

## **City of Groton Tax Increment Financing Policy**

### **I. City of Groton TIF Policy**

To support economic development, the City of Groton may consider the creation of and adoption of Tax Increment Financing ("TIF") Districts within the City (the "District" or "Districts"). TIF is a financing tool that can be used by municipalities to invest in economic development. It allows some or all of public and/or private costs associated with development to be financed over time by increases in the property tax revenues that are generated by the new development or redevelopment. Connecticut General Statutes Chapter 105b authorizes municipalities in Connecticut to create TIF districts for the purposes of economic development.

The following shall be the City of Groton's Policy to guide the process of planning for, reviewing, approving, and implementing Districts. The details of each District will be contained in the District's TIF Master Development Plan (the "District Master Plan"). In addition, the City's establishment and implementation of Districts will be consistent with all other applicable Federal, State, and local laws and regulations. As a political subdivision of the Town of Groton, this City of Groton policy is designed to be consistent with the Town of Groton's TIF Policy.

#### **1. Purpose**

The City of Groton understands the usefulness of TIF in economic development as part of its long-term economic development strategy, planning and implementation including its Plan of Conservation and Development. In designating TIF District(s) and adopting District Master Plan(s), the City seeks to accomplish the following goals:

- a. Grow and diversify the City's tax base through private investment;
- b. Grow and support economically diverse, long-term, stable employment opportunities for City residents;
- c. Improve the City's quality of life and place to better serve residents, businesses and workers including:
  - I. Enhance infrastructure development;
  - II. Create housing opportunities to attract and support workforce development;
  - III. Establish and support public spaces and cultural uses;
  - IV. Improve transportation and recreation infrastructure, including enhanced and well-connected pedestrian and bicycle facilities;
  - V. Assist established businesses in the City, thus assisting in retaining existing employment opportunities and expanding employment; and
  - VI. Revitalize areas or buildings in need of redevelopment, remediation, or rehabilitation.

#### **2. District Master Plan Requirements**

To establish a District, the City of Groton will prepare and approve a District Master Plan applicable to such District. The City may thereafter create and approve a TIF Development Plan (the "Development Plan") for property located within any District separately from the Town, however, it can only receive and utilize revenues attributable to the City's portion of the property tax rate as applied to property within each District. The City may also create and approve a TIF Joint Development Plan (the "Joint Development Plan") for property located within any District. In

cases of such Joint Development Plan, the Joint Development Plan must be reviewed and adopted by both the City and the Town in accordance with the TIF Policy of each. District Master Plans shall include the following:

- a. A statement indicating whether the Master Plan is a District Master Plan created solely by the City for the District (the "City-Only Master Plan") or a joint Master Plan which includes both the Town and the City (the "Joint Master Plan");
- b. A legal description of the boundaries of the District and a listing of all properties (lots and parcels) within the District including tax map and tax identification numbers, gross assessed value of taxable real property for each lot within the District and for the District as a whole based on the most current assessed value, a description of the present condition and current use of all land and buildings within the District, and an indication for each lot or parcel if it is subject to any special tax districts or zones currently, such as an Enterprise Zone or Business Improvement District;
- c. A statement on how the creation of the District meets some or all of the stated purposes contained in the City's, and if applicable, Town's TIF Policy and that it is needed for successful development or redevelopment to occur within the District;
- d. Maximum Duration of District in number of years– The preferred District term will be a maximum of thirty (30) years. While State law allows terms up to fifty (50) years, this will only be considered as special circumstances by the City
- e. A determination with supporting data that the Original Assessed Value (the "OAV") of taxable real property of the District plus the OAV of taxable real property of all existing Districts within the City of Groton and Town of Groton does not exceed ten percent (10%) of the total value of taxable real property within the entire municipality (City and Town combined) as of October 1st of the year immediately preceding the establishment of the District;
- f. Description of projected future public and private development or redevelopment to occur within the District, to include size, type, and uses; public and private site, building, and infrastructure improvements to be completed in the district and related areas; and estimated costs for all components. In the case of a Joint Master Plan, for all public costs, projections should must be broken out by those to be paid by City versus those to be paid by Town along with the combined public costs;
- g. Annual estimated, projected assessed value of taxable real property and associated annual estimated, projected tax revenues, as well as the value and associated revenues above the OAV for all parcels within the District. In the case of a Joint Master Plan, all revenue projections must be broken out between portion resulting from City tax rate and portion resulting from Town tax rate;
- h. Annual percentage of incremental (percent of the amount above OAV) valuation of taxable real property to be captured (dedicated for specified District purposes) and percent to be sent to General Fund (percent for each between 0% and 100%; combined total must equal 100%). In the case of a Joint Master Plan, this percentage shall apply the same to both the City and the Town;

