

The TIF District Discussion for Windham

- What it is,
- Why are we considering it,
- How do we create one, and
- Where do we envision a district?

This presentation is an introduction to one of the Economic Development tools available to Windham.

What is a TIF District?

- Tax Increment Financing = TIF
- District = A defined area established for the performance of a special governmental function.
 - Windham Voters approved Article 18 and adopted the provisions of RSA 162-K authorizing the Town to establish one or more economic development and revitalization districts. This was enabling legislation.
 - The establishment of a TIF District must be defined and approved by voters.

TIF is an acronym for Tax Increment Financing. It's a public financing tool used to help spur economic development in areas that may need incentives to grow.

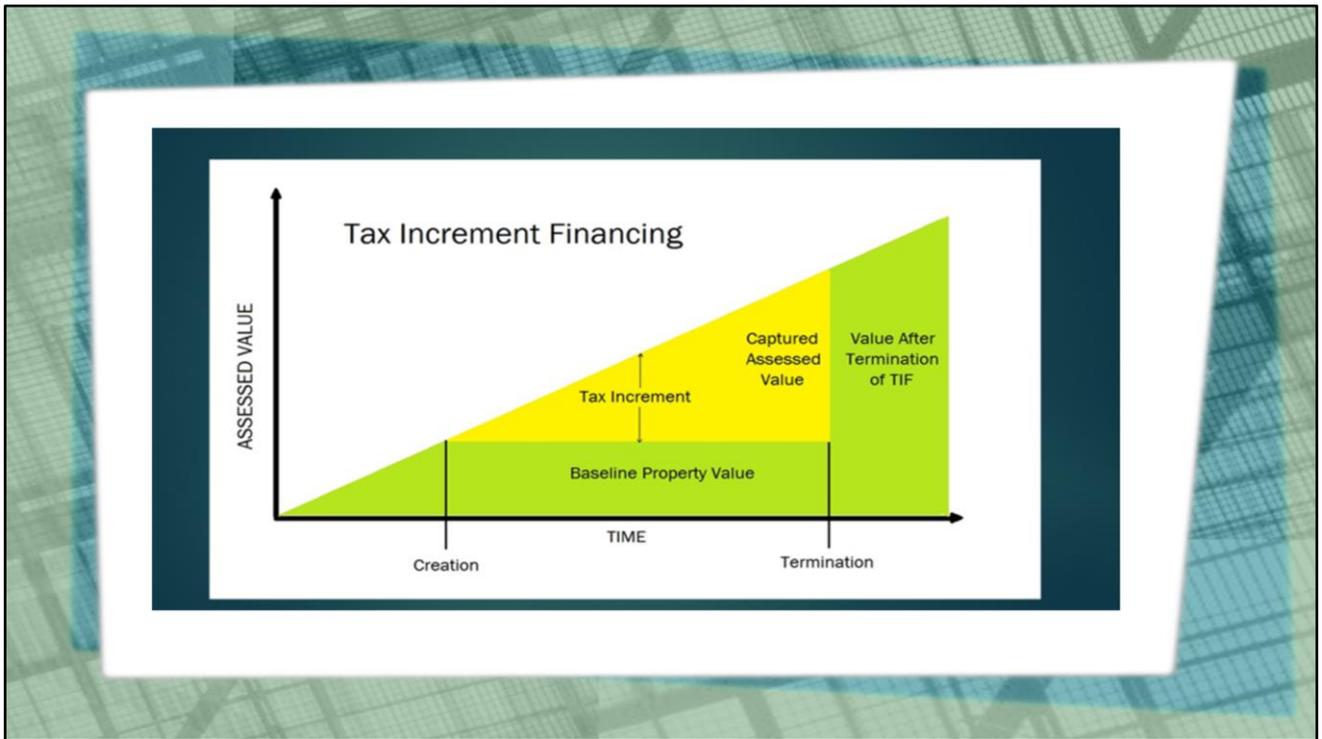
What is a TIF District?

– Core elements of TIF include:

- a designated district with narrowly defined geographic boundaries;
- a defined and limited operation period;
- expenditures that encourage economic development; and
- real estate appreciation that generates new property tax revenues.

