

6/11/2018



POTENTIAL TAX INCENTIVES FOR WILTON



An Economic Scenario Study | Nashua Regional Planning
Commission

Project Description

A traditional method of promoting economic development is through tax incentives. A tax incentive is a legislative measure that is used to encourage individuals and/or businesses to either spend money or save money by reducing the amount of taxes they are required to pay. Wilton wishes to explore the various incentives available to assess those which may be the best match for promoting investment and growth in the non-residential sector. When American Prefab came and filled in the vacant Pep Direct building (on Rt 31), Wilton established one Economic Revitalization Zone (ERZ) and is looking into other potential locations for ERZs. The Economic Revitalization Zone tax credit offers a short term business tax credit for projects that improve infrastructure and create jobs in designated areas of a municipality. This report was written with the assistance of the Wilton Economic Development Team with funding support from Bar Harbor Bank & Trust, who purchased tax credits through the Community Development Finance Authority's L5 Capacity program.

Project Goals

- + Help current businesses in Wilton achieve expansion and retention objectives
- + Attract new business in Wilton to encourage job creation
- + Capitalize on existing tools to build the Wilton brand

Available Incentives

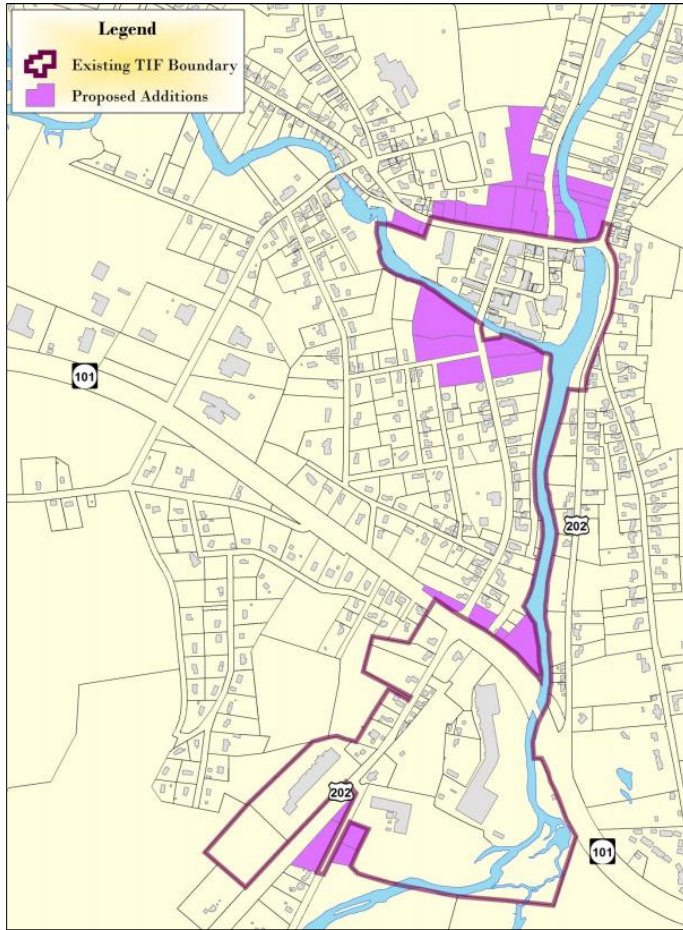
Economic development can strengthen town economies, provide better quality of life, and build on local community assets. However, retaining business and attracting new development is not always an easy task. Fortunately, there are a variety of state and federal economic development tools and incentives available for New Hampshire municipalities. This section focuses on some of the commonly used economic development tools and incentives.

Tax Increment Financing (TIF) Districts

"Tax increment," as defined in NH RSA 162-K:2, means the amount of taxes raised in a development district due to increases in assessed value over the assessed value of the district at the time of its establishment. A Tax Increment Finance District, or TIF District, enables the financing of public improvements by dedicating the incremental increase in taxes generated by new construction, expansion, or renovation of a property within a defined area.

How Do TIF Districts Work?