- i. Maximum percentage and estimated, projected dollar amount of incremental revenues captured for District purposes to directly support private development or redevelopment. In the case of a Joint Master Plan, this percentage shall apply the same to both the City and the Town;
  - j. A description of the method(s) to provide direct support to developers, property owners, or businesses using incremental captured District revenues including abatements, credit enhancement agreements, or any other methods of direct support;
  - k. Details on any other financing mechanisms that are tied to or impacted by the Development Plan or Joint Development Plan, including a statement of (i) whether the Development Plan or Joint Development Plan includes the issuance of Municipal Bonds or any other form of municipal public debt; and (ii) the relationship with any special district or zone tax assessments including Enterprise Zones, Business Improvement Districts, and Tax Abatements;
  - l. A description of the methods the City and Town, in the case of a Joint Development Plan, will use to annually track and report on District performance and detailed associated financials; and
  - m. Any other requirements imposed by Section 7-339ff of the Connecticut General Statutes, as may be from time to time amended, at the time such District Master Plan is approved, including but not limited to the financial plan required thereunder.
3. Process for Drafting, Reviewing, and Approval of a District Master Plan in the City of Groton
- a) District Master Plans for review and consideration of approval shall be prepared by appropriate staff at the request of the Mayor and City Council.
  - b) City staff will utilize a TIF Advisory Committee i for guidance in development of a District Master Plan. This can be an existing committee related to economic development and/or finance, a newly created subcommittee of an existing committee related to economic development and/or finance, or a newly formed committee tasked with this role and responsibility.
  - c) If a City-Only Master Plan, once drafted by City staff with guidance from the TIF Advisory Committees, the draft District Master Plan will be sent to the City's Economic Development Commission for review and recommendations. The City's Economic Development Commission shall review the draft for consistency with the City's TIF Policy and its ability to meet stated economic development purposes. If a Joint Master Plan, once drafted by City and Town staff with guidance from their TIF Advisory Committees, the draft District Master Plan will be sent to the City's Economic Development Commission and the Town's Economic Development Commission for review and recommendations. The City's and Town's Economic Development Commissions shall review the draft for consistency with the City's and Town's TIF Policy and its ability to meet stated economic development purposes.
  - d) If a City-Only Master Plan, upon review and receipt of recommendations from the Economic Development Commissions, and City Planning and Economic Development Staff the draft District Master Plan shall be sent to the City Council for review and comment. If a Joint Master Plan, upon review and receipt of recommendations from the Economic Development Commissions, and City and Town Planning and Economic Development Staff the draft District Master Plan shall be sent to the City and Town Councils for review and comment.

- e) If a City-Only Master Plan, upon determination by the City Council that the District Master Plan satisfies the requirements of Chapter 105b of the Connecticut General Statutes, , and is in the City's best interest to adopt, the City Council shall submit the District Master Plan to the Planning and Zoning Commissions at least ninety (90) days prior to the public hearing date for the District Master Plan by the City Council. The referral will request a review of the District Master Plan and a written advisory opinion. The Planning and Zoning Commission shall render a written advisory opinion as to whether the proposed District Master Plan is consistent with the Plan of Conservation and Development. If a Joint Master Plan, upon determination by the City and Town Councils that the District Master Plan satisfies the requirements of Chapter 105b of the Connecticut General Statutes, and is in the City's and Town's best interest to adopt, the City and Town Councils separately shall submit the District Master Plan to their respective Planning and Zoning Commissions at least ninety (90) days prior to the public hearing date for the District Master Plan by the City and Town Councils. The referrals will request a review of the District Master Plan and a written advisory opinion. The Planning and Zoning Commissions shall render a written advisory opinion as to whether the proposed District Master Plan is consistent with the Plan of Conservation and Development.
- f) If a City-Only Master Plan, the City Council shall hold a public hearing on the proposed District and District Master Plan. Such public hearing shall be properly noticed at least 10 days prior to the public hearing pursuant to the requirements of Chapter 105b of the Connecticut General Statutes. If a Joint Master Plan, the City and Town Councils shall hold public hearings on the proposed District and District Master Plan. These can be done together as one public hearing, or separately. Such public hearing(s) shall be properly noticed at least 10 days prior to the public hearing pursuant to the requirements of Chapter 105b of the Connecticut General Statutes.
- g) If a City-Only Master Plan, following the public hearing, the City Council shall act to consider establishment of the District and adoption of the District Master Plan applicable to such District. The City Council is not required to act the same day as the public hearing. If a Joint Master Plan, following the public hearing(s), the City and Town Councils shall act separately to consider establishment of the District and adoption of the District Master Plan applicable to such district. The City and Town Council are not required to act the same day as the Public Hearing.
- h) If a City-Only Master Plan, if approved by the City Council, the District Master Plan become effective at a date set mutually by the City Council and its implementation will be carried forth by City Administration with guidance as needed from the TIF Advisory Committee. If a Joint Master Plan, if approved by the City and Town Councils, the District Master Plan become effective at a date set mutually by the City and Town Councils and its implementation will be carried forth by City and Town Administration with guidance as needed from the TIF Advisory Committee and if not approved by both the City and Town Councils the District master Plan shall not become effective.
- i) If a City-Only Master Plan, any resulting agreements with developers, property owners, or businesses, such as Credit Enhancement Agreements, must also be approved by the City Council following review and recommendations from City Staff, the TIF Advisory Committee, and the Economic Development Commission. If a Joint Master Plan, any resulting agreements with developers, property owners, or businesses, such as Credit Enhancement Agreements, must also be approved by the City and Town Councils following review and recommendations

from City and Town Staff, the TIF Advisory Committees, and the Economic Development Commissions.

