

**TOWN OF FARMINGTON
PLANNING BOARD MEETING
Tuesday, February 17, 2015
356 Main Street, Farmington, NH**

Board Members Present: Paul Parker, Charles Doke, Glen Demers, Martin Laferte, Anthony Vittoriosio

Selectmen's Representative: Charlie King

Board Members Absent/Excused: David Kestner

Town Staff Present:

Public Present: Jack Mettee, Planning Consultant, Gail Young, EDC Chair, Brian St. Onge, EDC Selectmen's Rep., Denise Roy-Palmer, EDC member, John Nolan, Reporter, Rochester Times, William Tsiros, EDC member, Gerald McCarthy, Resident, Ann Titus, Resident

BUSINESS BEFORE THE BOARD:

- **Pledge of Allegiance**

At 6:00 pm Chairman Parker called the meeting to order and all present stood for the Pledge of Allegiance.

- **Review and approve Meeting Minutes of January 20, 2015**

Charlie King motioned to approve the minutes of January 20, 2015 as written; 2nd Martin Laferte. Motion carried with all in favor.

- **Tax Increment Finance (TIF) District Presentation**

Chairman Parker recognized the members of the Economic Development Committee in the audience and thanked them for attending the meeting. He explained that the Board has been working to accomplish a TIF District for the Town for several years. At last year's Town Meeting there seemed to be a lack of education on what TIF is all about. This year the EDC came forward and supported the Planning Board in it's pursuit of the district. So the Board moved forward and contacted Planner Jack Mettee of Mettee Planning Consultants in Dover to see if they could correct some of the things the Board might have missed last year and do a better job at providing answers. He then introduced Jack Mettee to the audience and asked everyone to hold their questions until the end of the presentation.

Mr. Mettee said that about one year ago, there was an attempt to get a TIF District established in the Route 11/Route 153 area. But the Town was also looking at changing the zoning in that area to encourage more high quality development. The zoning change was successful, setting the stage for further development he said. The Town also felt that it was important to include some incentive so businesses considering expansion would think about coming to that area. He explained that TIF is a financing tool to encourage companies to come into a district where needed infrastructure is available. He then turned to the Power Point presentation to show what a TIF District is and how it works. He also suggested residents also take a look at the flyer entitled "Farmington's TIF District: A Program for Economic Development" for more information on the subject. The presentation included the following information:

What is A TIF District? Mr. Mettee explained that it is a designated geographic area selected by the community to focus on further economic development.

What is the purpose? To obtain a portion of tax revenues from the district to finance the bonds to pay for infrastructure needed to stimulate economic development.

Why have a TIF District in Farmington? To stimulate business growth along Route 11, to provide sewer to attract new business or expand existing businesses, to expand the tax base and give more value to the Town and to provide new jobs.

How to create a TIF District? Comply with the specific requirements of RSA 162-K. Identify the boundaries and properties included in the district by map and lot number. Prepare a development program and finance plan. Identify the public facilities to be constructed (such as additional sewerage). Put together a plan to identify the sources for grants and bond financing, establish a repayment schedule for the bonds and project how much income will come into the district. Selectmen must hold a public hearing prior to Town Meeting. Obtain voter approval at Town Meeting.

What are the proposed boundaries of the District? The district would include about 320 acres centered on the intersection of Route 11/Route 153. The district extends about 1500 feet from the intersection south on Route 11 and about 1.5 miles west on Route 11 to Pound Road. It also extends about one mile north from the intersection along Route 153 to the Sarah Greenfield Business Park.

What is Tax Increment Finance? TIF is a financing tool to fund the expansion of public infrastructure in a specific area. It is intended to expand the tax base and increase job opportunities by stimulating business development.

How does it work? Example: The base value of the property in the district is 5 million dollars (\$5,000,000). The existing taxes on that property equal \$100,000 which go into the general fund. Add 10 million dollars (\$10,000,000) in value from new or expanded existing businesses on the property. Taxes owed on 10 million dollars assessed value are \$200,000 which go to pay the bond for the TIF district. The district would now have a total assessed value of 15 million dollars (\$15,000,000) which equals \$300,000 in taxes - \$200,000 goes to the TIF account and \$100,000 goes to the Town's general fund.