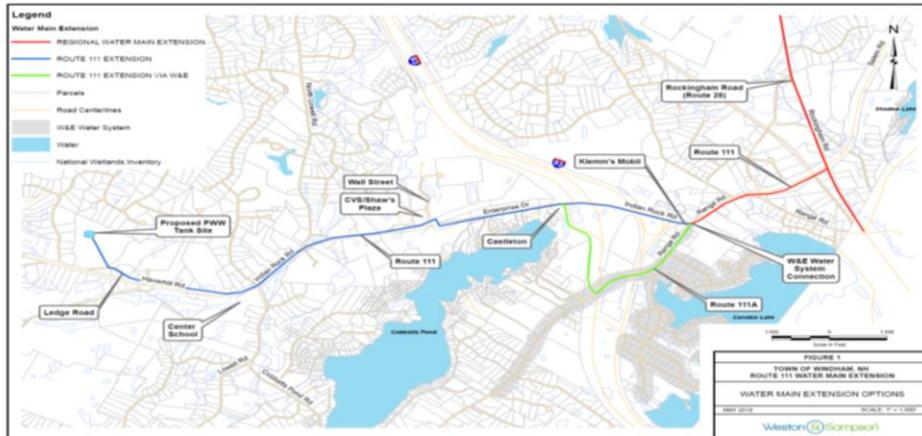
It is very important to note that a TIF assessment is significantly different from a betterment assessment. With a betterment assessment, certain properties are assessed an amount in addition to the regular property tax assessment, resulting in additional taxes. With a TIF assessment, there is no additional amount charged to the properties within the TIF district. Taxpayers see no difference in their property tax bills than they would otherwise.

The concept of a TIF is relatively simple: property tax revenue generated within an established TIF district is split into two components. The first is the property tax revenue based upon the original assessed value of all properties within the district boundary as of the date the district was formed. The second is the incremental, or increased property tax revenue that is based upon the difference between the current assessed value of the new or redeveloped properties in the TIF district. This is known as the captured assessed value.



This graph describes TIF value capture and shows value increase benefit to all at the end of the program.

Why are we considering a TIF District?



Windham is part of the Southern NH Regional Water Project. The project is currently building infrastructure that will interconnect the water systems of Manchester, Derry, Salem, Windham, Atkinson, and Plaistow. The objective of the project is to address current and future drinking water concerns related to (MtBE) contamination. Each community respectively has lost water supply sources due to contamination adding significant stress and impacts on their water needs. The primary goal is to ensure that a flow of safe and reliable water source providing potable water to and through the aforementioned communities to meet the needs of the water systems and create reliability and sustainability for the present and future. The red line depicts the route currently under construction and fully funded by the Drinking Water & Ground Water Trust Fund. The blue line is being considered to address water quality concerns along Route 111 west to about Ledge Road.

Enlarged View at Town Center

LEGEND

- NO PFAS DETECTIONS AT CONCENTRATIONS ABOVE LABORATORY REPORTING LIMITS
- PFAS DETECTED AT CONCENTRATIONS BELOW HEALTH ADVISORY LEVELS
- PFAS DETECTED AT CONCENTRATIONS ABOVE HEALTH ADVISORY LEVELS, BUT BELOW AGES EXCEEDING AGES
- PFAS DETECTED AT CONCENTRATIONS EXCEEDING AGES
- ONGING WSC./UNKNOWN IMPACTED SITE
- FORMER WSC./UNKNOWN IMPACTED SITE
- ONGING WTR./PETROLEUM IMPACTED SITE
- ONGING COLIFORM IMPACTED SITE
- FORMER LEAD IMPACTED SITE
- FORMER NITRATE IMPACTED SITE
- FORMER PCB IMPACTED SITE
- FORMER WSC./UNKNOWN IMPACTED SITE
- PARCEL BOUNDARY



In this area, you'll see PFAS detections at concentrations above health advisory levels. That level is currently 70 PPT (Red dots). Those in yellow are within acceptable levels, but the level of acceptability may be changing from 70 to 20. If so, we believe those in yellow will become red dots.