- j) The creation and approval of a District Master Plan shall not relieve any developer from complying with any other regulatory and/or permitting requirements which may be necessary as part of such developer's project.
- k) If a City-Only Master Plan, the City through its staff shall annually report to the City Council on the status and performance of the District. If a Joint Master Plan, The City and Town through their Staff shall annually report to the City and Town Councils on the status and performance of the District. ,

#### 4. District Development Financing Mechanisms

For Joint District Master Plans:

In addition to public infrastructure and improvements, the City and Town may support certain industrial, commercial, residential, mixed-use or retail improvements, downtown development or transit-oriented development within Districts, or a combination thereof, using TIF revenues. The City and Town's preferred method of providing assistance to property owners, businesses, and developers of property within a District is through Credit Enhancement Agreements ("CEA"s), however, the City and Town may choose to utilize other methods as appropriate including issuance of municipal debt and utilizing TIF tax revenues to support debt repayment, tax abatements, or fixed valuation agreements.

Credit Enhancement Agreements: CEAs are the preferred mechanism for providing assistance to property owners and/or developers undertaking development projects within the City and Town's Districts. A CEA is a contractual agreement between the City, and Town, and applicant that allows the City and Town to provide reimbursements of future incremental property tax revenues to property owners. This policy outlines the eligibility requirements, guidelines, process, and other details for how and when the City, with the approval of the Town, may enter into CEAs. It is preferred that all CEA's be negotiated by the Town and City together for all developments in the City Districts.

The City and Town reserve the right to negotiate CEAs individually with property owners or developers of any properties within the District. CEAs may provide a reimbursement of up to 100% of the incremental real property tax revenue produced from the captured assessed value on the particular property, and up to the full term of the District. Under any CEA, the City and Town's obligation to make a periodic payment under the CEA will only arise to the extent the City and Town receive incremental real property tax revenue based on positive captured assessed value of the particular property during the appropriate period. In other words, in any CEA, the City and Town shall not obligate itself to make payments to the applicant without receiving incremental tax revenues nor shall it be obligated to make payments if there is no increased assessed value.

The City and Town will review CEA applications on a case-by-case basis and are not obligated or bound to enter into a CEA. If the City or Town enter into a CEA on their own within the District that is within City boundaries it does not bind the other party into entering into a CEA unless approved by both the City and Town Councils.

Property Tax Abatements: Property tax abatements involve reducing a portion of property taxes owed for specified reasons. In Connecticut, they can be used by communities to reduce taxes for a specified period of time for certain types of new construction or rehabilitation including

residential and commercial/industrial, subject to state law. They have been the traditional method used by communities in Connecticut to incentivize private development for the purpose of economic development at the municipal level. Their use is very limited in terms of time period over which incentives can be provided, the types of property and uses for which abatements can be provided, and the percent of taxes to be paid that can be abated. Within Districts, property tax abatements or CEAs can be utilized according the City and Town's Master Plan.

Revenue Bonds: Revenue Bonds provide a method for financing public and private (through public-private partnership) infrastructure and development costs. They are a means of debt financing available to municipalities. Revenue bonds distinguish themselves from general obligation ("GO") bonds through their method of repayment; unlike GOs which rely on taxation, revenue bonds are guaranteed by the specific revenues generated by the issuer. In the case of use for financing for economic development, an example would be utilizing parking fees to pay back a revenue bond issued to build a parking garage. Within a District and according to a District Master Plan, future incremental revenues from new property taxes on taxable real property can be utilized to help finance public and private development costs including infrastructure and site improvements.

Fixed Assessment Agreements ("FAA"s): With a District the municipality can agree to set a fixed valuation on a property for up to fifteen years providing the City and the owner/developer with predictability in tax liability. All FAAs shall be negotiated and reviewed and approved by both the City and Town of Groton. They shall be recorded in the Town Land Records.

For City-Only Master Plans:

CEAs, Property Tax Abatements, FAAs, and Revenue Bonds shall follow the same policy guidelines as above, but can only be based on or utilize revenues associated with the City's proportion of the combined City and Town Property Tax Rate.

#### Use of Multiple Incentives

In all cases the City shall not allow "double dipping," providing tax incentives from more than one program on the same dollar value of new investment such as providing Enterprise Zone tax benefits and TIF tax benefits on the same increment of property value.

The City also reserves the right to transfer City tax revenues from TIF Development Accounts that are in excess of funds needed to meet their obligations specified in its District Master Plan and any related CEAs to its General Fund and utilize funds for General Fund purposes at any time during the life of the TIF. In all cases this can only be done by the City for its proportionate share of TIF revenues after obligations have been met.

While the City may provide a reimbursement of up to 100% of the incremental real property tax revenue produced from the captured assessed value on the particular property for the duration of the District, it shall be their policy to provide no more than 50%, on average annually, of incremental real property tax revenue as reimbursement to the developer, business, or property owner regardless of whether achieved through a Credit Enhancement Agreement, Tax Abatement, of Fixed Valuation Agreement. Reimbursement in excess of this 50% threshold will only be considered when the potential benefits as measured by the potential to achieve the City's goals,

as stated in this policy are considered to be significantly high, and only upon concurrence and approval by the City Council

