

STONE QUARRY TIF DISTRICT OVERVIEW

Executive Summary

What is a TIF?

A TIF is a special tax district that can be used as an economic development financing tool when market conditions will not allow private investment alone to address physical impediments that limit or prevent otherwise desirable commercial or industrial development.

What does a TIF do?

A TIF provides financing for public improvements (sewer, water, roads, sidewalks, landscaping etc.) that are required to initiate viable economic development by capturing the new property tax revenue created by the proposed development and using it to offset the cost of the public improvements. A TIF district can include undeveloped land, a Main Street district, the whole downtown, or just a few parcels. The size and configuration of the District is determined by the type and nature of the economic development activity that the Town wants to stimulate.

How does a TIF work?

After defining the TIF district, the current assessed values and property tax revenues are "frozen" and continue to flow to the Town's general fund. However, any future "incremental" increases in property tax revenues within the district (through new construction, expansion, or renovations) can be "captured" and all or a portion of this new revenue can be used to pay for the infrastructure improvements (sewer, water, roads, etc.) that enabled the development within the district. Once the improvements are paid for 100% of the property taxes generated in the District go to the Town's general fund.

Stone Quarry TIF Proposal

The Durham Town Council is considering establishing 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.

Proposed Improvements

The Stone Quarry Drive TIF Plan would undertake a multiphase approach to completing 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.

Financial Plan

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.

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)

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.

Tax Impact

The Town's Assessor has determined that, based upon the 2006 tax rate, \$1M in new assessed valuation would impact the tax rate by approximately \$0.03. Therefore, the \$27M projected build out valuation within the Stone Quarry Drive TIF proposal would have resulted in a tax rate impact of approximately \$0.81 per \$1,000 of assessed valuation in 2006. Alternatively, \$7 million in new assessed valuation, a more conservative build out number that has been raised during Town Council discussion representing a possible initial phase of the Stone Quarry development, would have a tax rate impact of approximately \$0.21 in 2006. For a home valued at \$300,000, \$7 million in new assessed value would equate to \$63 (3 x \$.21) in tax dollars in 2006. Note, though, that the actual tax impact would occur only after newly created "captured" incremental value within the TIF district was released. The Stone Quarry TIF plan projects value to begin to be released in 2013, though this is entirely dependent upon the build out schedule implemented and the rate at which new development can be absorbed by the market. (See "**How Does a TIF Work?**" section above for clarification on the concept of "captured" value.)

Pay Back Projections Utilizing a 10 Year Bond

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.

Impact on School Funding Formula

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.

Go to

<http://ci.durham.nh.us/generalpdfs/2007/economic%20developement/3%20PHASED%20TIF%20DISTRICT-%209-17-07%20%20PUBLIC%20HEARING%20VERSION.pdf> to view the full Stone Quarry Drive TIF proposal.