

CITY OF NEW BEDFORD TAX INCREMENT FINANCING PROGRAM



CITY OF NEW BEDFORD
TAX INCREMENT FINANCING BOARD

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INTRODUCTION

The City of New Bedford Tax Increment Financing Program is an incentive program designed to encourage new development and job creation in New Bedford. This program is administered as the local component of the state Economic Development Incentive Program, and is a partnership between the state, the municipality, and an expanding company.

The City of New Bedford Tax Increment Financing Program is administered by the New Bedford Economic Development Council (NBEDC). The NBEDC is a non-profit organization led by a Board of Directors comprised of successful leaders in business, education and government and in conjunction with the Mayor's office sets the agenda for the city's key strategic economic development initiatives.

The NBEDC works collaboratively with local organizations and dozens of agencies at the city, state and federal levels to promote a business-friendly environment. The NBEDC service programs can assist new or expanding companies with:

- structuring financial assistance and tax incentive packages
- finding commercial property available for lease, sale or development
- facilitating introductions to other federal, state and local support agencies
- providing technical assistance for project development

Any questions regarding the Tax Increment Financing Program, or other economic development incentive or service programs, should be addressed to:

New Bedford Economic Development Council
1213 Purchase Street
New Bedford, MA 02740
Tel. (508) 991-3122
Fax (508) 991-7372
www.nbedc.org

This publication was produced for new or expanded businesses in New Bedford and is intended to serve as a guide to the program and how it is administered at the local and state level. Please note that the City of New Bedford Tax Increment Financing Board may amend or modify the program as required and without notice.

OVERVIEW

MASSACHUSETTS ECONOMIC DEVELOPMENT INCENTIVE PROGRAM (EDIP)

The Economic Development Incentive Program (EDIP) is a flexibly and locally driven program that has become a premier economic development tool for Massachusetts. The EDIP is best described as a three-way partnership between the state, the municipality, and an expanding company.

In this program participating companies receive favorable state and local tax treatment in exchange for job creation and commitments for private investment.

Under the EDIP the City of New Bedford is an Economic Target Area and Gateway Municipality, and utilizes this designation to address blighted, distressed, and underutilized areas and sites. In a Gateway Municipality such as New Bedford, businesses looking to propose a project for such areas or sites are eligible for greater incentives. Many of the sites contain abandoned or contaminated facilities, and such locations create a decrease in assessed property values, a decline in municipal revenue and are frequently a drain upon municipal services. Types of eligible projects in the EDIP include; Expansion Projects, Enhanced Expansion Projects, Manufacturing Retention Projects, or Abandoned Building Renovation Projects.

Based upon economic development and land use planning principles, the City of New Bedford may designate appropriate locations as Economic Opportunity Areas (EOA) as required by the EDIP. Local designations of EOA help in enabling the City to encourage private development with the assistance of public infrastructure improvements, and property tax incentives that are offered through the City of New Bedford Tax Increment Financing Program.

MASSACHUSETTS ECONOMIC ASSISTANCE COORDINATING COUNCIL (EACC)

The Economic Assistance Coordinating Council (EACC) is a state board comprised of public and private sector officials. This 14 member board is created by Chapter 19 of the Act of 1993 whose primary function is to administer the EDIP. The EACC is comprised of 7 ex-officio members and 7 members appointed by the Governor. The EACC is co-chaired by the Directors of the Departments of Business & Technology and Housing & Community Development.

The EACC approves all ETA and EOA once they have been designated by the local municipality. The board also approves Certified Project applications, and is responsible for the certification and decertification of these projects as monitored through the annual reporting process.

The EACC is supported by staff of the Massachusetts Office of Business Development (MOBD).

CERTIFIED PROJECT

Under the EDIP, a company that intends to locate or expand operations in an EOA may submit a project proposal for certification to the City of New Bedford TIF Board and the EACC. To be

considered for designation as a certified project, the project proposal must provide for job creation and new investment at a Massachusetts site.

