

Economic Incentives

An Approach to Leverage Positive Growth

Mayor Ken Gray

OCED

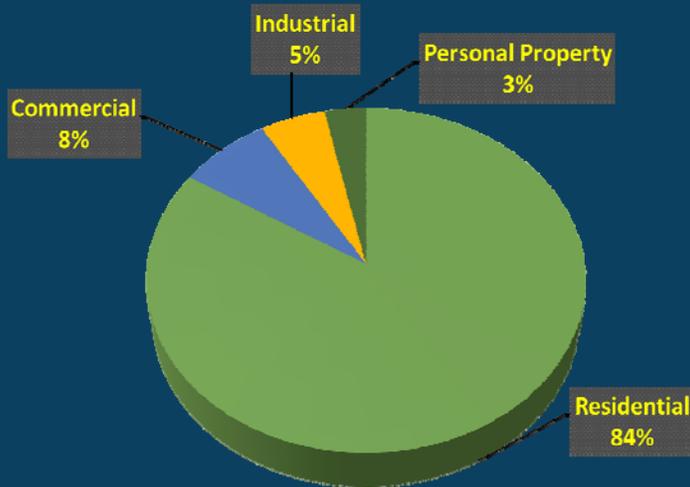
City of Amesbury
Office of Community
and Economic Development
William J. Scott, Deputy Director

Economic Incentives: An Approach to Leverage Positive Growth

The Council Packet

- **Introductory letter from the Mayor**
- **Outline letter from the Deputy Director of Community Development**
- **Support letters from Local property owners**
- **Incentives Strategy Report**
 - **Chapter One: The Need for Incentives**
 - **Chapter Two: Guidelines for Incentives**
 - **Appendix A: Incremental Increase Assessments**
 - **Appendix B: State EDIP Guidelines**

Economic Incentives: An Approach to Leverage Positive Growth



What is the issue we want to address; lack of tax diversity

2011 Assessed Values

Need to diversify the City's land use to create a broader tax base share the burden with new economic growth.

A limited and costly mix

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What are the Needs that form a Partnership

Business

Businesses encounter sites which limit development potential for uses that the City might prefer.

Business requires a means to make sites financially viable and move forward with quality development in difficult markets.

Business needs a flexible and consistent tool that that is based on equitable, and reasonable objectives.

City

The City needs economic growth for a diverse tax base.

The City needs to be discerning and build an economy for the future with quality developments, jobs, and appropriate land uses.

The City needs a incentives approach that can be marketed to attract and facilitate opportunities.



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What limits high quality development ?

Off-Site Constraints: Sites which require off-site; traffic, sewer, water, drainage, improvements, and other offsite costs to make the project work.

On-Site Constraints: A lowered valued site constrained by utility constraints, brownfields, soils, wetlands, and other limitations.

In-Site Constraints: High cost tenant fit-ups or equipment upgrades, code issues, HVAC, elevator, work required to leverage a prospective high value tenant.

Development needs a viable site for projects the City prefers



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What does the City need?

- Projects that generate increased tax revenue.
- Projects that diversify the tax base and positively alter the pie chart.
- Projects that create jobs and expand opportunities for residents.
- Projects that create an economic ripple effect and blend well with local businesses.
- Projects that redevelop long standing undeveloped or underdeveloped property.

With incentives City needs can become City preferences.

Regulation guides outcome, incentives guide preference.



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- Increased Tax Revenue
- Tax Base Diversity
- No Impact on Base Taxes
- Job Creation requirements
- Reduction of Vacancy
- Competitive Advantage
- Targeting preferred uses



Mutual Benefits

Public Sector incentives overcome site shortfalls and make the Private Sector project work.

The City gets the preferred uses, job creation, and revenues it wants and needs.

Leveraged growth for preferred uses today is better than never

Tax Incentive
Amortize site issues to make projects work within the market

Private Investment
Cannot invest over what the market will return.

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Downtown Development Corporation and Innovation Inc

