



# CITY OF CONCORD

## REPORT TO MAYOR AND CITY COUNCIL

FROM: Matthew R. Walsh, Dir. of Redevelopment, Downtown Services  
& Special Projects

DATE: June 10, 2019

SUBJECT: Sears Block Tax Increment Finance District Amendment

### **Recommendation:**

1. Accept this report; and,
2. Set the attached resolution amending and restating the Sears Block Tax Increment Finance District Development Program and Financing Plan for public hearing on July 8, 2019; however delay the vote on this item until August 12, 2019 due to the requirements of RSA 162-K:4, which stipulate that action on this item occur at least 15 days after the public hearing.

### **Background:**

Tax Increment Finance (TIF) is an economic development tool primarily designed to encourage real estate development and tax base expansion. Specifically, TIF allows municipalities to capture property tax revenues generated by new development and building renovations within a specific geography (i.e. district) in order finance the design, construction, operation and maintenance of infrastructure improvements and municipal services to support said new development.

It is important to note that although taxes associated with new development are reserved by the TIF district for capital, operating, and maintenance expenses, those tax revenues associated with development which existed prior to the establishment of the TIF district continue to accrue to the City's General Fund, the school districts, and other taxing authorities.

Once the purposes for which the TIF is created are fulfilled, and all TIF debt service is extinguished, the TIF district is terminated and all property taxes associated with new development built in the district during its existence then flow to the City's General Fund, the school districts, as well as Merrimack County and the State of New Hampshire.

In addition to property tax base expansion, real estate projects supported by TIF investments typically yield other significant economic development benefits. These include: job base retention and expansion, expanded housing supply, as well as expanded economic vitality associated with the direct, indirect, and induced economic multipliers of these projects.

Tax Increment Finance is governed by RSA 162-K, a local option statute that was enacted by the Legislature in 1979. The City initially adopted the provisions of RSA 162-K by Resolution #5396 adopted on October 9, 1979. The City later readopted RSA 162-K by passage of Resolution #6761 on October 20, 1997.

Since 1979, the City has enacted five tax increment finance (TIF) districts, as follows:

- Eagle Square TIF District (1981);
- Durgin Block TIF District (1983) for the Capital Plaza and School Street Parking Garage;
- North End Opportunity Corridor TIF District (NECOTIF) (1998);
- Sears Block TIF District (SBTIF) (2003); and,
- Penacook Village TIF District (PVTIF) (June 2010).

The North End Opportunity Corridor, Sears Block, and Penacook Village districts are currently active.

All of the City's TIF districts have been very successful. For example, since their inception, the City has made a combined investment of \$36,159,805 in infrastructure improvements within the NEOCTIF, SBTIF, and PVTIF Districts to support new development. Of this total, \$17,993,000 was directly supported by TIF, and the remaining \$18,166,805 was supported by other funding sources. These investments have served as a catalyst for the development of several real estate projects, which have created \$91,973,560 in net new assessed value, combined (FY 2020 estimate). These data indicate that, for \$1 invested into these TIF districts by the City, the City has gained approximately \$2.54 in new assessed value.

Further, the \$91,973,560 of net new assessed value created in NEOCTIF, SBTIF, and PVTIF districts generates \$2,662,222 in annual property tax revenues, combined (FY 2020 estimate). Due to its tremendous success, \$969,356 (or 66%) of the \$1,461,599 generated by the NEOCTIF District is released annually to support the City's General Fund, Concord School District, and other taxing authorities.

Tax Increment Financing has been a very valuable economic development tool for the City. If the TIF supported improvements constructed by the City never occurred, the private real estate developments supported by those investments would not have materialized, and the City would have never received the financial and economic development benefits associated with said development projects.

### **Discussion:**

1. Overview: The Sears Block Tax Increment Finance District (SBTIF) was established on September 8, 2003, and most recently amended on July 30, 2014, for the purpose of facilitating the cleanup and redevelopment of the former Sears Block and surrounding properties located in downtown Concord. The former Sears Block is now occupied by the Hotel Concord building and the Storrs Street Municipal Parking Garage.

Since 2003, the City's total capital investment in the SBTIF has been \$22,984,840, of which \$9,712,000 were TIF funds. To date, this investment has served as a catalyst for \$39,396,460 in new private development (FY 2020 estimate). This figure excludes properties located at 5-7 South State Street and 15 Pleasant Street, which are currently subject to RSA 79-E Community Revitalization Tax Relief abatements. Presently, the SBTIF District encompasses approximately 22 acres.

