



Economic Development Tools & Incentives

Introduction

Economic development can strengthen town economies, provide better quality of life, and build on local community assets. However, retaining business and attracting new development is not always an easy task. Fortunately there are a variety of state and federal economic development tools and incentives available for New Hampshire municipalities. This fact sheet focuses on some of the commonly used economic development tools and incentives.

Contents

- Tax Increment Financing Districts Page 2
- Economic Revitalization Zones Page 3
- Community Revitalization Tax Relief Incentive (RSA 79-E) ... Page 5
- Commercial and Industrial Construction Exemption..... Page 6
- Historic Preservation Tax Credits Page 6
- Other Useful Tools Page 7
- Resources Page 8

Definitions

Economic Development – a community effort to improve the economy and quality of life in an area by retaining and/or creating employment opportunities as well as growing incomes and the tax base.

Tax Incentive – a legislative measure that is used to encourage individuals and/or businesses to either spend money or save money by reducing the amount of taxes they are required to pay.

Local Governing Body – per RSA 672:6, "Local Governing Body" means, in addition to any other appropriate title:

- Board of selectmen in a town;
- City council or board of aldermen in a city;
- Village district commissioners in a village district; or
- County commissioners in a county in which there are located unincorporated towns or unorganized places.

Local Legislative Body – per RSA 672:8, "Local Legislative Body" means one of the following basic forms of government utilized by a municipality:

- Council, whether city or town;
- Mayor-council;
- Mayor-board of aldermen;
- Village district or precinct;
- Town meeting; or
- County convention.



Tax Increment Financing Districts

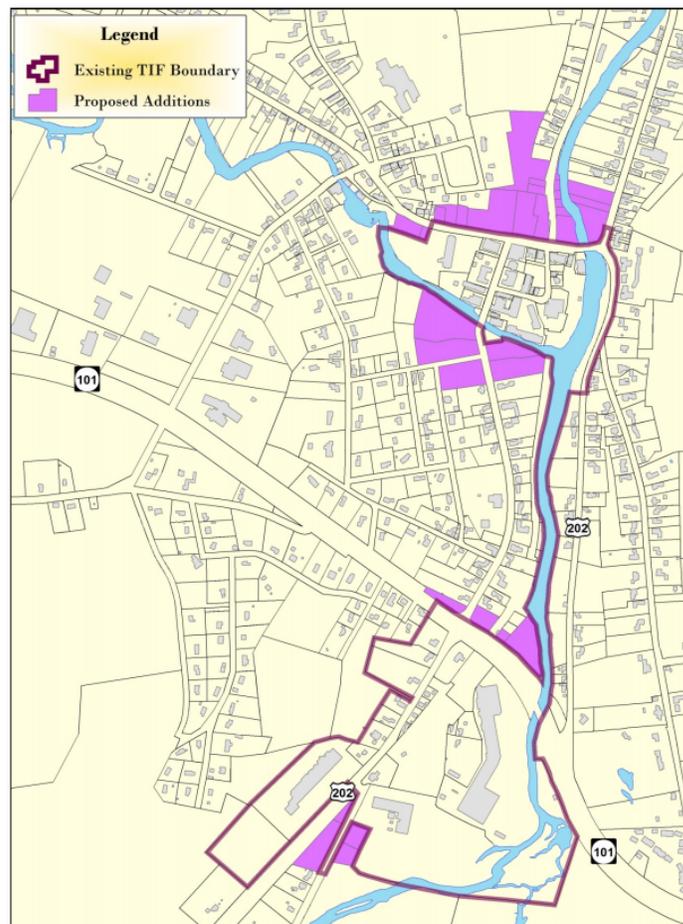
“Tax increment”, as defined in NH RSA 162-K:2, means the amount of taxes raised in a development district due to increases in assessed value over the assessed value of the district at the time of its establishment. A Tax Increment Finance District, or TIF District, enables the financing of public improvements by dedicating the incremental increase in taxes generated by new construction, expansion, or renovation of a property within a defined area.

How Do TIF Districts Work?

When a TIF district is established by the Local Legislative Body, the existing tax value of the district continues to be distributed to the schools, county and municipality as it was prior to establishment. After improvements are made in the district a portion of the taxes from the new increased incremental value is dedicated for use in the district to finance public improvements, rather than being accounted for as general revenue. Once the public improvements are complete, the increased tax value of the district becomes part of the municipality’s general revenue.