Certified projects at an existing site must demonstrate a proposed expansion of permanent full-time employees at such facility that does not constitute a replacement or relocation of permanent full-time employees of the business who work at other facilities located in the Commonwealth.

If the certified project proposal relates to a new facility that is to be located within an EOA after the date of the proposal, the proposal must be either:

- the business' first facility within the Commonwealth; or
- a new facility and not a replacement or relocation of an existing facility already located in the Commonwealth; or
- an expansion of an existing facility that will increase the number of permanent full-time employees of the controlling business in the Commonwealth.

In exchange for job creation and investment commitments, a company's certified project becomes eligible to receive the best possible state and local tax benefits, exclusive to Gateway Municipalities such as New Bedford, that include:

- local property tax exemptions pursuant to executed TIF or STA agreements
- 100% personal property tax exemption (for executed TIF agreements only)
- 10% abandoned building tax deduction (if applicable)
- Up to 7% enhanced investment tax credit (EOAC)
- Up to 10% investment tax credit (Enhanced Expansion Project: 100 or more jobs)
- Up to 40% investment tax credit (Manufacturing Retention Projects)

Certified project proposals must also comply with the eligibility guidelines as established by the City of New Bedford TIF Board. A full description of these requirements is provided in the *TIF Program Policy and Guidelines- City of New Bedford*.

LOCAL REAL ESTATE TAX EXEMPTION

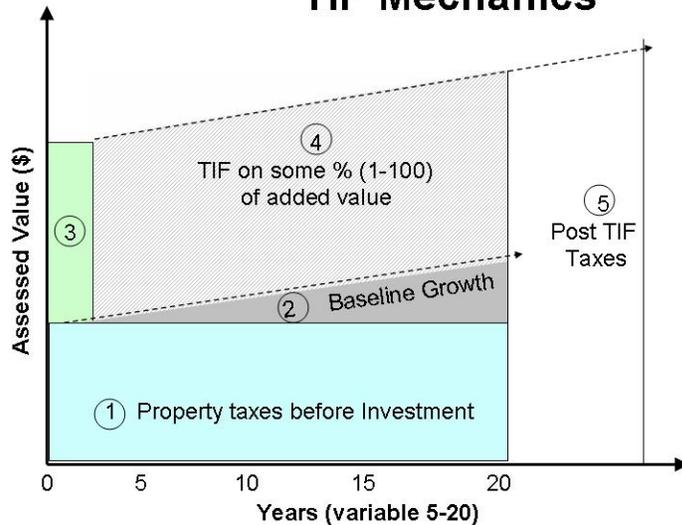
Tax Increment Financing (TIF)

A TIF agreement is a negotiated agreement for a certified project between a company and the municipality that exempts new property taxes as a result of new development as an incentive to make the project possible. In New Bedford this agreement is drafted by the New Bedford Economic Development Council, who provides technical and staff support for the TIF Board, and requires approval of the TIF Board, City Council, and EACC.

TIF agreements must be structured for a minimum of 5 years, however may not exceed 20 years. This agreement is drafted in accordance with the *TIF Program Policy and Guidelines* for job creation and new investment.

A TIF agreement requires that the full tax is paid on the property as assessed prior to the new investment. This is the base value. However there is an exemption from property taxes on all or any portion of the added value as a result of new development. This exemption from new property taxes on the added value may range from 5% -100% and may adjust for each year of the TIF agreement. When the TIF agreement is complete the City receives property tax revenue based on the assessed value. Personal property taxes are also exempt for both the existing and new property.

TIF Mechanics



- ① Taxes on original valuation
- ② Expected growth in tax, with no investment
- ③ Investment raises property value
- ④ Added value subject to TIF
- ⑤ Taxes available after TIF

The mechanics of a TIF agreement can be illustrated as follows:

Special Tax Assessment (STA)

A STA agreement is also a negotiated agreement for a certified project between a company and the municipality. The process of how this agreement is drafted and approved is the same as a TIF agreement.