When a TIF district is established by the Local Legislative Body, the existing tax value of the district continues to be distributed to the schools, county and municipality as it was prior to establishment. After improvements are made in the district a portion of the taxes from the new increased incremental value is dedicated for use in the district to finance public improvements, rather than being accounted for as general revenue. Once the public improvements are complete, the increased tax value of the district becomes part of the municipality's general revenue.



Above: A map excerpt from the Town of Peterborough's "Greater Downtown Tax Increment Finance Plan" detailing the existing TIF Boundary and the proposed TIF District addition (shown in pink).

There is a two-step process to adopting a local TIF district. The first step is for the Local Legislative Body to adopt the provisions of RSA 162-K, enabling the creation of a TIF district. Next, following the adoption of the provisions of RSA 162-K, the Local Legislative Body also must decide to establish at least one Development District.

For each district proposed, the municipality must prepare a Development Program and a Tax Increment Financing Plan. The Program outlines the public facilities to be constructed in the district, environmental controls to be applied, planned reuse of private property, and expected operations of the district after the completion of capital improvements. The Plan allocates use of tax increments for retirement of bonds and notes, operation, maintenance and improvements in the district and for general municipal purposes in order to achieve the program. The plan is to be adopted with the establishment of the district by the Local Legislative Body. A hearing must be held at least 15 days prior to the planned vote.

Additionally, the Local Governing Body must

meet with the county commissioners and school boards to review the proposal and its potential tax impacts. Under the TIF district, the county and school taxes will continue to be calculated at the original assessed value, not the incremental increased value (this ensures no revenue decreases).

Additionally, the municipality must create a District Advisory Board to advise the Local Governing Body on planning, construction and implementation of the Development Program and on maintenance and operation of the district after the program has been completed. A majority of members of the advisory board shall be owners or occupants of property within or adjacent to the district.

While there is no limit on the number of districts a community can have, there are restrictions. No one district can include more than 8% of a community's assessed value or more than 5% of a community's land area. Combined, all districts cannot exceed 10% of the community's land area nor more than 16% of a community's total assessed value, if there is more than one district.

Money raised within a district must be spent within that same district to retire bonds and notes or for operation and development of the district except that "excess captured asset value" may be spent

elsewhere in the municipality. Care must be taken to create a boundary that includes not only needed improvements but also includes sites that are likely to generate new taxes. Once a district is established, the boundaries may be enlarged in the future subject to limitations.

What Can TIF District Funds be Used For?

Consistent with the Development Program adopted for the TIF district, funds may be used for:

- + Financing the acquisition of property or open space
- + Rehabilitation or renovation of existing buildings
- + Development aimed at improving physical facilities, quality of life and transportation
- + Construction of public works or improvements
- + Parking facilities
- + Improvement of pedestrian facilities such as sidewalks and crosswalks
- + Lighting systems, street signs and street furniture
- + Landscaping of streets and public property

Benefits of TIF Districts

TIFs create short and long-term benefits for communities. TIF benefits include:

- + Promotion of economic development and growth
- + Funds for infrastructure improvements
- + Leverage additional funding
- + Increased property values
- + Private investment and development
- + New jobs and retention of existing jobs
- + Stronger, broader tax and economic base
- + Locally controlled development
- + Stimulates investment outside TIF district boundaries

Economic Revitalization Zones

[The Economic Revitalization Zone](#) (ERZ) tax credit offers a short term business tax credit for projects that improve infrastructure and create jobs in designated areas of a municipality. As established in NH RSA 162-N, an ERZ is an area within a continuous boundary that is either characterized by unused or underutilized industrial properties or vacant land or structures previously used for industrial, commercial or ritual purposes but are no longer used as such due to a variety of possible factors such as age, obsolescence, brownfields or other unfavorable conditions. Wilton currently has one ERZ on Rt 31 where American Prefab is located and is currently looking into establishing other zones.

How Do ERZs work?