5. District Credit Enhancement Guidelines and Requirements

*General Provisions*

A. Terms

The specific terms of each CEA will be negotiated between the City (and Town, if applicable) with the applicant. Agreements can extend between one (1) and thirty (30) years; and up to 100% of the annual TIF Revenues associated with the captured incremental value from the property can be reimbursed to the property owner depending on the merit in achieving the City's and Town's purposes for CEAs. Under any CEA, the City's and Town's obligation to make a periodic payment under the CEA will only arise to the extent the City and/or Town receives incremental real property tax revenue based on positive captured assessed value of the particular property during the appropriate period. In other words, in any CEA, the City and Town shall not obligate itself to make payments without receiving incremental tax revenues nor shall it be obligated to make payments if there is no increased assessed value. The percentage of annual TIF Revenues that are reimbursed to the property owner may be adjusted over the life of the Agreement. In no case, shall a CEA extend beyond the life of the TIF District. While the City and Town may provide a reimbursement of up to 100% of the incremental real property tax revenue produced from the captured assessed value on the particular property for the duration of the TIF District, it shall be the City's and Town's policy to provide no more than 50%, on average annually, of incremental real property tax revenue as reimbursement to the developer, business, or property owner regardless of whether achieved through a Credit Enhancement Agreement, Tax Abatement, or Fixed Valuation Agreement. Reimbursement in excess of this 50% threshold will only be considered when the potential benefits as measured by the potential to achieve the City's and Town's goals, as stated in this policy, are considered to be significantly high.

B. Level of Funding Adjustments

During the application process and during the life of the District (and CEA), the applicant shall demonstrate that the funds are being used at appropriate levels for the purpose intended. If the level of funds the applicant receives exceeds the projected need, the amount returned to the applicant shall be adjusted and any excess placed in the City/Town General Fund or applied to the TIF Districts.

C. Enterprise Zone Requirements and Relation to Other City Provided Incentives

For projects within an enterprise zone or receiving other City or Town -provided direct tax benefits, the applicant will contractually agree not to take the Enterprise Zone reduced assessed value on land and buildings benefit or to receive any other direct City or Town tax benefit for any phase of the project benefitting from a CEA. The Applicant cannot receive benefit from both a CEA and another City or Town financial incentive on the same incremental value.

*General Provisions for City-Only Master Plans*

CEA's shall follow the same policy guidelines and requirements, but can only be based on or utilize revenues associated with the City's proportion of the combined City and Town Property Tax Rate.

6. CEA Requirements

The City and Town may participate in CEAs when its participation is financially necessary and involvement by the City is needed in order for the project to be undertaken. Justification for financial need and City and Town involvement can be demonstrated by:

- a. A need to offset infrastructure costs unique to the site; or
- b. A need to offset economic advantages available to a corporate entity if it should develop a project (or expand operations) outside of the City and Town Groton; or
- c. A lack of sufficient private or other public funding sources to meet the full capital investments needed to undertake a project.

The following requirements will also be considered:

- a. The Applicant is financially capable to undertake the project demonstrated by submitting one or more of the following:
  - i. Letters from a financial institution, government agency, or other funding agency indicating a commitment to provide a specified amount of funds, and the uses for which the funds may be utilized;
  - ii. In cases where funding is required but there can be no commitment of money until approvals are received, letters of "Intent to Fund" from the appropriate funding institution indicating the amount of funds and their specified uses;
  - iii. The Applicant's most recent corporate (or other entity) annual report indicating availability of sufficient funds to finance the development, together with explanatory material interpreting the report; and
  - iv. Evidence indicating availability of funds if the applicant will personally finance the development.
- b. The Applicant is compliant with statutory and regulatory guidelines of the City and Town and State of Connecticut;
- c. The project represents a minimum private investment of at least One Million Dollars (\$1,000,000) in development or redevelopment costs. This minimum investment cannot include the cost of acquisition of the property;
- d. The Applicant's equity contribution (excluding all debt, local, state, and federal support including tax credits, grants, and other support) to the project is a minimum of ten percent (10%) of the development or redevelopment costs;
- e. Reasonable buildout timeline for investment and completion of construction with documentation indicating the buildout completion plans with supporting market/feasibility information;

- f. Developer has pursued use of other available funding and incentives and has integrated other sources to the extent possible;
- g. Developer provides sufficient financial information as deemed necessary by the City and Town for planning and administration of the District including information for the consideration of District and CEA approval and annual information following District and CEA approval on the status of the development including a description of development completed, jobs created, jobs retained, and total private investment made; and
- h. Submission of any other documentation requested by the City and Town to help ensure that the City and Town will benefit through new investment, new employment, or other public benefits.

7. Guidelines That Determine Level of Municipal Participation in CEAs

In considering and negotiating support for private development costs, the level of support given by the City and Town should be based on the potential of the project to advance the City's and Town's purpose for utilizing TIF, as stated under Section II.1. Purpose, above.

8. CEA Application Requirements

The City and Town shall utilize an application form that includes at a minimum the following information:

- a. Name and contact information of applicant and owner if separate; attorney if applicable;
- b. Tax Map and Lot # of property (or properties) for which TIF assistance is being requested;
- c. Zoning District(s);
- d. List of any other local zones or districts the property is within that relate to tax assessment or payments, including but not limited to fire districts, city taxes, sewer mill rates, etc.;
- e. Current original assessed value of taxable real property;
- f. Description of proposed project;
- g. Description of proposed use(s) for site (residential, commercial, retail, industrial, etc.);
- h. Description of how the proposed project meets the City's and Town's TIF purposes as stated in their TIF Policy's;
- i. Estimated permanent jobs to be created and/or retained resulting from development;
- j. Estimated development costs;
- k. Estimated development timetable including project start, completion, and any phasing if applicable;
- l. Statement that the applicant demonstrates the financial capacity to undertake the project and provides evidence in support of this capacity. Evidence will include but is not limited to:
  - i. Development budget and pro-forma;
  - ii. Financial commitments of project lenders; and
  - iii. A project implementation plan and schedule.
- m. Description of any other local, state, or federal support being used to finance project; and

- n. Statement that the requested TIF project would not otherwise occur “but for” assistance through TIF.