What are the proposed infrastructure improvements to the TIF District? Extension of the Town sewer lines to the district. The town is currently working to expand the capacity of the wastewater treatment plant and the projected capacity will increase by about 250,000 gallons a day. The sewer extension will be completed in two phases. Phase One will cost about 1.2 million dollars and will run from the wastewater treatment plant along Route 153 to the intersection of Route 11. Phase Two will cost about 1.1 million dollars and extend north on Route 11 to just beyond Paulson Road.

How will the sewer expansion be paid for? The Town can apply for grants from the Community Development Block Grant program (CDBG) and the Economic Development Authority. Mr. Mettee said he feels confident that the Town will be eligible for these grants because Planning Director Kathy Menici previously researched the requirements for these programs and received positive feedback about Farmington's chances of receiving grants for the sewer expansion plan. He said that the bond financing would make up the difference between any grants awarded and the remaining costs.

<u>Phase One:</u>	Projected cost	\$1,225,000
	CDBG grant:	500,000
	EDA grant:	400,000
	Local bond:	325,000 (26% of the project cost).

How will the local bond be paid? Bonds for the sewer extension will be paid by using the incremental property tax increase from the TIF district. The incremental tax increase is the amount of tax increase above the tax on the existing property. This will not affect taxpayers through additional taxes.

What is the Incremental Tax Increase? Example: A two-acre vacant property in the TIF district is currently assessed at \$100,000 and pays \$2,000 in property taxes. The owner develops the property and it is now assessed at \$500,000. The property owner will now pay \$10,000 in property taxes.

How is the \$10,000 allocated? The \$2,000 will continue to go to the general fund and the additional \$8,000 (the incremental tax) will be paid into the TIF fund to make the bond payments. Once the bond is paid in full (usually in about 20 years) the additional \$8,000 that was the incremental tax will go into the general fund.

What are the keys to success? The first step is to create a well defined district. Mr. Mettee said the Board spent a considerable of time defining the district to include those properties most suitable for expansion or new business. Next, provide a detailed plan of approved activities. Perform sound financial management with revenues sufficient to support any bonding. Mr. Mettee said last year Kathy Menici developed a full financial plan that showed how the improvements could be paid for over time by including conservative estimates of the grants and bonds over a 20 year time period. He said that by splitting the project into two phases the Town can complete the work without going into significant debt.

Can the TIF work for Farmington? Yes, providing there is proper oversight, fiscal control and strong management. The plan must include grants and not rely solely on Town financing. Mr. Mettee said State law requires a district manager and a committee or advisory board that looks at expenditures and makes sure the plan is followed. They must ensure the bond funding is available before construction begins and build up the TIF fund so that we don't end up not having enough funds to pay for the sewer expansion. Successful TIF districts in New Hampshire include Peterboro, Newmarket, Concord, Keene, Penacook, Meredith, Pembroke, Plymouth and Hooksett.

Mr. Mettee then opened the meeting to questions and discussion.

Selectman Brian St. Onge said there is no development going on in that area now and no sewer hookup and asked what would encourage new businesses to come there. He said you have to have business there to pay for the sewer extension and why would they come in the first place if there is no sewer? Mr. Mettee said once you establish the district, you will do an annual assessment of the district and if someone, for example, puts on an addition, that would be an incremental improvement that will be taxed and put into the TIF fund. Money from taxes on other improvements in the district will also go into the fund and it will start to increase.

Selectman King said there will always be some increase in incremental value whether it is through new construction, reconstruction or expansion, so once the TIF district is set up there will be deposits to the fund. He said Kathy Menici looked at the property value increases over the last 10 years (about 10%) and used that percentage of the Town's historical growth with the funds set aside in the TIF account to determine that the Town will be able to pay its portion of the bond for the infrastructure.