Economic Revitalization Zones are fairly simple to establish compared to other economic development incentives. Communities, through their Local Governing Body must submit a formal request to the NH Department of Business and Economic Affairs (BEA). Separate requests must be made for each non-contiguous zone designation within the municipality. The application must include a base map of the

area identifying parcels and street addresses within the zone, along with documentation that the area meets the criteria. This might include a listing of vacant properties, photos, or evidence of brownfield designation. Additionally, the application must also include documentation of the Local Governing Body's vote to designate the area as an ERZ. The establishment of an ERZ does not require adoption by the Local Legislative Body. Each designated ERZ is evaluated every 5 years by BEA to determine if the designated location is still eligible for tax credits.

To qualify for the tax credit, businesses located in the ERZ must make an investment in their physical plant or equipment and create at least one new, permanent, full time job in New Hampshire within a calendar year. The tax credit received by the business is based upon a percentage of the salary of each new job created and the lesser of either a percent of the actual cost incurred for the project or a maximum credit for each new job created in the fiscal year. To receive the tax credit, businesses must apply to the NH Department of Business and Economic Affairs by February 10th of the year following the applicant's tax year. The tax credits are available to the business taxpayer only for tax liabilities arising during tax periods including the tax period for which the tax credit is applied, and up to an additional five consecutive tax periods following the date of certification by the BEA commissioner.

Benefits of ERZs

Benefits of Economic Revitalization Zones include:

- + Promote job growth
- + Stimulate economic redevelopment and business reinvestment
- + Grow the local tax base from business expansion
- + Reduce sprawl
- + Increase tax revenues in the state by encouraging economic revitalization

Community Revitalization Tax Relief Incentive (RSA 79-E)

The NH Community Revitalization Tax Relief Incentive, often referred to simply as 79-E its enabling legislation, is a municipal tax incentive designed to encourage investment in downtowns and town centers with respect to economic activity, cultural and historic character, sense of community, and in-town residential uses that contribute to economic and social vitality.

The incentive provides temporary tax relief to property owners for up to five years, as determined by the Local Governing Body, during which the property tax of the structure does not increase as a result of the substantial rehabilitation. In exchange for relief, the property owner provides a public benefit to the rehabilitation, which is ensured through a covenant.

What are the Benefits of the Community Revitalization Tax Relief Incentive?

Benefits include:

- + Rehabilitation and active use of under-utilized buildings
- + Promotion of strong local economies
- + Smart, sustainable growth and prevention of sprawl

- + Strengthened community centers

How Does it Work?

To implement the Community Revitalization Tax Relief Incentive the Local Governing Body place the question of whether to allow RSA 79-E tax relief incentives on the Town Meeting warrant. Once adopted by the Local Legislative Body, the Local Governing Body is authorized to grant the tax relief incentives.

Once locally adopted, owners of qualifying structures that intend to substantially rehabilitate or replace it apply to the Local Governing Body for tax relief. There are 3 standards for eligibility:

- + Is it a qualifying structure? The structure must be located within a district designated by the zoning ordinance or master plan as a downtown.
- + If for rehabilitation, is it substantial? Does the rehabilitation cost equal or exceed \$75,000 or 15% of the structures assessed value (the municipality may set a higher threshold) – OR – If for replacement, does the existing structure have no significant historical, cultural or architectural value, and does the public benefit of replacement exceed that of rehabilitation?
- + Is there a public benefit? Projects must enhance downtown economic vitality, improve a culturally or historically important structure, promote downtown development or increase downtown housing.

Hearings are held within 60 days of application receipt and the Local Governing Body must issue a decision within 45 days. Proposals must be consistent with the local master plan or development regulations. The public benefit to be provided must be preserved through a covenant.

Approved projects may be granted relief from tax increases attributable to the rehabilitation costs for up to five years. The Local Governing Body, at their discretion, may grant an additional two years if new housing units are created or four years for affordable housing. They may also grant an additional four years if the structure is historically important. Wilton has approved a three year period of tax relief.

Commercial and Industrial Construction Exemption

NH Legislature adopted [HB 316 in 2017](#) enabling municipalities to offer a commercial or industrial local property tax exemption for increases in value in an amount up to 50% of the increase for up to 10 years. The exemption is applied to a percentage of the increased value attributable to the construction of new structures and additions or renovations and improvements to existing facilities. This local option tax exemption, if adopted by the municipality, could be used as an incentive to encourage additional development or redevelopment.