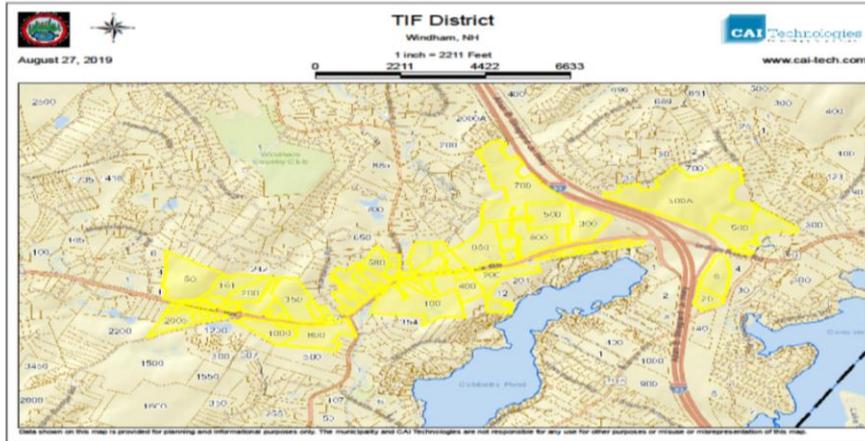
How do we create a TIF District?

- A municipality must first adopt the provisions of RSA 162-K. ★ Done!
- Establish the development district boundaries.
- Establish a financing plan which shall allocate use of tax increments for retirement of bonds used for approved infrastructure project.
- The plan must be adopted by the municipality after a public hearing.
- The municipality must create a District Advisory Board to advise the governing body.
- Money raised within a district must be spent within that district to retire bonds and notes.

(After 1st bullet) At the request of the Selectmen, I have drafted a TIF District plan. It is important to re-state, this is a draft plan and is expected to go through several public meetings and discussions.

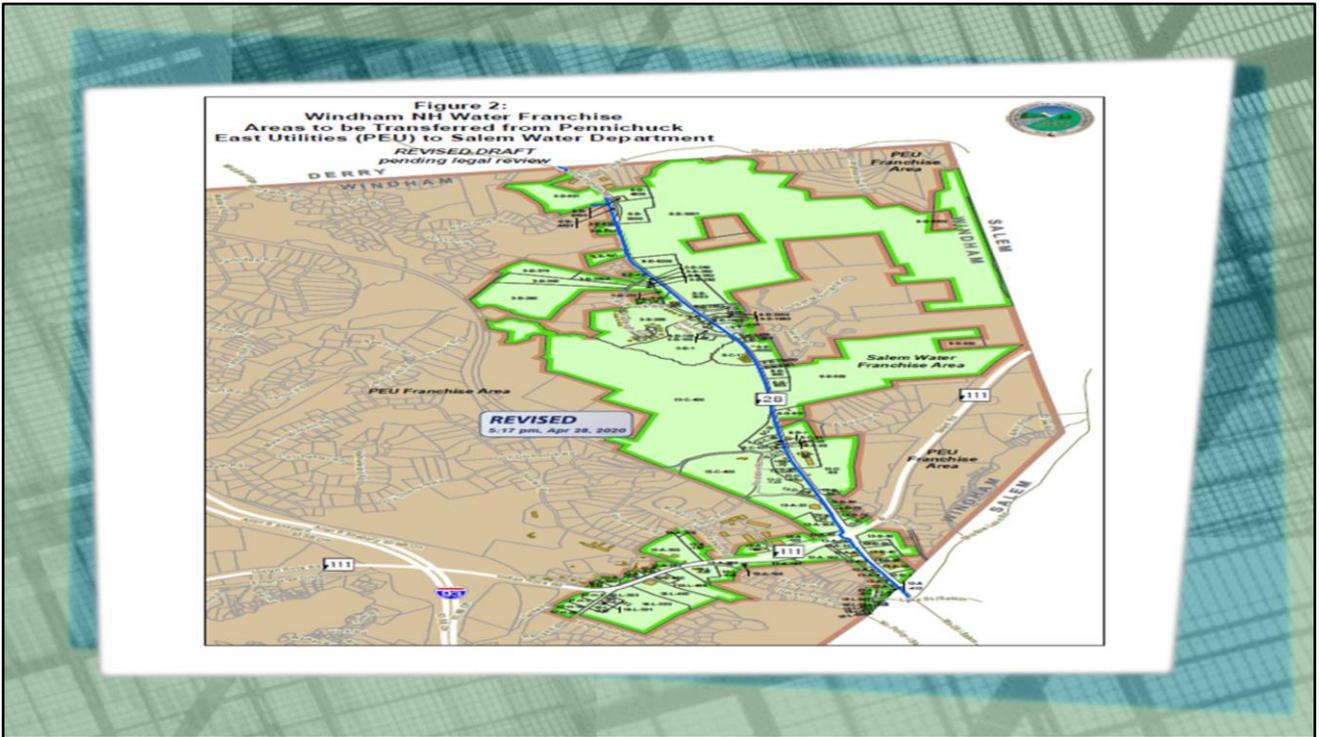
(After 5th bullet) A District Advisory Board of at least five (5) members will be appointed by the Select Board and, in accordance with law, it will be made up of a majority of members who are owners or occupants of property that is within or adjacent to the District. The election of officers of the Advisory Board will be done by the Advisory Board annually. Members of the Board are encouraged to be residents, but are not required to meet Town residency requirements. The Board of Selectmen shall delineate the duties of the advisory board and establish rules of procedure in accordance with the law.