Mr. Mettee said Phase One, which will cost about \$325,000 to finance the bond, isn't really a whole lot of money. It will take about \$20,000 annually to pay off the bond after the TIF account has been established for about four or five years he said.

Planning Board member Charles Doke said the Planning Board received grants to study the proposal. He added that there is no cost to the Town to have everything in order so that when the chance comes to bring in business we will be ready. We want to get the district approved so we can start accumulating funding for the infrastructure and the Town can grow if the opportunity presents itself. Doing nothing gets us nowhere he said.

EDC Chair Gail Young asked if the TIF district designation devalues a property. Chairman Parker said it does not, but in fact increases the value of the properties in the district. She asked if only funds raised through taxes on new businesses can be included in the TIF fund.

Chairman Parker said incremental taxes on any expansions to existing businesses will be put in the account as well. The taxes from the increased value of the property, whether from new business or expansion of an existing

business can be used to fund the TIF district. If the Country Kitchen increased the size of its dining room, the property would have a higher value and the taxes from the increased value would go in the TIF fund he said.

Ms. Young asked if it would affect single family homes. Chairman Parker said residential properties are not impacted.

She then asked if property owners in the district will be forced to hook up to the sewer line extension. Mr. Mettee said that is a separate Town policy issue and he hoped that issue does not get mixed up with the TIF district issue. TIF is a financing tool that has to do with property value only he said.

Reporter John Nolan said that when Rochester put sewer into their TIF District they put stubs in the lines on each property and did not force property owners to hook up to the system. He said that later if the septic system failed or the property was sold they were then required to hook up to the sewer system.

Resident Gerry McCarthy said business development along Route 11 in Rochester has consisted mostly of the type that doesn't need town sewer. There are mostly fast food restaurants, car dealers and smaller businesses there. He said that unless there is a "big player" then it is not worth putting in town sewer if there is no need.

Chairman Parker said a company that does not need sewer can go ahead and build there now but there has not been any interest. Mr. McCarthy said that businesses are coming up the road (Route 11) and they will eventually get to Farmington.

Chairman Parker replied that the Town has been saying that for 30 years. When the Board discussed the TIF district last year, Kathy Menici said she got a lot of calls from businesses, so apparently infrastructure is an attraction he said.

Mr. McCarthy said that he heard that a TIF district in Manchester failed and asked Mr. Mettee if there have been any TIF district failures. Mr. Mettee said he did not know of any failures. But he noted that Claremont had trouble paying off the bond at one point due to an economic dip during which they had trouble getting businesses into the downtown district. They did work their way through it and ultimately it was a success story he said. He added that there is very high percentage of TIF district success in NH.

EDC member Bill Tsiros asked if there has been any contact with property owners in the proposed district to see if they are interested in selling their land to a potential business or expanding an existing business. They may say no, continue on as they are and plan to give the property to a family member in the future. He asked if the Town has done any research about what type of businesses might be willing to come to Farmington. He added that any business would do their own study to see if the Town can supply the labor force needed and other factors before moving here.

Chairman Parker said the EDC has done surveys in the past regarding those questions with positive results. Planning Board member Glen Demers said there was some interest expressed by a big box store but they did not want to use up a lot of the square footage that would be required for a septic system so they did not commit to coming to Town.

Mr. Tsiros said Manchester has had 81 business failures and asked what would happen should a business fail to make a successful go of it. He asked who will pay for the bond then. He added that the plan must have good management and wanted to know if the Town is going to have to hire someone with special qualifications to manage the plan.

Mr. Mettee said it depends on the size of the town and the number of TIF districts in the town to determine who manages the plan. Some larger towns or those with a number of districts have an EDC specialist, but it can also be done by the Town Manager or Planning Director as part of his/her duties. It probably would not take a full time person to manage Farmington's plan he said.

Mr. Tsiros said he is not looking to deal with the Town to expand his business. He said he would take on the cost of the expansion himself because he knows he would make money. He spends his own money, not the taxpayers' money. He added that his whole question is who are we going to attract?

