

CITY OF ROCHESTER, NH
Granite State Business Park
Tax Increment Finance District (RSA 162K)
Fiscal Year 2021 Report – Draft

Tax Increment Financing: Overview

Cutbacks in federal and state infrastructure aid over the last two decades have minimized the amount of financing available to municipalities for infrastructure, increasing the use of tax increment financing (TIF), an economic development tool that has been around since the 1950's. The creation of TIF districts are crucial to New England towns and cities that compete with the financial incentives offered in other regions of the United States.

The underlying concept of a TIF District is that an area with development potential that is blighted or otherwise in need of economic improvement, becomes designated by a municipality as a tax increment-financing district. The improvements made to the infrastructure stimulate development or redevelopment, which in turn generates incremental tax revenues. These revenues are then directed to the infrastructure debt service incurred by the municipality for the improvements.

The taxable valuation of the district is tabulated at the time of its creation, referred to as the original taxable value (OTV) or simply "base." Tax revenues from the base value continue to go to the general fund tax base. As the TIF district matures and private sector development and redevelopment occurs due to improvements, the City retains the incremental tax revenues generated above the base. The annual "tax increment" is used to pay the public expenditures on improvements in the district. The duration of a TIF district is typically limited by the time required to amortize bonded debt and the recovery of other municipal costs incurred in creating the TIF district and provide public infrastructure.

Public infrastructure investments typically include water supply, sewer expansion and repair, storm water drainage, street and sidewalk construction, street lighting, park improvements, and parking structures. These improvements are intended to make the area more attractive for development and reduce infrastructure costs to private developers.

Granite State Business Park TIF District- (RSA 162K)

District Activity for FY 2021:

The Granite State Business Park (GSBP) is located in the southeastern portion of Rochester adjacent to the Skyhaven Airport. In March 2020, the Coronavirus Pandemic began and continued through FY 2021.

The TIF District expanded by 47 acres on February 7, 2017. The land was acquired by the City of Rochester in FY2017. The land was divided into three lots, one, which was purchased by Prep Partners, a second, was under agreement but the deal fell apart in FY 2020. A third lot is being held by the City for a potential future project.

Development began on three large projects in the GSBP. The first is 145 Airport Drive which was purchased by LDI Solutions. LDI Solution's lease was up in Portsmouth and they contacted Economic Development to purchase the land located at 145 Airport. The City worked with the

BFA to secure a loan for their purchase and build. Permits were pulled for approximately \$2.4 million to build a 24,000 square foot building. The plans showed the potential to expand to 40,000 square feet. The project is due to be completed in the fall of 2021.

Pella Windows purchased the land in a private sale at 109 Airport Drive. They chose Rochester to build their 24,000 square foot building due to its central location for the New England territory they will cover. Pella pulled permits for approximately \$3.3 million and plan to complete their building in the fall of 2021.

Prep Partners purchased a lot from the City's newly acquired 47 acres that was purchased in 2017. They pulled permits for \$10.2 million to construct a 150,000 square foot warehouse. TIF funds were used to connect the sewer from Innovation Drive to the lot line of the Prep Partners lot, which will allow for connection of the three lots on that side of the road. The cost to extend the sewer was \$130,000.

Service Master by Disaster at 63 Airport Drive pulled permits in the amount of \$20,000 for underground electric. The Albany Techniweave building located at 112 Airport pulled permits for \$52,000 for a fan case cell area.

Advisory Committee Recommendations:

1. Continue to survey lots that are owned by the City of Rochester to encourage development of those vacant lots.
2. Have Economic Development or Public Works enter a capital improvement project for continuing sidewalks or extended shoulders from Airport Drive to Rochester Hill Road. Add additional light on Innovation Drive, lights were added to the park but only on Airport Drive.

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