Confidentiality: All such information provided by the Applicant shall be kept confidential to the extent permitted by law.

Other Requirements: The creation and approval of a District Master Plan shall not relieve the Developer from complying with any other regulatory and/or permitting requirements which may be necessary as part of the Developer’s project such as site plan, wetlands, building permits, etc.

Application Fee: At the time of the final application submission and after preliminary advisement by City and Town staff, a non-refundable fee of \$5,000 will be made by the applicant to help fund City expenses for staff time and any other direct expenses such as required legal fees. This fee shall be split by the City and Town.

#### 9. CEA Application Process

A property owner, or a developer that has secured an interest in real property within an approved or proposed District, may approach the City seeking the potential use of a CEA. If a developer, the property interest must include sufficient rights to purchase the property upon a definitive event. The steps outlined below detail the full CEA approval process:

Step 1: Preliminary Advisement with applicant by City and Town Staff (Office of Planning, Finance, and Town Tax Assessor);

Step 2: Application preparation by City and Town Staff, with input by Finance and City Mayor;

Step 3: Application submission if all required information is supplied by applicant;

Step 4: Review and approval by City Mayor and Town Manager;

Step 5: Review and Recommendation by City and Town TIF Advisory Committees and referral of application to: Economic Development Commissions;

Step 6: Submission to City Council for review and approval. Submission to Town Council for review and approval; and

Step 7: Implementation and tracking by City and Town Staff.

Additional CEA process and requirements may be contained within individual District Master Plans that add to or exceed the requirements contained in this policy.

#### 10. Amendment procedure

Amendments to this policy shall be completed in the same manner, as required by Connecticut and local laws and ordinances, as the adoption of this policy.

## Appendices

### Appendix A.

## Introduction and Background to Connecticut TIF State Law

Tax Increment Financing (“TIF”) is a financing tool that can be used by municipalities to invest in economic development. It allows some or all of public and/or private costs associated with development to be financed over time by increases in the property tax revenues that are generated by the new development or redevelopment. Chapter 105b of the Connecticut General Statutes, titled “Tax Increment Districts”, authorizes Connecticut municipalities to create TIF Districts for the purposes of economic development.

The following is an overview of the TIF process, components and requirements per the Connecticut General Statutes. This information provides guidance for the City and Town of Groton’s TIF Policy, which in turn, provides the framework, process, and details for any TIF District(s) and TIF District Master Plan(s) to be adopted by the City and Town.

#### 1. TIF Process

Use of TIF by Connecticut municipalities does not require State approval, and its structure and details are determined by the local legislative process. However, the State does require the creation and local adoption of a TIF District Master Plan to create and utilize a TIF District. The municipality’s legislative body must adopt a TIF District Master Plan for each TIF District. The TIF District Master Plan is adopted at the same time the TIF District is created. The TIF District creation and approval process includes the following steps:

- a. The municipality’s legislative body affirms TIF will contribute to the economic growth or well-being of the municipality or to the betterment of the health, welfare or safety of the inhabitants of the municipality.
- b. At least 90 days prior to establishing a TIF District and approval of a TIF District Master Plan, submit such plan to the municipality’s Planning and Zoning Commission requesting a study of the plan and a written advisory opinion prior to approval of such plan. Such written advisory opinion shall include a determination of whether the plan is consistent with the municipality’s plan of conservation and development.
- c. Hold a public hearing on the proposal to establish the TIF District and adopt the TIF District Master Plan.
- d. The municipality’s legislative body confirms that the TIF District meets all eligibility criteria and assessed value requirements in accordance with applicable Connecticut General Statutes.
- e. Submission of TIF District Master Plan to the municipality’s legislative body.
- f. The municipality’s legislative body establishes the TIF District and approves the TIF District Master Plan applicable to such district.

#### 2. TIF District Master Plan Components

The TIF District Master Plan must include:

- a. The boundaries of the TIF district by legal description.
- b. A list of the tax identification numbers for all lots or parcels within the TIF District.

- c. A description of the present condition and uses of all land and buildings within the TIF District.
- d. A description of the public facilities, improvements, or programs within the tax increment district anticipated to be added and financed in whole or in part.
- e. A description of the industrial, commercial, residential, mixed-use, or retail development/improvements; downtown development; or transit-oriented development within the TIF District anticipated to be financed in whole or in part.
- f. A financial Plan detailing the schedule of incremental tax revenues.
- g. A plan for the proposed maintenance and operation of the TIF District after the planned capital improvements are completed, if applicable.
- h. The maximum duration of the TIF District, which may not exceed a total of fifty (50) tax years, beginning with the tax year in which the TIF District is established.