The terms of the exemption are to be established and adopted by the Local Legislative Body and administered by the Local Governing Body. Any adopting municipality has the option to set their terms for the incentive but must do so uniformly at the time of adoption. The vote to adopt the incentive shall be specific the terms to be set locally, including:

- + *Percentage Rate:* The exemption is based on a percentage rate as specified by the municipality not to exceed 50%
- + *Duration:* Up to 10 years
- + *Uses:* Incentives may apply to commercial and/or industrial uses, or defined businesses of each

Once adopted by the local legislative body, the exemption takes effect in the tax year beginning April 1 following its adoption and remains in effect for a maximum of 5 years. Any application granted prior to the expiration of the incentive continues to apply at the rate and for the duration in effect at the time it was granted. The incentive may be administered by the Local Governing Body or assessors.

Businesses must apply for the exemption before construction commences, but not before the beginning of the tax year for which the exemption is sought. Approvals granted pre-construction are subject to adjustment once the actual increase in assessed value becomes known. Decisions are to be rendered by February 28th, before the beginning of the tax year for which the incentive is sought. In the event that construction is partially complete on April 1 of any year, the exemption for that year will be the proportionate share of the increased assessed valuation attributable to partial construction.

Historic Preservation Tax Credits

The Federal Historic Preservation Tax Incentives program promotes private sector investment in the rehabilitation and re-use of historic buildings. This particular program is one of the nation's most successful and cost-effective community revitalization programs. Since 1976, the Federal Historic Preservation Tax Incentives program leveraged over \$84 billion in private investment and impacted 42,293 historic properties. The National Park Service and the Internal Revenue Service manage the program in partnership with State Historic Preservation Offices.

Through the Federal Historic Preservation Tax Incentives program, a 20% income tax credit is available for the rehabilitation of historic buildings that generate income. The Secretary of the Interior, through the National Park Service, designates qualifying buildings as “certified historic structures.” The State Historic Preservation Offices and the National Park Service then review the rehabilitation work to ensure that it complies with the [Secretary’s Standards for Rehabilitation](#). The Internal Revenue Service defines qualified rehabilitation expenses on which the credit may be taken. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit. The National Park Service approves approximately 1,200 projects every year, creating nearly six billion dollars annually in private investment for the rehabilitation of historic buildings all throughout the United States.

Other Useful Tools

Business Improvement Districts

Less common in New Hampshire than in surrounding states, Business Improvement Districts (BIDs) operate through an additional tax assessment charged within a specified district much like Common Area Maintenance fees charged in private developments. The revenue generated from this additional property tax assessment are reinvested into the district, providing a regular revenue source for additional services such as street cleaning, security, event planning or marketing.

NH Job Training Fund

[The New Hampshire Job Training Fund](#) provides a 50/50 cash match grant of \$750 to \$100,000 for customized training of a company's employees.

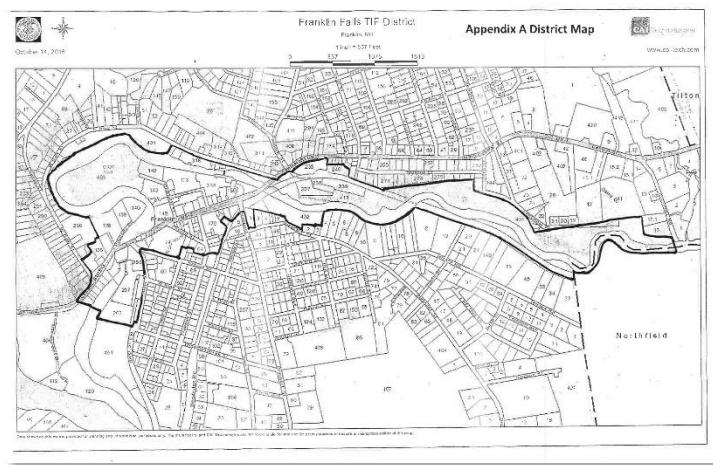
NH Research and Development Tax Credit

[The New Hampshire Research and Development Tax Credit](#) enables businesses to apply for tax credits for new research and development costs that can be applied toward business taxes paid. The credit can be carried forward for up to five years.