There is a two-step process to adopting a local TIF district. The first step is for the Local Legislative Body to adopt the provisions of RSA 162-K, enabling the creation of a TIF district. Next, following the adoption of the provisions of RSA 162-K, the Local Legislative Body also must decide to establish at least one Development District.

For each district proposed, the municipality must prepare a Development Program and a Tax Increment Financing Plan. The Program outlines the public facilities to be constructed in the district, environmental controls to be applied, planned reuse of private property, and expected



Above: A map excerpt from the Town of Peterborough’s “Greater Downtown Tax Increment Finance Plan” detailing the existing TIF Boundary and the proposed TIF District addition (shown in pink).

operations of the district after the completion of capital improvements. The Plan allocates use of tax increments for retirement of bonds and notes, operation, maintenance and improvements in the district and for general municipal purposes in order to achieve the program. The plan is to be adopted with the establishment of the district by the Local Legislative Body. A hearing must be held at least 15 days prior to the planned vote. Additionally, the Local Governing Body must meet with the county commissioners and school boards to review the proposal and its potential tax impacts. Under the TIF district, the county and school taxes will continue to be calculated at

the original assessed value, not the incremental increased value (this ensures no revenue decreases).

Additionally, the municipality must create a District Advisory Board to advise the Local Governing Body on planning, construction and implementation of the Development Program and on maintenance and operation of the district after the program has been completed. A majority of members of the advisory board shall be owners or occupants of property within or adjacent to the district.

While there is no limit on the number of districts a community can have, there are restrictions. No one district can include more than 8% of a community's assessed value or more than 5% of a community's land area. Combined, all districts cannot exceed 10% of the community's land area nor more than 16% of a community's total assessed value, if there is more than one district.

Money raised within a district must be spent within that same district to retire bonds and notes or for operation and development of the district except that "excess captured asset value" may be spent elsewhere in the municipality. Care must be taken to create a boundary that includes not only needed improvements but also includes sites that are likely to generate new taxes. Once a district is established, the boundaries may be enlarged in the future subject to limitations.

What Can TIF District Funds be Used For?

Consistent with the Development Program adopted for the TIF district, funds may be used for:

- Financing the acquisition of property or open space
- Rehabilitation or renovation of existing buildings
- Development aimed at improving physical facilities, quality of life and transportation
- Construction of public works or improvements

- Parking facilities
- Improvement of pedestrian facilities such as sidewalks and crosswalks
- Lighting systems, street signs and street furniture
- Landscaping of streets and public property

Benefits of TIF Districts

TIFs create short and long term benefits for communities.

TIF benefits include:

- Promotion of economic development and growth
- Funds for infrastructure improvements
- Leverage additional funding
- Increased property values
- Private investment and development
- New jobs and retention of existing jobs
- Stronger, broader tax and economic base
- Locally controlled development
- Stimulates investment outside TIF district boundaries

Economic Revitalization Zones

[The Economic Revitalization Zone](#) (ERZ) tax credit offers a short term business tax credit for projects that improve infrastructure and create jobs in designated areas of a municipality. As established in NH RSA 162-N, an ERZ is an area within a continuous boundary that is either characterized by unused or underutilized industrial properties or vacant land or structures previously used for industrial, commercial or ritual purposes but are no longer used as such due to a variety of possible factors such as age, obsolescence, brownfields or other unfavorable conditions.

How Do ERZs work?

Economic Revitalization Zones are fairly simple to establish compared to other economic development incentives. Communities, through their Local Governing Body must submit a formal request to the NH Department of Business and Economic Affairs (BEA). Separate requests must be

Community Revitalization Tax Relief Incentive (RSA 79-E)

The NH Community Revitalization Tax Relief Incentive, often referred to simply as 79-E its enabling legislation, is a municipal tax incentive designed to encourage investment in downtowns and town centers with respect to economic activity, cultural and historic character, sense of community, and in-town residential uses that contribute to economic and social vitality.

The incentive provides temporary tax relief to property owners for up to five years, as determined by the Local Governing Body, during which the property tax of the

Cotton Mill Square Re-Use Development

The City of Nashua adopted RSA 79-E in 2011 to provide a tool for property owners and developers to revitalize the downtown area and industrial center. The Cotton Mill Square development project utilized this incentive and rehabilitated a historic mill building to create 109 mixed-income apartments. The building's exterior was preserved to maintain its historic character and contribute to the historic district.



Pictured Above: Cotton Mill Apartments in Nashua, NH

structure does not increase as a result of the substantial rehabilitation. In exchange for relief, the property owner provides a public benefit to the rehabilitation, which is ensured through a covenant.