3. Financial Plan Components

The Financial Plan of the TIF District Master Plan must include:

- a. Cost estimates for the public improvements and developments anticipated in the TIF District Master Plan.
- b. The maximum amount of indebtedness, if any, to be incurred to implement the TIF District Master Plan.
- c. Sources of anticipated revenues, including TIF and any other revenues.
- d. A description of the terms and conditions of any agreements, including any anticipated assessment agreements, contracts, credit enhancement agreements (CEA), or other obligations related to the TIF District Master Plan.

- e. Estimates of the increased assessed values of the TIF District.
- f. The portion of the increased assessed values to be applied to the District Master Plan as captured assessed values and resulting tax increments in each year of the plan. Captured value is the amount, as a percentage or stated sum, of increased real assessed value that is utilized from year to year to finance project costs pursuant to the TIF District Master Plan.  
*Note: A municipality can designate an amount up to 100% of incremental value to be utilized for specified TIF purposes or any amount less than 100%. The amount of tax increment revenues to be designated is determined by designating captured assessed value, subject to any assessment agreements. Whatever amount of incremental revenues that are not utilized for specified TIF purposes accrue to the General Fund. The applicant cannot receive a CEA or other TIF benefit if they are also utilizing any state or local tax incentives such as, but not limited to Enterprise zones, Urban Jobs, Airport Development Zone, or other property tax incentives. Subject to any assessment agreements provided by the TIF statute or the TIF Plan.*

- g. Specify the maximum percentage of TIF revenues to be utilized to support private developers through credit enhancement agreements or other mechanisms (such as bonding).

4. TIF District Limitations

A municipality can have multiple TIF Districts; however, all TIF Districts combined are subject to the following limitation:

**The original assessed value of all taxable real property of the TIF District plus the original assessed value of all taxable real property of all existing TIF Districts within the municipality may not exceed ten percent (10%) of the total value of taxable real property within the municipality as of October 1st of the year immediately preceding the establishment of the TIF District.**

5. TIF Revenues Uses

Connecticut General Statutes § 7-339hh enables a municipality to use all or part of TIF revenues in connection with costs of improvements within the TIF District, costs of improvements outside the TIF District which are directly related to or are made necessary by the establishment or operation of the TIF District, or for support of economic development, environmental improvements or employment training associated with the TIF District. This includes, but is not limited to: infrastructure, services made necessary by the project, repayment of debt service on municipal or private developer costs, and support or leverage for further economic development within or related to the district. More specifically, TIF revenues can be used for the following non-exclusive purposes:

- a. Public infrastructure improvements
- b. Façade improvements
- c. Project development and redevelopment costs (including transit-oriented and downCity district development)
- d. Capital costs
- e. Remediation costs
- f. Land assembly costs (forming a single site from a number of parcels)
- g. Technical and marketing assistance
- h. Revolving loans
- i. Professional services
- j. Repayment of private debt incurred by private developer
- k. Administrative expenses, including personnel, studies, reports, and/or administration for Main Street managers
- l. Business development and expansion assistance for TIF district property owners
- m. TIF district establishment costs
- n. Off-Site (related to TIF District)
  - i. Roadways, water/sewer
  - ii. Public safety
  - iii. School
  - iv. Mitigate adverse impacts (e.g. new traffic)
- o. Economic development and environmental
  - i. Economic development initiatives
  - ii. Workforce training
  - iii. Environmental mitigation

Dedicated TIF revenues **cannot** be used for General Fund purposes. The portion of incremental revenues not dedicated for TIF purposes are used for General Fund expenses.

6. TIF Use with other Financing Tools

TIFs can and should be used with other public and private financing tools as appropriate and available. They are not meant to be used "instead of" or "exclusive of" other financing mechanisms. TIF can, but does not have to be, used in conjunction with municipal bonding and related debt service. As available during the life of the District, TIF can be used to directly pay for specified costs or pay down debt service associated with the TIF District. A detailed overview of Economic Development Finance Tools is contained in the Appendix.

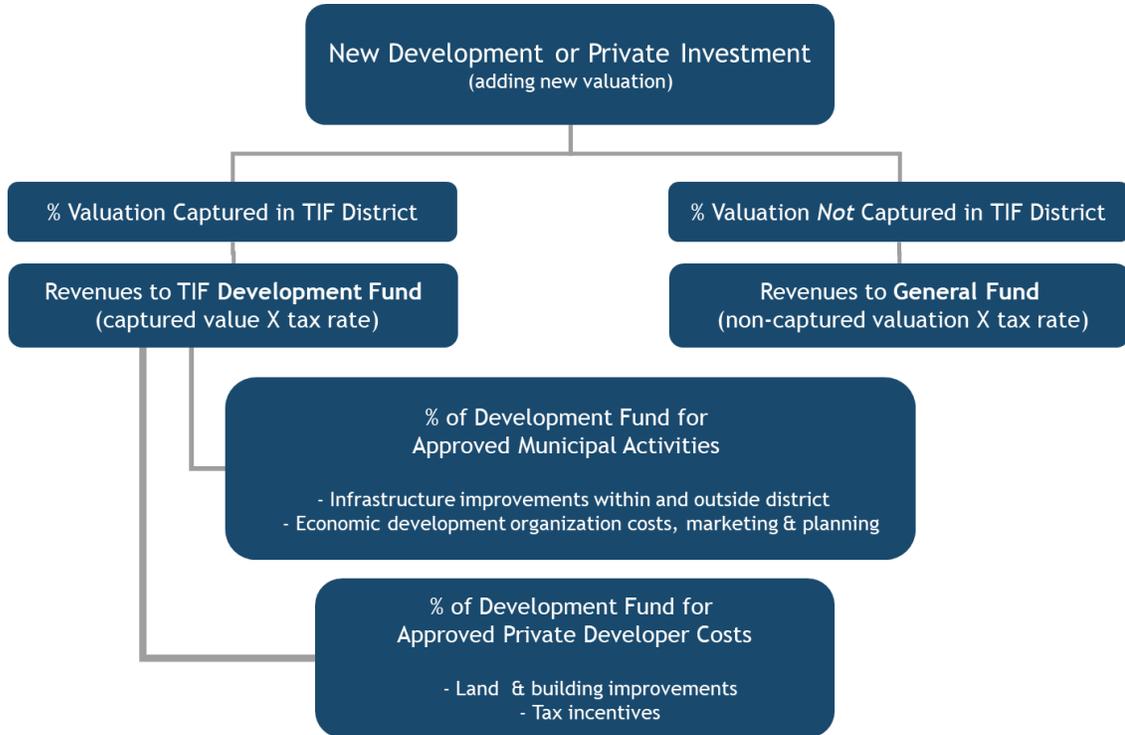
7. TIF Use to Directly Support Private Development