Case Studies

Franklin Falls Mixed Use Tax Increment Financing District

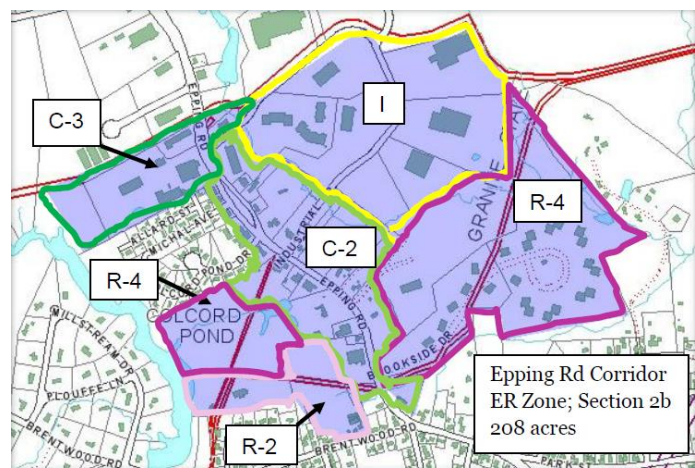
The City of Franklin adopted the Franklin Falls TIF District in 2017 to replace their Downtown TIF District, which was established in 2008. The size of the district is 99.37 acres with a total assessed value of \$15,992,400 (3% of total taxable property). The intent of the district is to advance desirable mixed-use developments in the downtown and adjacent mill district.



Right: District boundaries of Franklin Falls TIF District

Epping Road Corridor Economic Revitalization Zone

In Exeter, New Hampshire a 720-acre ERZ occupies a 1.5 mile stretch along the Epping Road corridor. Exeter's zoning ordinance allows for multiple uses within the ERZ. The ERZ is divided up into three sections that are further divided up into separate areas based on land use. Having multiple types of zoned land uses provides opportunity for a wide variety of development projects.



Right: Section 2b of the Epping Road ERZ. Permitted land uses include Commercial (C-2 and C-3), Neighborhood Professional (NP), Corporate Technology (CT-1), Industrial (I), and Multi-Family Residential (R-4).

Cotton Mill Square Re-Use Development

The City of Nashua adopted RSA 79-E in 2011 to provide a tool for property owners and developers to revitalize the downtown area and industrial center. The Cotton Mill Square development project utilized this incentive and rehabilitated a historic mill building to create 109 mixed-income apartments. The building's exterior was preserved to maintain its historic character and contribute to the historic district.



Right: Cotton Mill Apartments in Nashua, NH

Hillsborough Mills (Pine Valley)

The Hillsborough Mills, located in Milford, NH, were constructed in 1866 and were originally used for manufacturing carpets. In 2012 a developer rehabilitated the old mill and transformed it into a modern mixed-use building, consisting of 50 apartment units, a commercial center, and the original hydroelectric plant. The Hillsborough Mills are on the National Register of Historic Places, and historic preservation tax credits were used to help finance the project.



Right: The Hillsborough Mills, now referred to as Pine Valley, in Milford, NH.

Potential Scenarios Costs and Benefits

The following represent three different scenarios of how tax incentives could be applied in Wilton: in the Downtown Commercial area, for a Downtown Residential property, and on Route 101. Specific properties are presented with their existing conditions, redevelopment potential, and the possible benefits to the Town and/or applicant when different incentives are used.

Downtown Commercial Development¹

Existing Conditions	Total	Parcel 1	Parcel 2
Parcels	Stimson Buildings	J-100	J-101
Total Acreage	0.74	0.4	0.34
Frontage (Feet)	365	229	136
Zoning District	Downtown Commercial		
Building Gross SF	6,498	2,016	4,482
Land Value (2016)	\$159,400	\$80,400	\$79,000
Improvements Value (2016)	\$119,800	\$40,100	\$79,700
Total Value (2016)	\$279,200	\$120,500	\$158,700
Tax Revenue	\$7,585.86	\$3,273.99	\$4,311.88

Development Potential

Redevelop Existing Structures and Construct Additional Square Footage with a Mix of Retail, Office, Restaurant.