Tax Increment Financing Example 15 Years - Onsite Investments

Year	Year	A	B	C	D	E
		Prop. Value	Prop. Value	Incremental	On-Site Costs	Prop. Value
		(\$)	(\$)	(\$)	(\$)	(\$)
1	2014	\$ 8,000.00	\$ 8,000.00	\$ 178,694.77	\$ 91,710.00	\$ 77,984.77
2	2015	\$ 8,200.00	\$ 81,918.32	\$ 188,982.62	\$ 96,017.77	\$ 85,964.85
3	2016	\$ 8,400.00	\$ 168,222.22	\$ 199,714.39	\$ 99,371.48	\$ 91,343.90
4	2017	\$ 8,600.00	\$ 241,672.78	\$ 209,909.23	\$ 99,690.79	\$ 94,658.47
5	2018	\$ 8,800.00	\$ 308,213.32	\$ 219,291.22	\$ 99,999.92	\$ 96,658.30
6	2019	\$ 9,000.00	\$ 368,948.32	\$ 228,000.28	\$ 99,999.99	\$ 97,658.30
7	2020	\$ 9,200.00	\$ 423,918.42	\$ 236,120.28	\$ 99,999.99	\$ 97,658.30
8	2021	\$ 9,400.00	\$ 473,947.77	\$ 243,719.97	\$ 99,999.99	\$ 97,658.30
9	2022	\$ 9,600.00	\$ 519,218.32	\$ 250,828.92	\$ 99,999.99	\$ 97,658.30
10	2023	\$ 9,800.00	\$ 560,322.42	\$ 257,482.62	\$ 99,999.99	\$ 97,658.30
11	2024	\$ 10,000.00	\$ 597,322.42	\$ 263,714.39	\$ 99,999.99	\$ 97,658.30
12	2025	\$ 10,200.00	\$ 630,213.32	\$ 269,548.42	\$ 99,999.99	\$ 97,658.30
13	2026	\$ 10,400.00	\$ 658,948.32	\$ 275,000.28	\$ 99,999.99	\$ 97,658.30
14	2027	\$ 10,600.00	\$ 683,518.42	\$ 280,120.28	\$ 99,999.99	\$ 97,658.30
15	2028	\$ 10,800.00	\$ 703,918.42	\$ 284,909.23	\$ 99,999.99	\$ 97,658.30
		\$ 148,170.00	\$ 2,996,124.27	\$ 2,219,943.32	\$ 996,270.00	\$ 1,217,673.32

- Dilapidated building with a total property value of \$400,000 (col "A")
- DDC high-tech research and development company Innovation Inc will raise the value to \$6,500,000, incremental increase of \$6,100,000 (col "B")
- Project will create 45 high tech jobs, ripple effect equivalent to 120 jobs.
- DDC is faced with building structural problems, and brownfields, \$1,000,000.
- DDC Plan "B" Storage facility low rent no jobs.
- AnyCity and DDC agreement 45% of the incremental Increase (column "C") will amortize the extraordinary on-site costs over 15 years (\$996,270.00 sum of column "D").
- No impact on base taxes



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Massachusetts EDIP Economic Development Incentive Program

A group of Tax incentive programs designed to foster full-time job creation and stimulate business growth. State and local tax incentives are available in exchange for full-time job creation, manufacturing job retention, and private investment commitments.

Multiple options from local to State programs.

What is the State program and its key features?

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Amesbury ETA
Covers the entire community



Economic Target Area (ETA) Northern Essex Regional (R12)

Economic Target Area or ETA - an area of the State designated by the EACC. More than 200 municipalities across the Commonwealth have Economic Target Areas. The communities of Amesbury, Andover, Georgetown, Haverhill, Lawrence, Merrimac, Methuen, Newburyport, North Andover, and Salisbury are designated in the Northern Essex Economic Target Area. The ETA Designation facilitates the use of EDIP benefits.

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Economic Opportunity Area

Economic Opportunity Area or EOA – is an area, located wholly within an Economic Target Area, which must be designated by the State EACC. The EOA is required for a community to obtain a Certified Expansion Project (EP). To obtain an EOA designation a community such as Amesbury would apply to the EACC and request the area be accepted as:

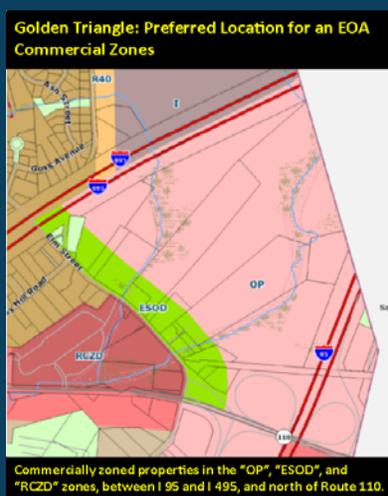
“A Blighted Open Area, Decadent Area, or Substandard Area as defined by 402 CMR 2.03”

Should we also designate EOA zones?

The EOA provides the additional opportunities such as the ability to apply as a Certified Expansion Project

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Proposed Target Areas

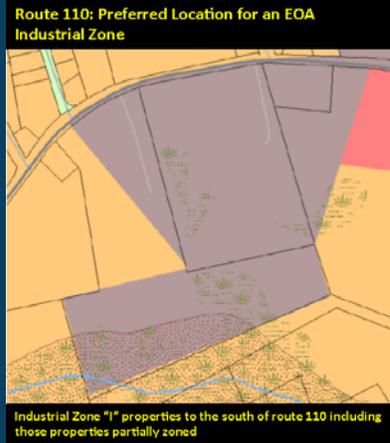
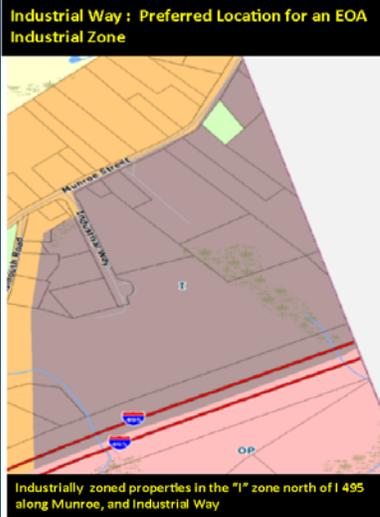


Where should we consider the EOA zones?

