenue of which \$121,500 would have been allocated to the school by formula leaving \$544,500 to reduce taxes.

The spreadsheet detail for the 20 year bond and related build out scenario is attached.