Where we envision a TIF District -



This map shows our proposed TIF District parcels highlighted in yellow. The district encompasses property immediately abutting Route 111 and those who could benefit from a municipal water line.

We have identified 61 parcels that meet this criteria.



This slide shows the property along Route 28 and Route 111 extending to Klemm’s Mobil and McDonald’s at Gateway Park where a water line is under construction.

The property highlighted in green represent those to be released from the Pennichuck franchise to Town of Salem DPW water system management.

While we haven’t included these in our base TIF District financing model, we know if they were, they certainly could accelerate the funding and reduce bond payoff period.

Infrastructure Cost & Financing

- Weston & Sampson Water System Extension Estimate:
-\$ 9,500,000
 - Anticipated Municipal Bond:
-\$ 6,500,000
 - Grants & Private Contributions:
-\$3,000,000 *
 - 30 Yr. Municipal Bond Payment:
-\$331,625.19
- * Developer Agreements anticipated to cover up front construction costs as well as any shortfall to fully cover bond payments.

At our request, the engineering firm of Weston & Sampson completed a preliminary study of the water demand, best route and construction cost to extend a water line west on Route 111. Their estimate for engineering and construction is \$9.5 Million. The NH DWGW Trust has funds available to municipalities with water contamination issues. We expect to apply for a grant to pay 1/3 of the total cost. In our financing plan, we anticipate asking for a \$6.5 Million bond and have calculated the annual payments based on current rates. It is important to note we expect to have commitments from locale developers to contribute to our up-front costs and believe the TIF district value capture will fully cover annual bond payments.

Bond Payment Calculation

LOAN ANALYSIS WORKSHEET			
LOAN ANALYSIS			
INTEREST RATE	3.00%	ANNUAL PAYMENT	\$331,625.19
YEARS OF LOAN	30	TOTAL PAYMENT	\$9,948,755.57
AMOUNT PAYMENTS DUE	\$6,500,000.00	TOTAL INTEREST	\$3,448,755.57
	End of Period		

This bond payment calculation is intended for forecasting purposes only. The term, amount and interest are estimated for discussion. It is expected these factors will be updated in TIF District discussion.

Proposed Parcels Considered in TIF District

- Route 111 West from Klemm's Mobil & McDonald's to Ledge Road
- Land @ Exit 3 (Range Road), including Warde Health & Searles Castle
- Indian Rock Road
- Wall Street
- Enterprise Drive
- Haverhill Road property ending at Ledge Road

Total Parcel Count = 61

Current Assessed Value = \$72,302,900

The area highlighted in yellow has 61 parcels. It is important to note these are all located within commercial & business zones. I have identified each parcel in my report, TIF District Plan.

TIF District – Appreciating Value & Revenue Capture

➤ Considering 61 Parcels in District - Current Assessed Value = \$72,302,900

➤ **Scenario 1** – All developed as current zoning allows to highest & best use.