Chairman Parker said anything has the odds of going badly but also the odds of going extremely well. He said it's not a gamble because the success of the bond is not based on one applicant or one property. Mr. Tsiros said that Chairman Parker doesn't want to see things any other way because he has made up his mind. The Chairman agreed and said he has made up his mind that this is a good tool.

Selectman St. Onge asked if the taxes go up due to a rise in the overall tax rate and an existing business has not expanded or made any improvements, does that tax increase go into the TIF account? The money going into the TIF account is based on the increased value of the property not on the higher tax rate Mr. Mettee said.

Selectman St. Onge added that the TIF district will have some effect on taxpayers as that portion of property taxes that goes into the TIF account would normally go into the general fund to pay for Town expenses. Taxpayers could end up making up for that loss in revenue to the general fund. This question about the increase in the tax rate has been answered two different ways and we need a clear answer he said. Chairman Parker said you could also look at it as more successful businesses will bring in more revenue for the general fund.

Selectman St. Onge said that the presentation does not include the fact that if there is a revaluation of the Town and the property values increase, the taxes collected due to the increase in value in the district will go into the TIF account rather than into the general fund.

Mr. Mettee said that the total assessed value of the TIF district is less than 3 percent of the total assessed value of the Town. These are very small numbers in terms of how it will affect the financing of the Town he said. Selectman King said the question boils down to whether the residents want to put in sewer expansion to the area and do they feel this would be an improvement or not. This would be a method to put it in place without an impact on the taxpayer in the short term. If it is not a benefit, than this is not something for which they should vote. It is that simple he said.

Chairman Parker said that when the Board started this whole process, a number of surveys were done and a question was asked about sewer extension to the Route 11 area. People were interested and in favor of it he said. Selectman St. Onge said he is in favor of the TIF District but thinks the taxpayers need to be told exactly what they are paying for. It does have an effect on taxes. At least be honest with us he said.

Chairman Parker said it is designed to have a minimal affect on tax revenues. Mr. St. Onge agreed that saying minimal effect was better than saying no effect.

Mr. Tsiros asked if there will be any restrictions on the type of business allowed in the TIF District. Selectman King said the zoning that is currently in place will not change.

Chairman Parker said any business interested in coming to the district will have to go through the regular Planning Board and/or Zoning Board approval processes.

Mr. Tsiros said he had a problem with that fact that there is no description about what types of business will be allowed in the district. He said that means the Board cannot say no to any business or the Town will end up in court. He again asked what will happen if a business fails.

Chairman Parker repeated that the district is not based on the success or failure of one property or development.

Mr. Mettee said there is no easy answer as it depends on the circumstances at the time, what type of business it is and if there are other businesses that are successful and continue to pay their incremental taxes. If this were a very poor economic time and businesses were going out of business left and right, this probably would not be a tool that the Town would want to look at. The Planning Board and the Board of Selectmen see that the economy

is turning around and that this is an opportunity. There are some businesses that have done well there, but if all of a sudden one of the businesses doesn't do so well, the increment that that property would be paying is not going to tip the balance as to whether this is going to be a problematic area economically he said.

Mr. Tsiros said he wouldn't have a problem with the plan if the State put up all of the money instead of putting Farmington taxpayers on the hook for \$325,000.

Mr. Mettee said that if the Town does receive grants from the CDBG or EDA that is a huge shot in the arm for Farmington for which the residents are not responsible. In effect they are saying we will give you some money but we are not going to give you all of the money because we want you to have skin in the game. They want you to make an effort and say we really want this but we need your help to do it. Chairman Parker added that Board has talked about two grants but we don't know how many grants will be available to us. He advised Mr. Tsiros to look at the cup as being half full.

Mr. Tsiros said part of the problem is we don't have the right people to go out and get new business. They sit in their offices and collect big salaries but say that's not my job. You are looking for ways to spend taxpayers' money. This is not the way to go he said.

EDC member Denise Roy-Palmer said the EDC has been involved in this process and as a whole the commission supports this plan. She said economic development just doesn't fall out of the sky. The Planning Board has studied this for the last two years and the EDC is supportive as a whole that this is a good planning tool she said.