New Building Gross SF	4,000
Total Building Gross SF	10,498
Construction Costs (\$65/sf)	\$682,370
Land Value	\$159,400
Improvements Value (\$80/SF)	\$839,840
Total Value	\$999,240
Tax Revenue (\$27.17/1000)	\$27,149.35

Tax Increment Finance District

Municipal Benefit	\$19,563.49	Incremental tax revenue could be used for direct investment in pedestrian improvements- river trail, crosswalks, and bridge.
Applicant Benefit	NA	No direct financial benefit. Applicant is taxed at full value of improvements, however, benefits from off site improvements made by the town.

¹ Adapted from https://www.craftsman-book.com/media/static/previews/2017_NBC_book_preview.pdf

Economic Revitalization Zone

Municipal Benefit	\$19,563.49	Increased municipal general tax revenue, investment in the downtown, potential for direct, indirect and induced benefits.
Applicant Benefit	TBD	Direct savings to the applicant that would offset the bottom line of construction costs and render the project more economically viable.

Community Revitalization Tax Relief Incentive

Municipal Benefit	TBD	Town would initially see only a portion of the full value tax revenue, however would still see direct investment and associated indirect and induced benefits.
Applicant Benefit	TBD	Reduced tax burden equates to reduced post construction costs helping to make the project more economically viable.

Commercial and Industrial Construction Exemption

Municipal Benefit	\$9,781.74	Town would receive 50%+ of the increased value in municipal taxes, plus see direct, indirect and induced benefits associated with the business investment.
Applicant Benefit	\$9,781.74	Reduced post construction costs helping to make the project more economically viable.

Historic Preservation Tax Credit

Municipal Benefit	\$19,563.49	Increased municipal general tax revenue, investment in the downtown, potential for direct, indirect and induced benefits.
Applicant Benefit	20% of Income	Reduced post construction costs helping to make the project more economically viable.

Downtown Residential Development²

Existing Conditions	Pine Valley Street
Parcel	K-105-3
Total Acreage	2.07
Frontage (Feet)	510
Zoning District	Residential District
Building Gross SF	NA
Land Value (2016)	\$65,900
Improvements Value (2016)	\$0
Total Value (2016)	\$65,900
Tax Revenue	\$1,790.50

Development Potential

Scenario 1: 10 New Single Family Residential Structures (2,500 gross sf each with approximately 1,500 livable sf). Equates to a density of 5 units per acre. Would require a variance or zoning change to be allowed.

Scenario 2: 12 New Townhomes configured in 2-3 structures (1,800 gross sf each with approximately 1,200 livable sf). Equates to a density of 6 units per acre. Would require a variance or zoning change to be allowed.

	<u>Scenario 1</u>	<u>Scenario 2</u>
New Building Gross SF	25,000	21,600
Total Building Gross SF	25,000	21,600
Construction Costs (\$75/sf)	\$1,875,000	\$1,620,000
Land Value	\$65,900	\$65,900
Improvements Value (\$80/SF)	\$2,000,000	\$1,728,000
Total Value	\$2,065,900	\$1,793,900
Tax Revenue (\$27.17/1000)	\$56,130.50	\$48,740.26
Approx. Tax per Unit	\$5,102.77	\$4,430.93

Tax Increment Finance District

Municipal Benefit	<u>Scenario 1</u> : \$54,340.00	Incremental tax revenue could be used for direct investment in area infrastructure improvements.
	<u>Scenario 2</u> : \$46,949.76	
Applicant Benefit	NA	No direct financial benefit. Applicant is taxed at full value of improvements, however, benefits from off site improvements made by the town.

² Adapted from https://www.craftsman-book.com/media/static/previews/2017_NBC_book_preview.pdf and <https://www.weareapartments.org/calculator/>

Economic Revitalization Zone

Municipal Benefit	NA
Applicant Benefit	NA

Community Revitalization Tax Relief Incentive

Municipal Benefit	TBD	Town would initially see only a portion of the full value tax revenue however would still direct, indirect and induced benefits associated with the business investment.
Applicant Benefit	TBD	Reduced post construction costs helping to make the project more economically viable.