In addition to helping finance public costs to support economic development, TIFs can be used to help finance private developers' costs to spur further private investment. If a City chooses to help finance private development costs, the City should, as a matter of policy, require developers to demonstrate that "but for" the TIF support a project would not occur and that they have utilized and exhausted all other financing mechanisms, such as state and federal grants and tax credit programs

Municipalities can assist private developers with financing through property tax abatements. They can also utilize TIF for such purposes. TIFs can be used to support private development by reimbursing the private developer a portion (up to 100%) of property taxes resulting from new investment annually through what is known as a "credit enhancement agreement" (CEA). The CEA is a binding legal contract developed and agreed to as part of the TIF District process that can be used by the private developer to offset some private development costs and be used to support or enhance financing for the private developer. If the municipality chooses to provide CEAs it should do so in the form of a percentage of paid incremental taxes to be returned as opposed to a fixed dollar amount to protect itself from an underperforming TIF development. The municipality should also have an application process and guidelines for helping determine if the City should support development through a CEA as part of a TIF District and to what extent it should support it. The municipality shall also prohibit a developer from what is known as "double dipping," providing tax incentives from more than one program on the same dollar value of new investment, such as providing Enterprise Zone tax benefits and TIF tax benefits. Note: utilizing TIF in both the City and the Town of Groton is not considered "double dipping" as each has a separate tax rate

Figure 1 below shows how revenues are dedicated under a TIF arrangement.

Figure 1



## APPENDIX B

### 1. Glossary of Tax Increment Financing Terms

- a. Captured Assessed Value – the amount, as a percentage or stated sum, of increased real assessed value that is utilized from year to year to finance project costs pursuant to the TIF District Master Plan.
- b. Credit Enhancement Agreement – agreement with developer or business to return a portion of real property taxes paid annually over a specified period of time to offset development costs
- c. Current Assessed Value – the assessed value of all taxable real property within a TIF District as of October first of each year that the TIF District remains in effect.
- d. Incremental Assessed Value – the valuation amount by which current assessed value of a TIF District exceeds the original assessed value of the TIF District. If the current assessed value is equal to or less than the original assessed value, there is no incremental assessed value.
- e. Original Assessed Value (OAV) – assessed value of all taxable real property (land & buildings) within a TIF District as of October first of the tax year immediately preceding the year in which the TIF District was established by the legislative body of the municipality.
- f. Tax Abatement – Connecticut law allowing communities to reduce a portion of property taxes owed for specified reasons for a fixed time period of time; more restrictive than CEAs
- g. TIF District – Those property(ies) wholly within the corporate limits of the municipality that have been established and designated as such pursuant to the Connecticut General Statutes and that is to be developed under the TIF District Master Plan applicable to such district.
- h. TIF District Master Plan – a statement of means and objectives prepared and approved by the municipality relating to a TIF District designed to provide new employment opportunities, retain existing employment, provide housing opportunities, improve or broaden the tax base or construct or improve the physical facilities and structures through the development of industrial, commercial, residential, retail and mixed use, transit oriented development, downtown development or any combination thereof, as described in section 7-339ff of the Connecticut General Statutes.
- i. TIF Revenues – revenues generated by incremental real assessed value within a TIF District

## 2. Tools for Financing Economic Development

Tax Increment Financing (TIF) provides a method for communities to support economic development by helping finance public and private investments for development within a specified district. In addition to TIF, there are other financing mechanisms to assist with economic development financing, all of which can be used either separate from or within a TIF District Plan.

### *Property Tax Abatement*

Property tax abatements involve reducing a portion of property taxes owed for specified reasons. In Connecticut, they can be used by communities to reduce taxes for a specified period of time for certain types of new construction or rehabilitation including residential and commercial/industrial, subject to property tax laws detailed in the Connecticut General Statutes C.G.S. Sec. 12-81. They have been the traditional method used by communities in Connecticut to incentivize private development for the purpose of economic development at the municipal level. Their use is very limited in terms of time period over which incentives can be provided, the types of property and uses for which abatements can be provided, and the percent of taxes to be paid that can be abated. TIF provides an alternative to the use of tax abatements through what is known as a credit enhancement agreement (CEA), which provide far greater flexibility on these matters and are discussed further below. Plus, within TIF districts, abatements or CEAs can be utilized according the City's district plan.