➤ Increased Value = \$165+ Million

➤ TIF Revenues = \$2.1+ Million annually*

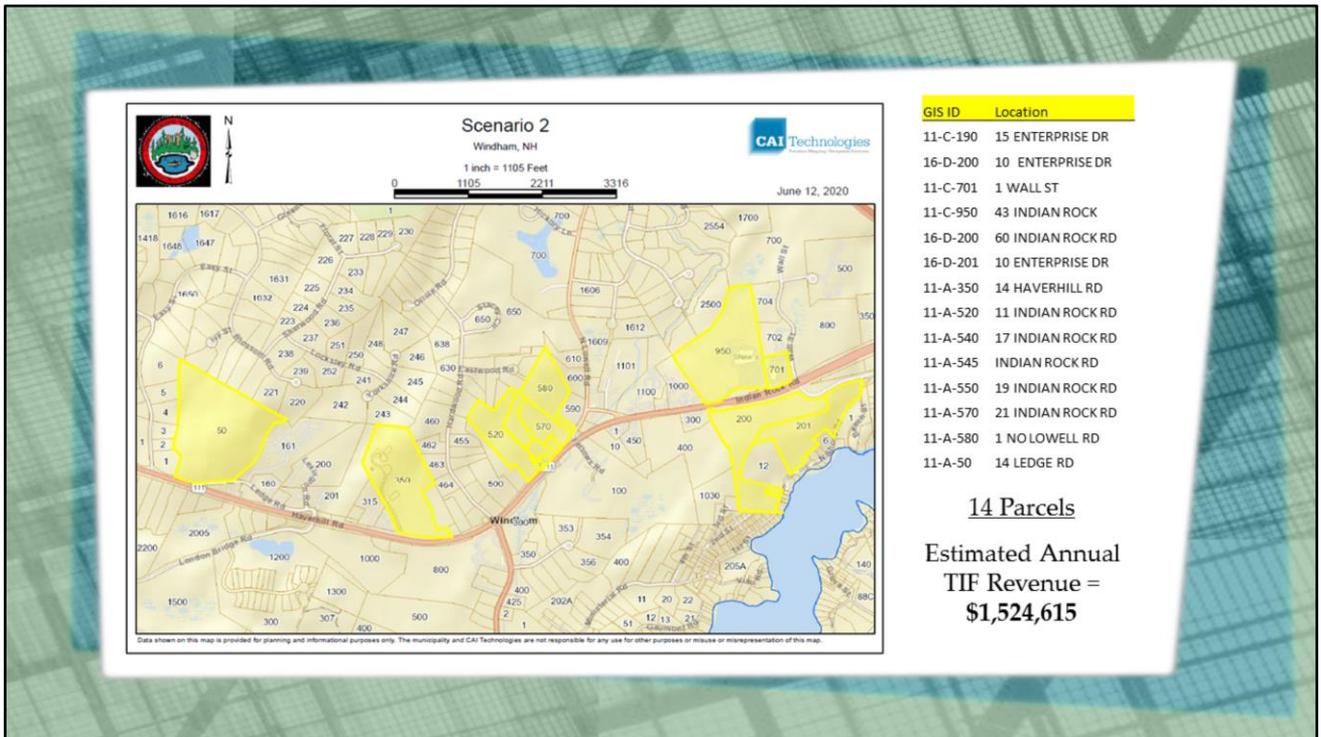
* Revenue Forecast uses 2019 Tax Rate

➤ **Scenario 2** – 14 parcels developed as current zoning allows similar to concept plans presented to Planning Board.

➤ Increased Value = \$67.6+ Million

➤ TIF Revenues = \$1.5+ Million annually

To understand how a TIF District performs, one must look at existing zoning of the land, consider what may be its highest and best use, and forecast a value based on that occurrence. To demonstrate this, I have considered three scenarios. Scenario 1 is an estimate reflecting all 61 parcels and all who could benefit from development or redevelopment. This could bring \$2.1 Million annually.



In Scenario 2, I only forecast the change of value for 14 parcels that we have seen development plans on. This estimate shows \$1.5 Million. Note, this scenario includes property that are currently under construction. The building next to CVS on Wall Street and the development on 14 Haverhill Road. If these are completed and their assessment changes prior to accepting a TIF plan, the increased value would not be captured.

You will also 14 Ledge Road, whereas the Town has seen development plans but has an ongoing legal matter.

Therefore, I turn your attention to Scenario 3.

TIF District – Appreciating Value & Revenue Capture

➤ Current Assessed Value = \$72,302,900

➤ Scenario 3 – Just six (6) parcels developed as current zoning allows and similar to concept plans presented to Planning Board.