Commercial and Industrial Construction Exemption

Municipal Benefit	NA
Applicant Benefit	NA

Historic Preservation Tax Credit

Municipal Benefit	NA
Applicant Benefit	NA

Economic Impact of 10 New Apartment Homes

Total Impact

The combined direct and indirect contribution of apartment construction, operations and resident spending to the state economy.

Total Economic Impact	\$2,476,433
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Total Jobs

The total number of direct and indirect jobs supported by apartment construction, operations and resident spending within the state economy.

Total Jobs Supported	21
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Managing Apartments

Apartment homes are economic engines, driving dollars and jobs that strengthen local communities.

Operation Dollars Spent	\$40,179
Direct On-site Jobs	0
Total Economic Contribution	\$77,813
Total Jobs Supported	1

Building Apartments

Apartment construction continues as a bright spot in the economy, helping lead the housing recovery

Total Economic Contribution	\$2,133,972
Total Jobs Supported	17

Living in Apartments

Renting can be a smart choice for a wide range of individuals and families across all income levels. That's why a diverse array of people call apartments home.

Spending Power	\$145,611
Direct Jobs Supported	1
Total Economic Contribution	\$264,648
Total Jobs Supported	3

Route 101 Development³

Existing Conditions		417 Gibbons Highway
Parcel		F-21
Total Acreage		14.5
Frontage (Feet)		780
Zoning District		Industrial
Building Gross SF		Vacant
Land Value (2016)		\$139,100
Improvements Value (2016)		\$0
Total Value (2016)		\$139,100
Tax Revenue		\$3,779.35
Development Potential		
New Highway Commercial or Light Industrial Construction		
New Building Gross SF		20,000
Total Building Gross SF		20,000
Construction Costs (\$50/sf)		\$1,000,000
Land Value		\$139,100
Improvements Value (\$60/SF)		\$1,200,000
Total Value		\$1,339,100
Tax Revenue (\$27.17/1000)		\$36,383.35
Tax Increment Finance District		
Municipal Benefit		NA
Applicant Benefit		NA
Economic Revitalization Zone		
Municipal Benefit	\$32,604.00	Increased municipal general tax revenue, investment in the downtown, potential for direct, indirect and induced benefits.
Applicant Benefit	TBD	Direct savings to the applicant that would offset the bottom line of construction costs and render the project more economically viable.
Community Revitalization Tax Relief Incentive		
Municipal Benefit		NA
Applicant Benefit		NA

³ Adapted from https://www.craftsman-book.com/media/static/previews/2017_NBC_book_preview.pdf

Commercial and Industrial Construction Exemption

Municipal Benefit	\$16,302.00	Town would receive 50%+ of the increased value in municipal taxes, plus see direct, indirect and induced benefits associated with the business investment.
Applicant Benefit	\$16,302.00	Reduced post construction costs helping to make the project more economically viable.

Historic Preservation Tax Credit

Municipal Benefit	NA
Applicant Benefit	NA

Resources

For more information about resources for the various tax incentives that exist, please visit the following:

[New Hampshire Division of Economic Development](#)

- [ERZ Applications and FAQs](#)

[New Hampshire Office of Strategic Initiatives](#)

- [Tax Increment Financing Resources](#)
- [Tax Increment Financing PDF](#)

[New Hampshire Municipal Association](#)

- [New Hampshire Town and City, Field of Dreams: How Tax Increment Financing Can Help Development Dreams Come True](#)

[New Hampshire Department of Revenue](#)

[National Park Service](#)

- [Tax Incentives for Preserving Historic Properties](#)

[New Hampshire Preservation Alliance](#)

- [NH Municipalities that have adopted RSA 79-E \(as of April 2017\)](#)
- [A Tool for Your Town: New Hampshire's Community Revitalization Tax Relief Incentive](#)
- [RSA 79-E Fact Sheet and Flow Chart](#)

[NH Division of Historic Resources](#)

- [A Tool for Your Town: New Hampshire's Community Revitalization Tax Relief Incentive](#)