What are the Benefits of the Community Revitalization Tax Relief Incentive?

Benefits include:

- Rehabilitation and active use of under-utilized buildings
- Promotion of strong local economies
- Smart, sustainable growth and prevention of sprawl
- Strengthened community centers

How Does it Work?

To implement the Community Revitalization Tax Relief Incentive the Local Governing Body place the question of whether to allow RSA 79-E tax relief incentives on the Town Meeting warrant. Once adopted by the Local Legislative Body, the Local Governing Body is authorized to grant the tax relief incentives.

Once locally adopted, owners of qualifying structures that intend to substantially rehabilitate or replace it apply to the Local Governing Body for tax relief. There are 3 standards for eligibility:

- Is it a qualifying structure? The structure must be located within a districted designated by the zoning ordinance or master plan as a downtown.
- If for rehabilitation, is it substantial? Does the rehabilitation cost equal or exceed \$75,000 or 15% of the structures assessed value (the municipality may set a higher threshold) – OR – If for replacement, does the existing structure have no significant historical, cultural or architectural value, and does the public benefit of replacement exceed that of rehabilitation?

- Is there a public benefit? Projects must enhance downtown economic vitality, improve a culturally or historically important structure, promote downtown development or increase downtown housing.

Hearings are held within 60 days of application receipt and the Local Governing Body must issue a decision within 45 days. Proposals must be consistent with the local master plan or development regulations. The public benefit to be provided must be preserved through a covenant.

Approved projects may be granted relief from tax increases attributable to the rehabilitation costs for up to five years. The Local Governing Body, at their discretion, may grant an additional two years if new housing units are created or four years for affordable housing. They may also grant an additional four years if the structure is historically important.

Commercial and Industrial Construction Exemption

NH Legislature adopted [HB 316 in 2017](#) enabling municipalities to offer a commercial or industrial local property tax exemption for increases in value in an amount up to 50% of the increase for up to 10 years. The exemption is applied to a percentage of the increased value attributable to the construction of new structures and additions or renovations and improvements to existing facilities. This local option tax exemption, if adopted by the municipality, could be used as an incentive to encourage additional development or redevelopment.

The terms of the exemption are to be established and adopted by the Local Legislative Body and administered by the Local Governing Body. Any adopting municipality has the option to set their terms for the incentive, but must do so uniformly at the time of adoption. The vote to adopt the incentive shall be specific the terms to be set locally,

including:

- *Percentage Rate:* The exemption is based on a percentage rate as specified by the municipality not to exceed 50%
- *Duration:* Up to 10 years
- *Uses:* Incentives may apply to commercial and/or industrial uses, or defined businesses of each

Once adopted by the local legislative body, the exemption takes effect in the tax year beginning April 1 following its adoption and remains in effect for a maximum of 5 years. Any application granted prior to the expiration of the incentive continues to apply at the rate and for the duration in effect at the time it was granted. The incentive may be administered by the Local Governing Body or assessors.

Businesses must apply for the exemption before construction commences, but not before the beginning of the tax year for which the exemption is sought. Approvals granted pre-construction are subject to adjustment once the actual increase in assessed value becomes known. Decisions are to be rendered by February 28th, before the beginning of the tax year for which the incentive is sought. In the event that construction is partially complete on April 1 of any year, the exemption for that year will be the proportionate share of the increased assessed valuation attributable to partial construction.

Historic Preservation Tax Credits

The Federal Historic Preservation Tax Incentives program promotes private sector investment in the rehabilitation and re-use of historic buildings. This particular program is one of the nation's most successful and cost-effective community revitalization programs. Since 1976, the Federal Historic Preservation Tax Incentives program

leveraged over \$84 billion in private investment and impacted 42,293 historic properties. The National Park Service and the Internal Revenue Service manage the program in partnership with State Historic Preservation Offices.

Hillsborough Mills (Pine Valley)

The Hillsborough Mills, located in Milford, NH, were constructed in 1866 and were originally used for manufacturing carpets. In 2012 a developer rehabilitated the old mill and transformed it into a modern mixed-use building, consisting of 50 apartment units, a commercial center, and the original hydroelectric plant. The Hillsborough Mills are on the National Register of Historic Places, and historic preservation tax credits were used to help finance the project.



Pictured Above: The Hillsborough Mills, now referred to as Pine Valley, in Milford, NH.