➤ Increased Value = \$44.7+ Million

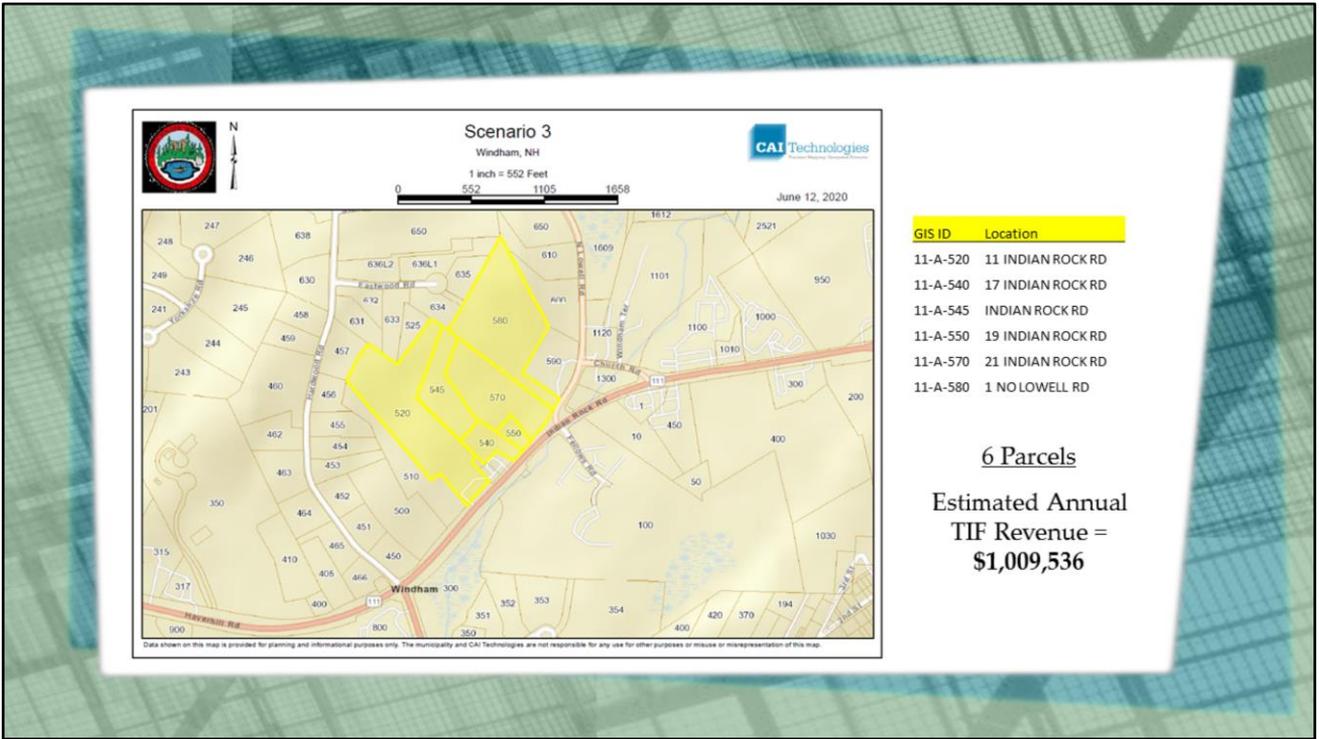
➤ TIF Revenues = \$1+ Million annually*

* Revenue Forecast uses 2019 Tax Rate

In this Scenario, the Planning Board, Design Review and others have viewed conceptual plans for the properties all located in the Village Center District.

Being abutting parcels, they are considered prime for development and encouraged to utilize cross easements for interior roadways and sidewalks.

Scenario 3 is the most reasonable, feasible and easiest to understand. It includes only 6 parcels, 3 owners, and each have presented a conceptual development in Planning Board meetings.



There are only three entities involved and all have discussed interconnectivity encouraged for the VCD.



(Highlight the 6 lots.) Focus on this area. While there is more possible future developable land, I am selecting just 6 to demonstrate the ability of TIF District financing to cover infrastructure costs. We know what can be built here and I can reasonably project future values based on historical assessing models to provide revenue estimates.



Building "C"

Village Center Place

13-15 Indian Rock Road
Windham, New Hampshire



Silverwatch Architects, LLC
Architecture • Engineering • Design • Land Planning
100 Cambridge Road • Windham, New Hampshire 03097
603.866.4400 • www.silverwatch.com

Building C will have 11 Indian Rock Road as address.