The SBTIF is projected to generate \$1,140,798 in property taxes in FY 2020.

In addition to supporting the design and construction of the Storrs Street Parking Garage, other significant infrastructure projects supported by the SBTIF to date include the Main Street Complete Street Project, installation of underground utilities on South Main Street (approximately between Pleasant and Thompson streets), as well as acquisition and holding costs associated with the former NH Employment Security site at 32 South Main Street and 33 South State Street.

Beyond the Capital Commons / Hotel Concord building, the SBTIF District has supported the development of several prominent real estate projects including: renovation of the Endicott Hotel into market rate housing, the Smile Building, the Love Your Neighbor Building, the Bank of New Hampshire Stage, as well as the Elm Grove Redevelopment Projects on Pleasant and South State Streets.

2. Proposed Amendment to Sears Block TIF District Development Program and Financing Plan:

The purpose of the proposed amendments to the Sears Block TIF District Development Program and Financing Plan is to provide for additional infrastructure improvements, as follows:

- a. Supplemental South Main Street Utility Improvements (CIP #460): The amendments provide for the design and construction of supplemental utility improvements in the vicinity of 16-20.5 South Main Street, as well as sections of Pleasant Street, to be undertaken as part of CIP 460. The total cost of these improvements is estimated at \$310,000. The City shall provide up to \$150,000 to support this effort, with the balance being provided by other private parties. The purpose of these improvements is to support redevelopment of the former Concord Theatre (Bank of New Hampshire Stage) and other properties, as well as improve the capacity and reliability of the electrical system to support future development.
- b. Former NH Employment Security Redevelopment (CIP #578): The amendments also provide for the design and construction of additional on-site and off-site improvements, and other development incentives, to support redevelopment of the former NH Employment Security property located at 32-34 South Main Street and 33 South State Street in an amount up to \$3,500,000. In order to protect the City's fiscal interests, as well as to ensure the continued financial solvency of the SBTIF District, these funds would not be expended until Dol-Soul Properties, the private developer who plans to acquire this property from the City, achieves certain milestones for their project, and sale of the property from the City to Dol-Soul closes in escrow. Please see Amendment #8 of the Purchase and Sales / Development Agreement between the City and Dol-Soul Properties for more information.

Both investments will be financed by TIF supported bonds and notes.

These projects are discussed in more detail in other staff reports dated June 10, 2019.

3. City's Revised Total Investment and Return on Investment: With the additional investments listed above, the City's total investment in the Sears Block TIF District will increase to \$26.45+/- million. Including redevelopment of the former NH Employment Security Property, it is projected that this investment will yield approximately \$55.6 million in net new Assessed Value and \$1.665M in annual net new property tax revenues by FY 2023.

This estimate projects that the total incremental assessed value of the redeveloped former Employment Security Property captured by the SBTIF will be \$16,244,800. More specifically, this figure is based upon 80% of the project assessed value of that project (\$20,797,000), less the projected base value of the property, which will be captured by the City's General Fund (\$392,800).

The SBTIF's projected assessed value excludes the Concord Theatre / Bank of New Hampshire Stage, as that property might qualify to be tax exempt pending future review by the City Legal and Assessing Departments.

4. SBTIF Comparisons With and Without Dol Soul Project: Below are the estimated projected termination dates, incremental assessed values, and tax revenues for the SBTIF District with, and without, these additional improvements and associated developments.

	Estimated Termination Date of the SBTIF District	Projected Net ("Incremental") Assessed Value Created in SBTIF District	Annual Property Tax Revenues Accruing to General Fund, School District, County and State of NH Annually Upon SBTIF Termination
Including NH Employment Security Redevelopment & South Main Street Utility Project / Bank of NH Stage	FY 2032 (June 30, 2032)	\$55,641,260	\$2,029,057
<b><u>Status Quo excluding NH Employment Security and South Main Street Utility Project</u></b>	FY 2033 (June 30, 2033)	\$39,396,460	\$1,465,324
Difference	1 Year	\$16,244,800	\$563,733

These projects demonstrate that the net new assessed value created by these investments, specifically associated with the redevelopment of the former NH Employment Security site, will accelerate termination date for the SBTIF District, as well as additional assessed valuation and net new property tax revenues for the City.

Therefore it is in the City's financial and economic development interests to move forward with these additional SBTIF investments.

5. Financial Pro Formas and Ability to Support Additional Investment: A summary pro forma is included in the Development Program and Financing Plan. The pro forma demonstrates that the SBTIF has sufficient short-term and long-term financial capacity to undertake the additional investments described herein.