Through the Federal Historic Preservation Tax Incentives program, a 20% income tax credit is available for the rehabilitation of historic buildings that generate income. The Secretary of the Interior, through the National Park Service, designates qualifying buildings as “certified historic structures.” The State Historic Preservation Offices and the

National Park Service then review the rehabilitation work to ensure that it complies with the [Secretary’s Standards for Rehabilitation](#). The Internal Revenue Service defines qualified rehabilitation expenses on which the credit may be taken. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit. The National Park Service approves approximately 1,200 projects every year, creating nearly six billion dollars annually in private investment for the rehabilitation of historic buildings all throughout the United States.

Other Useful Tools

Business Improvement Districts

Less common in New Hampshire than in surrounding states, Business Improvement Districts (BIDs) operate through an additional tax assessment charged within a specified district much like Common Area Maintenance fees charged in private developments. The revenue generated from this additional property tax assessment are reinvested into the district, providing a regular revenue source for additional services such as street cleaning, security, event planning or marketing.

NH Job Training Fund

[The New Hampshire Job Training Fund](#) provides a 50/50 cash match grant of \$750 to \$100,000 for customized training of a company’s employees.

NH Research and Development Tax Credit

[The New Hampshire Research and Development Tax Credit](#) enables businesses to apply for tax credits for new research and development costs that can be applied toward business taxes paid. The credit can be carried forward for up to five years.

For More Information, Check out the Following Resources:

[New Hampshire Division of Economic Development](#)

- [ERZ Applications and FAQs](#)

[New Hampshire Office of Strategic Initiatives](#)

- [Tax Increment Financing Resources](#)
- [Tax Increment Financing PDF](#)

[New Hampshire Municipal Association](#)

- [New Hampshire Town and City, Field of Dreams: How Tax Increment Financing Can Help Development Dreams Come True](#)

[New Hampshire Department of Revenue](#)

[National Park Service](#)

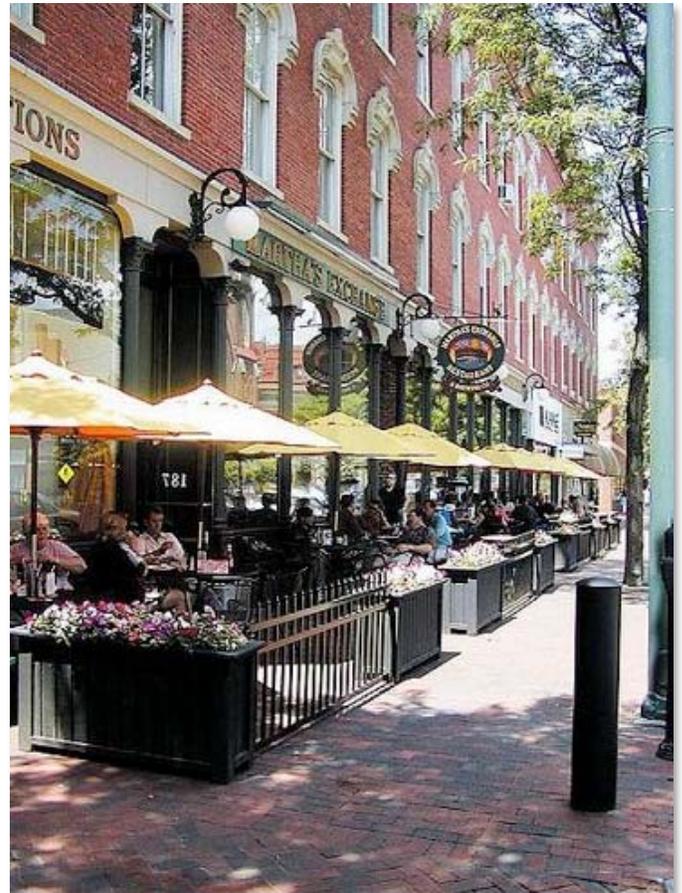
- [Tax Incentives for Preserving Historic Properties](#)

[New Hampshire Preservation Alliance](#)

- [RSA 79-E Fact Sheet and Flow Chart](#)

[NH Division of Historic Resources](#)

- [A Tool for Your Town: New Hampshire's Community Revitalization Tax Relief Incentive](#)



If your community requires assistance with economic development tools and incentives, the Nashua Regional Planning Commission is ready to help. Visit our website for a more comprehensive list of services that NRPC can provide your community at www.nashuarpc.org or call (603) 424-2240 to speak with one of our planning professionals.