

An Overview of Tax Increment Financing – Dedham Board of Selectmen

September 18, 2014



Economic Development Incentive Options

- ▶ The Massachusetts Economic Development Incentive Program (EDIP) has four incentive based project categories:
 - Expansion Projects (EP)
 - Enhanced Expansion Projects (EEP)
 - Manufacturing Retention & Job Growth Projects (MRP)
 - Tax Increment Financing (TIF) Only Projects

M.S. Walker is proposing a TIF Only Project Certification.



Statutory Authority

- ▶ Statutory authority for the EDIP, including TIFs, comes from G.L. c.23A and G.L. c.40, §59.
- ▶ The Economic Assistance Coordinating Council (EACC) administers the EDIP and is regulated by 402 CMR 2.00 which outlines the process for participation and eligibility of municipalities as well as businesses.
- ▶ TIFs are regulated under 760 CMR 22.00
- ▶ A “Certified Project” by the EACC (after local approval) can access both state (such as corporate excise or personal income) and local property tax exemptions (through TIFs)



What is a TIF?

- ▶ Tax Increment Financing is a “credit” in the form of a tax exemption for the incremental increase in the value of real property over its existing or “baseline” value as a company invests capital into the property.
- ▶ The Town collects the so-called “baseline tax”, but agrees that the increase in value of the property resulting from the project (the value beyond the baseline) will be exempt or partially exempt from taxation according to a specific exemption schedule.
- ▶ The exemption schedule and the obligations of the property owner and the Town are set forth in a TIF Agreement between the parties.



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) –

- ▶ (1) TIF Zone: The municipality designates an area as a TIF Zone. Each TIF Zone must be wholly within an area which is:
 - (a) an Economic Opportunity Area (EOA), as designated by the EACC; or
 - (b) designated by the Director of Economic Development, as "presenting exceptional opportunities for increased economic development"



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) –

- ▶ (2) TIF Plan: The municipality prepares a TIF Plan in accordance with the procedures set forth in 760 CMR 22.05. The TIF Plan must:
 - (a) specify the area designated as the TIF Zone;
 - (b) describe the public and private projects contemplated for the TIF Zone;



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) –

▶ TIF Plan (cont.):

- (c) describe the financing proposed for the public and private projects contemplated for the TIF Zone;
- (d) authorize tax increment exemptions from property taxes pursuant to TIF agreements with property owners in the TIF Zone, and include the executed TIF agreements;



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) –

▶ TIF Plan (cont.):

- (e) establish the maximum percentage of the costs of any public project that can be recovered through betterments or special assessments against property eligible for tax increment exemptions;
- (f) identify the owner of each parcel of real property located in the TIF Zone;



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) –

▶ TIF Plan (cont.):

- (g) delegate to one municipal board, agency or officer the authority to execute TIF Agreements between the municipality and the owners of parcels of real property which are located in the TIF Zone;
- (h) contain evidence of local approvals of a TIF Zone and a TIF Plan.



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) –

- ▶ (3) The Board of Selectmen, or as otherwise required by local law, must approve the TIF Zone and relevant elements of the TIF Plan, including the authority to implement tax increment exemptions from property taxes and the maximum percentage of the costs of any public project that can be recovered through betterments or special assessments.



Eligibility and Process

The TIF Process (760 C.M.R. 22.00) – (cont.)

- ▶ (4) The municipality must execute TIF Agreements with each owner of a parcel of real property located in the TIF Zone who chooses to participate in the TIF Plan and must incorporate each agreement into the TIF Plan.
- ▶ (5) The municipality must approve the TIF Plan by vote of Town Meeting.
- ▶ (6) The municipality must submit the TIF Plan to the EACC for approval, pursuant to its regulations.



Why Agree to a TIF?

- ▶ TIFs and related state tax credits encourage companies to invest capital in real property by helping to control costs at a time when resources are scarce and devoted to construction.
- ▶ Agreements may include other business terms including job creation requirements, vehicle garaging requirements, reporting requirements, and more.
- ▶ The investment may be leveraged in less obvious ways, as well, such as utilization of local businesses by employees of the Company.



TIF Agreement Basics

- ▶ A TIF Agreement will contain the following:
 - Company Obligations:
 - Investment of a particular sum of money into Real Property, Personal Property, etc.
 - Creation or retention of a particular number of jobs (a good faith effort by Company to seek local hires as jobs become available)
 - Regular reporting to state and municipality on achievement of investment and jobs figures
 - Additional town-specific terms



TIF Agreement Basics

- ▶ A TIF Agreement will contain the following:
 - Town Obligations:
 - Grant of tax increment financing exemption to Company to be applied to the new value of the facility over the term of the Agreement
 - Proposed TIF Plan
 - Term of Agreement (5 to 20 years)
 - Approval by Town Meeting and Town Selectmen



EACC Meetings

- ▶ The EACC meets only quarterly and the next and final meeting of the year is December 17, 2014.
- ▶ The next EACC meeting is scheduled for March 24, 2015



Resources

- ▶ Massachusetts Office of Business Development
 - <http://www.mass.gov/hed/economic/eohed/bd/economic-development/>
 - <http://www.mass.gov/hed/economic/eohed/bd/economic-development/eligibility/real-estate-incentives/>
 - <http://www.mass.gov/hed/business/incentives/tax-increment-financing-tif.html>