STA agreements however apply to the entire assessed value of a property, not just the added value of new investment, therefore current as well as future local tax revenues are exempted for the term of the agreement. Personal property taxes are not exempted under an STA agreement.

Per statute STA agreements have 5 year minimum and 20 year maximum term and must minimally comply with the following 5 year schedule:

- | | |
|------------|---|
| Year 1: | no real estate taxes are paid (non-negotiable) |
| Year 2: | municipality is authorized to collect up to a maximum of 25% of the actual assessed value of the entire parcel/property |
| Year 3: | municipality is authorized to collect up to a maximum of 50% of the actual assessed value of the entire parcel/property |
| Year 4: | municipality is authorized to collect up to a maximum of 75% of the actual assessed value of the entire parcel/property |
| Year 5-20: | municipality is authorized to collect 100% of actual assessed value of the entire parcel/property |

ECONOMIC OPPORTUNITY AREA CREDIT

In addition to the local tax incentives that can be provided through an approved TIF or STA agreement, certified projects are also eligible to receive an enhanced state investment tax credit in Gateway Municipalities such as New Bedford. This tax credit is known as the Economic Opportunity Area Credit (EOAC) and is a tax credit of up to 10% that is taken against qualifying personal and tangible property that has a useful life of 4 years or greater and/or is either owned or secured through an operating lease.

The EOAC is available to all industry sectors; however has a 2% added value for Massachusetts manufacturers.

PROCESS

LETTER OF INTENT

The process of applying for certified project status begins with a letter of intent. A dated letter is required to be sent to the Mayor from the business (cc: NBEDC) requesting certified project status and a TIF/STA agreement.

The body of the letter must contain the scope of the project, total investment, and number of jobs to be retained and/or created. The letter should also include language that if it were not for the incentives available through this program it would not be possible to complete the project as planned.

The Mayor's Office will review the request and notify the applicant and the NBEDC of requests that should be considered for a potential certified project. Once the NBEDC receives a copy of the Mayor's response to the letter of intent, NBEDC staff will contact the business and the MOBD staff, and the certified project application process begins.

A sample letter of intent is included with this program guide.

CERTIFIED PROJECT APPLICATION

The certified project applications are available through the MOBD website at www.mass.gov. It is important to reference the TIF Program Policy and Guidelines when completing the applications. While the applicant is responsible for preparing the certified project applications, the NBEDC will provide technical assistance and guidance. However, complex projects may require professional analysis and preparation that is beyond typical staff support.

A complete preliminary project application must be submitted to the MOBD and the NBEDC prior to the creation of hypothetical TIF/STA benefit calculations and TIF/STA agreement. Following MOBD approval of the preliminary application, a supplementary application is required. The NBEDC will be available to provide assistance and direction on both applications but it is important to note that the state and MOBD will lead on the approvals of both applications.

A Certificate of Good Standing is required as a component of the supplementary application. This certificate is issued by the Massachusetts Department of Revenue and can be applied for online, through the DOR website. Projects will not be placed on the EACC agenda for approval without this document.

During the application process the NBEDC will confirm with the Assessor's Office the plot/lot information and current evaluation to serve as the base value. If the project is not within an existing EOA, the site must be designated as a site specific EOA for the length of the TIF/STA agreement only. This will be completed by the NBEDC.

Preliminary Application

The Preliminary Application must be completed and returned to the MOBD by the published deadline. The application includes general information on the project as well as estimations of the project's goals.

Supplementary Application

Following review and approval of the Preliminary Application, and upon invitation of the MOBD Regional Director, the Supplemental Application can be completed. The Supplementary Application includes the submission of supportive data, analysis, and a definitive project timeline.

A Supplemental Application Checklist must be submitted along with the application.

AGREEMENT REVIEW AND APPROVALS

City of New Bedford TIF Board

Once the complete certified project application is submitted for review, the hypothetical TIF/STA benefit calculations, TIF Plan & Zone, and TIF/STA agreement are drafted in accordance with the City's TIF Program Policy and Guidelines, and the application, calculations, and agreement are reviewed with the applicant. Modifications to the certified project application may also be required and are made by the applicant.