Mr. McCarthy said if we could get a large manufacturer to come to the district, he would be in favor of the sewer expansion but little businesses are not worth it.

Chairman Parker said no one knows what the future will bring.

Selectman King said that if right now a large business came to us and said I want to bring my business here but I need sewerage, we would have to say do you have 1.2 million dollars to pay for it. If it (the TIF district) were already set up we would say sign the contract and build the facility. He added that a large business would not wait around for the Town to save the money and put in the sewer lines.

Mr. Doke reminded the audience that there are properties at the Sarah Greenfield Business Park still sitting there. He asked what else the Town could do to attract business there and added that doing nothing has gotten us to where we are now.

Martin Laferte said this proposal is to create a district and it does not say what can or cannot be developed there. If the business meets all the federal, state and local requirements, it would be allowed. He noted that Town sewerage would allow more businesses there because the space formerly needed for leach fields will be regained and the businesses will be connected to a single pipe. What is connected to the pipe is under state and federal guidelines. It will have some restrictions but everything you do as municipality has got restrictions. That's just the way it works he said.

Mr. Demers added that Country Kitchen Restaurant is very popular. They would like to expand but cannot because they are restricted by the septic system they have now. They have to count how many people are seated because they are only allowed to sit a certain amount of people. If there were Town sewerage there that restriction would be lifted and they could expand. Their value in taxes would increase which goes back to the Town. Chairman Parker added the Town would have a very nice restaurant which would be a nice plus.

Mr. Tsiros noted that the Country Kitchen Restaurant has been named several times during the discussion and advised the Board shouldn't name names. He reminded them they serve the people of Farmington and not any institution or higher authority. He said he is definitely against the district and will campaign against it because Farmington is not ready for it. The Town has so many other things to fix up and then the public sees we are jumping to this other issue he said.

Chairman Parker then asked Mr. Tsiros when it is going to be the right time. He said surveys have been conducted and the Boards are proceeding in the direction people want us to go. He added that they have talked about this for over two years and the public has the opportunity to come before the Board during that time.

Mr. Tsiros said the economics speak for themselves. Look at the real estate for sale. Try to get what your home is worth. A home bought for \$250,000 is now worth \$150,000 he said.

Chairman Parker said the TIF district is a tool for when the time is right. When the developers come forward the tool will be there.

Selectman King thanked Mr. Tsiros for his service to the State and Town and recognized him as a successful business man. But he noted that Mr. Tsiros is not the only Selectman, past or present, and not the only successful businessman in Town. He said there are plenty of other people who are fiscally conservative and support the proposal.

Chairman Parker thanked Mr. Tsiros for his comments and said the Board will take them into consideration. He then asked if there were any additional questions or comments. There were no additional comments from the Board.

Chairman Parker said the meeting will be rebroadcast several times on the community cable TV Channel 26 during the weeks leading up to Town Meeting. He said Mr. Nolan will also publish an article about it in Foster's Daily Democrat and the Rochester Times.

Mr. Mettee said he worked with the Selectmen and Planning Board over the last two years on the idea of improving economic opportunity in the Route 11 area. By changing the zoning and trying to implement the TIF district, the Town is taking positive steps with minimal risk to encourage and stimulate economic activity.

Chairman Parker added that the surveys conducted asked about the future of the town – what people want to see and do not want to see. He said they were conducted at several locations including the high school, middle school, during Hay Day and at the Transfer Station. All of the results are online at the Town of Farmington website. He urged people to look at the student responses to see what they are looking for in their future and what they hope the Town will provide for them. That is the reason this Board has gone through this process – to try to provide a future for the community he said.

Chairman Parker then declared the presentation to be complete and thanked everyone for attending and providing some interesting conversation.

- **Any other business to come before the Board**

None

At 7:30 pm Martin Laferte motioned to adjourn the meeting; 2nd Glen Demers. Motion carried with all in favor.

Respectfully submitted,

Kathleen Magoon
Recording Secretary

Chairman, Paul Parker