Additional development envisioned behind 11 Indian Rock Road. All development planned with interconnectivity and to have walkable community space.



Additional development envisioned with 17 & 19 Indian Rock Road. Conceptual plans have shown some 70,000 square feet of mixed use, retail, office and residential space.



This is one design envisioned for Town Center. A Town Beautification Project for the Village Center would incorporate existing town buildings, and make walkable connectivity to business and public spaces.

Revenue Growth: Scenario 3 considers six vacant parcels all located within the VCD and clustered near the Town Center. At present, there are three owners who control the property. The Town has been presented development proposals that show interconnectivity, sharing access, and property types envisioned within this district. Basing the value forecasts using assessment models, the total buildout value is estimated at \$44,768,800. The buildout growth forecast is 10% per year and 10 years for completion. Using the 2019 tax rate applied to the accumulated annual TIF District, the forecast break even is in Year 4 for bond payment coverage.

Bond Payment: The Town will bond \$6,500,000 for construction of waterline. Payments for 30 year bond @ 3% interest.

Tax Dollars Required: Estimated Taxpayer cost to cover bond payment shortfall. TIF positive dollars pay down bond debt.

Year End Buildout	Annual TIF Revenues
Year 1	\$100,954
Year 2	\$201,907
Year 3	\$302,861
Year 4	\$403,814
Year 5	\$504,768
Year 6	\$605,722
Year 7	\$706,675
Year 8	\$807,629
Year 9	\$908,582
Year 10	\$1,009,536
Total Annual TIF Est	\$1,009,536
	(Using the 2019 Tax Rate)



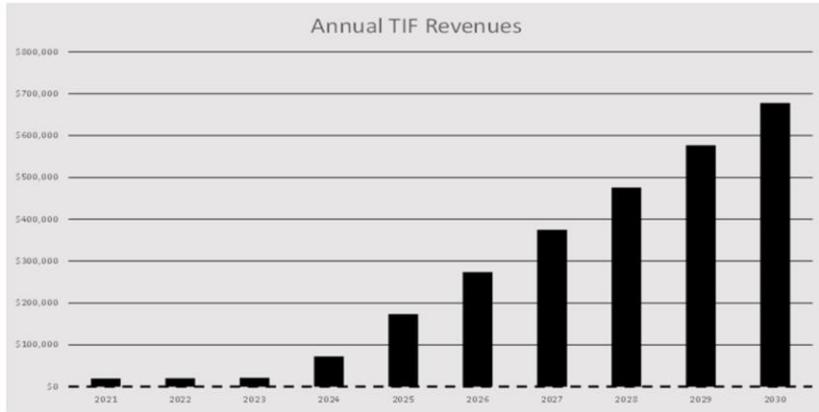
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue Growth	\$100,954	\$201,907	\$302,861	\$403,814	\$504,768	\$605,722	\$706,675	\$807,629	\$908,582	\$1,009,536
Bond Payment	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625
Tax Dollars Required	\$230,671	\$129,718	\$28,764	-\$72,189	-\$173,143	-\$274,097	-\$375,050	-\$476,004	-\$576,957	-\$677,911

Considering Scenario 3, this slide shows the growth at 10% year and applies the bond payments.

In this graph, I have not factored developer contributions. This simply projects Annual Revenues over 10 years and up to full buildout of the 6 identified parcels.

