

RSA 79E

Community Revitalization Tax Relief Incentive

- Purpose to enhance downtowns and town centers
- Property owners not taxed on substantial improvements to buildings
- Assessment is frozen at preconstruction value for duration of program but taxes still vary based on annual tax rate
- For new construction, assessed value is frozen at value of any structure on site prior to new construction.
- Taxed at market value after end of tax relief period
- Adopted by state in 2006

- Program adopted locally at local option – adopted by Durham in 2009
- Applies to rehabilitation and new construction
- For rehabilitation, cost of work must exceed \$75,000 or 15% of the pre-rehab value
- Includes only specific work included in the application and approved. The work must occur after approval of the program.

Must meet one of several criteria for a public benefit

- Enhances downtown vitality
- Improves a significant structure
- Increases housing availability

Duration of tax relief:

- Up to five years for substantial rehabilitation or new construction
- Up to two additional years for new residential units
- Up to four additional years for affordable residential units
- Up to four additional years for rehabilitation of a historic property

Application process:

- Property owner completes Town's application
- Provide information about the specific project and costs for each element.
- Public hearing held
- Approved by Town Council at its discretion including duration of tax relief
- Applicant records covenant committing to terms of approval
- May not start construction until approval

Significant savings for property owner

- Assessment for Town, School-local, School-state, and Strafford County all frozen
- Example: \$1,000,000 rehabilitation
- At Town's 2016 tax rate of \$29.73, annual taxes saved = \$29,730.
- Taxes saved over 5 years = \$148,650.

Three projects in Durham - all for 5 years:

- *Sigma Beta* – Existing fraternity on Madbury Road, renovations. Closed out
- *9 Madbury Road* – New mixed office and residential building. Expires 2019
- *Xemed* - New office building for high technology spinoff from UNH at 16 Strafford Avenue. Expires 2019

Sigma Beta



9 Madbury Road



Xemed



9 Madbury Road. Manager said the program worked well. Allowed for 4th floor office space where demand was low and build out was risky. The banks would not recognize the 4th floor space in the pro forma. Allowed for a more diverse tenant mix.

Xemed. Owner Bill Hersman said would not have done the project otherwise. The building was expensive and had contemplated moving to Pease, but program made the difference, especially given Durham's high taxes.

Resolution adopted by the Durham Town Council in 2011. Established additional local objectives:

- Encourages socially and economically vibrant and aesthetically attractive downtown
- Encourages pedestrian and bicycle friendly downtown
- Promotes office, retail, and research space on upper stories
- Can spur additional private investment
- Enhances Town-UNH cooperation
- Promotes redevelopment of substandard structures
- Results in high-quality and affordable multi-unit housing
- Incorporates energy sustainability

Town Resolution also provides that:

- Level of tax relief limited to that necessary to effect the public benefits;
- Tax relief provided only if the project not otherwise economically viable

I recommend revisiting the requirement for relief granted only if the project is not otherwise economically viable because:

- This is difficult to determine
- Involves complex review of financial information from applicant
- Can encourage excellent projects where plans are uncertain
- Creates good will and enhances partnership with the Town
- Short term loss of revenue more than made up with long term revenue and other benefits