### *Historic Tax Credits*

Historic Tax Credits can also be utilized to help offset development costs. The Connecticut Historic Rehabilitation Tax Credit Program (C.G.S. Sec. 10-416c) establishes a 25% tax credit on the Qualified Rehabilitation Expenditures associated with the rehabilitation of a Certified Historic Structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use, or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located. An additional credit is available for projects that include affordable housing as provided in section 8-39a of the general statutes. Similar Federal Tax Credits of 20% are also available, which together with the State credits covers a total of 45% of qualified expenditures

### Program Specifics:

- a. 25% tax credit of the total qualified rehabilitation expenditures
- b. 30% tax credit of the total qualified rehabilitation expenditures if the project includes an affordable housing component provided at least 20% of the rental units or 10% of for sale units qualify under CGS Section 8-39a.
- c. \$31.7 million in tax credit reservations are available each fiscal year
- d. Per project cap is up to \$4.5 million in tax credits
- e. Qualified rehabilitation expenditures are hard costs associated with rehabilitation of the certified historic structure; site improvements and non-construction costs are excluded
- f. Buildings must be listed on the National or State Register of Historic Places, either individually or as part of an historic district

- g. All work must comply with the Secretary of the Interior's Standards for Rehabilitation
- h. State tax credits may be combined with the 20% federal historic preservation tax credits provided the project qualifies under federal law as a substantial rehabilitation of depreciable property as defined by the Internal Revenue Service
- i. Tax credit vouchers are issued after completion of rehabilitation work or, in phased projects, completion of rehabilitation work to an identifiable portion of the building placed in service
- j. Tax credits are available for the tax year in which the building or, in phased projects, an identifiable portion of the building is placed in service
- k. Tax credits can only be used by C-corporations with tax liability under Chapters 207 through 212 of the Connecticut General Statutes
- l. Tax credits can be assigned, transferred or conveyed in whole or in part by the owner to others up to three times

#### *Bonds*

General Obligation bond (GO): A GO is a bond issued by the municipality that is backed by the municipality's full faith and credit (including taxing authority). GO bonds are obligated to be paid back regardless of the completion and performance of the use for which they were issued. They are typically used by municipalities to finance significant public infrastructure projects including roads, sewer, water, and facilities.

Revenue Bonds: Revenue Bonds provide a method for financing public and private (through public-private partnership) infrastructure and development costs. They are a means of debt financing available to municipalities. Revenue bonds distinguish themselves from general obligation (GO) bonds through their method of repayment; unlike GOs which rely on taxation, revenue bonds are guaranteed by the specific revenues generated by the issuer. In the case of use for financing for economic development an example would be utilizing parking fees to pay back a revenue bond utilized to build a parking garage. Within a TIF district and according to a TIF District Master Plan future revenues from new property taxes can be utilized to help finance public and private development costs including infrastructure and site improvements.

#### *Tax Increment Financing*

The purpose of Tax Increment Financing (TIF) is to assist a developer with redevelopment through various mechanisms, including the fixing of tax assessments, abatements, payment for credit enhancement agreement, bonds, and funding of infrastructure to support development. State guidelines for TIF are included in C.G.S. 7-339cc to 7-339kk

Through a TIF, future property tax revenues from new development and/or above current property valuations within a specified district (parcel or set of parcels) can be dedicated to pay portions of public and/or private development. This can include any of the following or a mix of the following:

- a. Placing into TIF development fund to dedicate to paying off public costs for infrastructure and economic development related to the district

- b. Credit Enhancement Agreements – a binding legal agreement with a property owner or developer to reduce future property taxes related to new development by a specified percentage (0-100%) for a specified period of time (up to 50 years). This reduction in future property taxes represents a future flow of funds which can then be used by the property owner or development to enhance their credit in obtaining additional private debt or equity.
- c. Tax Abatement – see explanation above – more restrictive than CEAs but can still be utilized within a TIF District
- d. Fixed assessment agreement – With a TIF District the municipality can agree to set a fixed assessment on a property for up to fifteen years providing the owner/developer with predictability in tax liability.
- e. Payment stream for public finance including bonds explained above
- f. General Obligation bond (GO) – A GO is a bond issued by the municipality that is backed by the municipality's full faith and credit (including taxing authority). GO bonds are obligated to be paid back regardless of the completion and performance of the use for which they were issued. They are typically used by municipalities to finance significant public infrastructure projects including roads, sewer, water, and facilities.
- g. Revenue Bonds – Revenue Bonds provide a method for financing public and private (through public-private partnership) infrastructure and development costs. They are a means of debt financing available to municipalities. Revenue bonds distinguish themselves from general obligation (GO) bonds through their method of repayment; unlike GOs which rely on taxation, revenue bonds are guaranteed by the specific revenues generated by the issuer. In the case of use for financing for economic development an example would be utilizing parking fees to pay back a revenue bond utilized to build a parking garage. Within a TIF district and according to a TIF District Master Plan future revenues from new property taxes can be utilized to help finance public and private development costs including infrastructure and site improvements. However, if revenue bond funds are used to support private development then the bond revenues will not be tax-exempt, contrary to if they are used for public infrastructure.