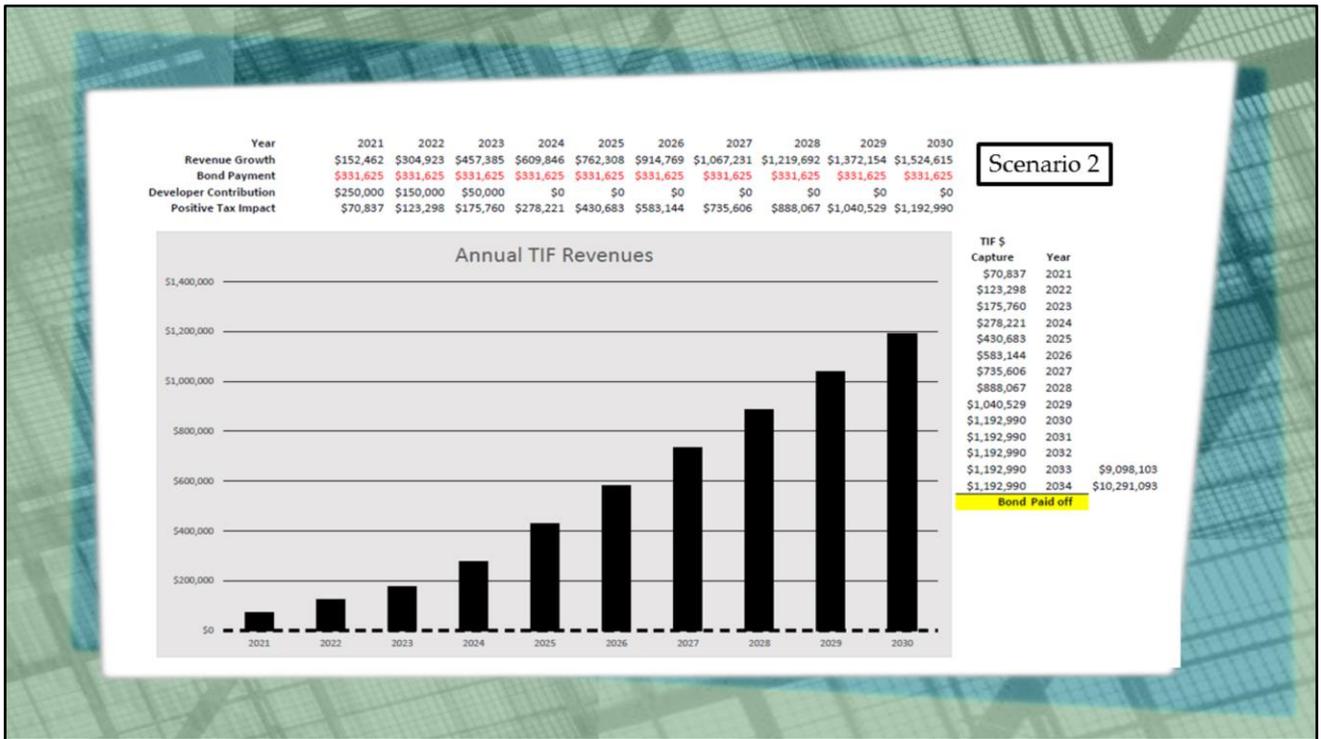
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue Growth	\$100,954	\$201,907	\$302,861	\$403,814	\$504,768	\$605,722	\$706,675	\$807,629	\$908,582	\$1,009,536
Bond Payment	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625	\$331,625
Developer Contribution	\$250,000	\$150,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Positive Tax Impact	\$19,329	\$20,282	\$21,236	\$72,189	\$173,143	\$274,097	\$375,050	\$476,004	\$576,957	\$677,911

Scenario 3



TIF \$ Capture	Year
\$19,329	2021
\$20,282	2022
\$21,236	2023
\$72,189	2024
\$173,143	2025
\$274,097	2026
\$375,050	2027
\$476,004	2028
\$576,957	2029
\$677,911	2030
\$677,911	2031
\$677,911	2032
\$677,911	2033
\$677,911	2034
\$677,911	2035
\$677,911	2036
\$677,911	2037
\$677,911	2038
\$677,911	2039
\$677,911	2040
\$677,911	2041
\$10,143,219	2042

This slide shows the bond payments, TIF capture, and developer contribution. With developer pre-payments, this financing plan envisions no impact on the Tax Rate. Note this revenue growth estimates the bond payoff in about 20 years. This scenario still only considers 6 parcels.



This slide shows Scenario 2 and includes 14 parcels. You will see the bond is satisfied in 10 years.

If Route 28 was added, it is my feeling we will have sufficient TIF revenues to pay off the bond in much less time. We have several large scale projects approved and pending development. Gateway, Flat Rock, Garabedian are pending access to water and expected to begin within a year or so.

I want to emphasize this is an economic development tool. If we don't obtain up-front private contributions, significant grant \$ or determine development will not occur as expected, No TIF. If our residents do not want commercial development, No TIF.

Questions?

Please refer to my report:

“Town of Windham Business Corridor
Proposed
Tax Increment Finance District Plan”
Dated, June 2020

Thank you for your attention.

Rex Norman, CAE
Community Development Director
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