Clearly several areas are applicable.

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Proposed Target Areas

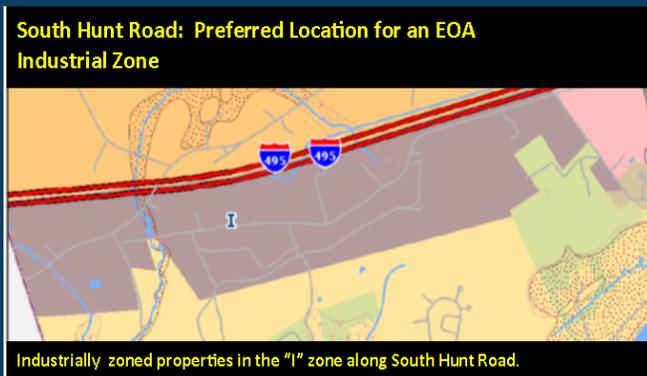


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Clearly several areas are applicable.

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Proposed Target Areas



Where should we consider the EOA zones?

Clearly several areas are applicable.

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We need Incentive Guidelines

The program should have local common parameters to establish a desired local outcome, while reasonably achieving the finance needs. Otherwise the first applicant becomes the test for incentives in the absence of policy.

Business and the City require consistency and a process toward a partnership

Without community wide guidelines any incentive program can become a stampede of divergent applications.



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TIF Guidelines

Consistency: The Guidelines provide the means to market a consistent program to the private sector. Without guidelines the first applicant for a TIF incentive often becomes the educator and basis for policy development.

Quality: The TIF can set the stage for negotiations to expedite high quality development. The result is a fiscal partnership to guide development to a project the City prefers while obtaining new revenue the City requires to diversify the tax base.

Revenue: In all cases the TIF will result in revenue higher than the existing condition as the base taxes are not impacted. In fact the revenue will be higher even with the TIF incentive considered as part of the calculation.

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TIF Guidelines: Goals

- Provide a means to stimulate private capital investment in commercial and industrial properties resulting in a substantive increase in net taxable property value.
- Encourage qualifying existing businesses to expand within the City of Amesbury.
- Attract new businesses that are compatible with the City of Amesbury.
- Foster reconstruction and renovation of vacant or underutilized commercial properties.
- Provide private funds to leverage public improvements that are mutually beneficial and necessary for the City and business community.
- Diversify the tax base and reduce the burden on residential properties.
- Stimulate the creation of jobs paying above the area median income for Amesbury.
- Increase the expediency at which redevelopment occurs by changing the financial options to development in a manner that favorably alters the financial feasibility.

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TIF Guidelines: Review Criteria Categories

- Job retention and/or creation
- Business Loss of Opportunity to City
- Company Risk
- Incentives Limited and Required
- Offsite Impacts and Mitigation
- On-Site Impacts Mitigation
- Within the Site Mitigation
- Project Capacity to Leverage Investments and Economic Development
- Project Compatibility with City
- Project Scale and Coordination
- Applicants Readiness and Profile

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TIF Guidelines: Process for a TIF

The City's TIF Committee, shall designated by the Mayor to review TIF project applications and make recommendation for action. The Mayor's appointments shall consist of the Finance Director, the Assessor, Director of the Office of Community and Economic Development or their designees. Two members of the City of Amesbury City Council shall be appointed by the City Council, and a member of the Planning Board shall appointed by the Planning Board.

1. State Office of Business and Development
2. Amesbury Incentives Review Committee
3. TIF Plan – Agreement to Mayor
4. TIF Plan to City Council for Review and Action
5. State Economic Assistance Coordinating Council final approval

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The short version.....

What do we want to accomplish?

- Adopt local guidelines for the use of tax increment financing to create a consistent and marketable approach that is a relevant and realistic tool for the private sector and creates positives outcome for the City.

In one sentence what is the premise for an incentive?

- The statement *"if not for the incentive a high quality development that will increase revenue, create quality jobs, and establish preferred land uses, will not occur anytime soon, and the City will loose an opportunity"* best describes the incentive. The incentive facilitates positive growth sooner providing the guidelines are met.

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Suggested Action Sequence

1. Presentation March 11th City Council.
2. Ordinance Committee Tuesday March 18th and/or Finance March 25th
3. Council Meeting April 8th, First Reading.
4. Council Meeting May 13, Second Reading.