Once the applicant has agreed to the terms of the proposed agreement, the TIF Board meeting will be scheduled. TIF Board meetings must comply with open meeting law and all TIF Board meetings are considered public meetings. If the TIF Board recommends favorable action on the application, the proposed agreement will be sent to the City Council for review and approval.

New Bedford City Council

The City Council has final approval of the recommendations of the TIF Board for all proposed TIF/STA agreements. Applicants will be notified to attend the City Council meeting that the proposed agreement will be on the agenda, and should be available to answer questions that may arise. Typical questions usually relate to job creation commitments for New Bedford residents and the planned new investment for the project. NBEDC staff will also attend City Council meetings with the applicant.

The City Council may refer an agreement to the Committee of Finance or Appointments and Briefings for further discussion. Any votes in committee are required to be referred back to the full City Council for a final vote to approve the agreement. This process may take 30-45 days.

Economic Assistance Coordinating Council (EACC)

Once approval has been granted by the TIF Board and City Council, the final documents will be assembled by the NBEDC for EACC review and approval. These documents include: letter of intent, certified project applications (final preliminary and supplementary), Certificate of Good Standing, TIF Plan & Zone, TIF/STA agreement (signed), hypothetical calculations, and the City Council resolution (signed and stamped).

The NBEDC will notify the MOBD of the City's action and request that the certified project application be placed on the EACC agenda. Attendance at the EACC meeting is required of the applicant and a City representative. The applicant will be notified of the meeting time and location. The EACC meets on a quarterly basis.

Once approval has been granted by EACC, all documents shall be assembled into the certified project file and the project shall be included in the certified project database. A copy of the relevant project documents and approvals will be submitted to the applicant and the Assessor's Office.

The approved agreement for the certified project will take effect on July 1 of the upcoming fiscal year, unless otherwise specified in the agreement.

COMPLIANCE & MONITORING

EDIP ANNUAL REPORTING

As a condition of maintaining certified project status, all active projects must annually submit an EDIP Annual Report. This report is submitted directly to the EACC via a web-based reporting system managed by the MOBD. Failure to complete annual reports will result in project decertification.

In order to maintain certified project status, all projects with EACC certification dates of 2 years and older must demonstrate that there is a “reasonable chance” that the employment commitments outlined in their previously approved certified project applications will occur. The EACC has determined that any project that reports it has created at least 50% of its previously committed job creation target has a “reasonable chance” of meeting its employment commitment. All Certified Projects that meet this test will be annually “re-certified” by the EACC and shall maintain eligibility for all EDIP tax incentives.

CITY OF NEW BEDFORD TIF BOARD ANNUAL REPORTING

The TIF Board will generally use the EDIP annual reporting to satisfy its own annual reporting requirements to ensure that New Bedford projects are maintaining certified project status. However, the TIF Board may also require an additional reporting to satisfy local requirements for monitoring job creation and investment projections. The reporting requirements are not intended to be onerous and NBEDC staff is available to assist with all TIF Board reporting requirements.

CERTIFIED PROJECT DECERTIFICATION

The certification of a project may be revoked by the EACC upon the petition of the municipality or the independent investigation and determination of the EACC that the business in its project proposal does not have a reasonable chance of meeting its job creation or investment commitments.

In determining whether to revoke a project certification, the EACC may consider whether the amount of the tax benefit that the business is receiving pursuant to the certification is disproportionately high in relation to the number of permanent full-time jobs that have been created by the project, or other benefits provided by the project to the municipality or the state.

If a business fails to provide the EACC with information requested by it pursuant to 402 CMR 2.11 or otherwise fails to comply with designated reporting procedures, such failure shall be grounds for revoking the certification of such project.

Prior to revoking the certification of a project, the EACC shall provide the project proponent with reasonable notice and an opportunity to be heard on the matter. Any hearing provided pursuant to 402 CMR 2.13(5) shall be conducted in a manner directed by the EACC.