

Town of Bloomfield Tax Increment Financing Policy

(Adopted August 9, 2021)

Overview of Tax Increment Financing

To support economic development, the Town of Bloomfield has established and created three (3) Tax Increment Financing (TIF) Districts pursuant to its Tax Increment Finance Districts Master Plan: Town Center, Tobey Road, And Blue Hills adopted and approved by the Town Council on February 22, 2021. TIF is a financing tool that can be used by the Town to encourage private investment and development in specific areas of Bloomfield that have experienced disinvestment or limited investment interest. It allows some or all of public and/or private costs associated with development to be financed over time by increases in the property tax revenues that are generated by the new development or redevelopment. Connecticut Statute, as specified in Chapter 105b, authorizes municipalities in Connecticut to create tax increment financing districts for the purposes of economic development.

TIF can and should be used with other public and private financing tools as appropriate and available. They are not meant to be used “instead of” or “exclusive of” other financing mechanisms. TIF can, but does not have to be, used in conjunction with municipal bonding and related debt service. As available during the life of the District, TIF can be used to directly pay for specified costs or pay down debt service associated with the TIF District.

In addition to helping finance public costs to support economic development, TIF can be used to help finance private developers’ costs to spur further private investment. If a Town chooses to help finance private development costs, the Town will require developers to demonstrate that “but for” the TIF support a project would not occur and that they have utilized and exhausted all other financing mechanisms, such as state and federal grants and tax credit programs

1. Purpose of Tax Increment Financing Policy

The purpose of this Policy is: (1) to establish the percentage of TIF Revenues associated with the captured assessed value from each TIF District that will be

deposited into the Tax Increment Financing Development Fund for such TIF District, (2) to outline the different TIF financing mechanisms that are available and can be applied in each TIF District, and (3) to provide a framework for the Town by which applications for TIF use can be evaluated. Notwithstanding compliance with any or all of the guidelines below, the creation and development of Credit Enhancement Agreements (CEA) and other Town tax incentives using TIF is a policy choice to be evaluated on a case-by-case basis by Town Staff, the Bloomfield TIF Advisory Committee and the Town Council.

The Bloomfield TIF Advisory Committee will be an advisory board of at least seven (7) individuals created by the Town Council for the purpose of discussing possible projects that could be developed within any TIF District and the possible uses of money within the Tax Increment Financing Development Fund (as described later) established for each TIF District. Members of the Bloomfield TIF Advisory Committee will reflect the economic and racial diversity of the Town and include owners of real property located in each TIF District, members of the Bloomfield Economic Development Commission, other Bloomfield residents, and additional professionals and advisors designated by the Town Council.

The burden of establishing the public value of a TIF shall be placed upon the applicant and the application must substantially meet the criteria contained herein. In accordance with the guidelines and application process included in this Policy, the Town Council reserves the right to consider any TIF proposal provided a majority of the Town Council believes that acceptance of the TIF proposal is in the best interest of the Town.

2. General Provisions

Applications for using TIF Revenues will be considered by Town staff and the Bloomfield TIF Advisory Committee - with all final approvals vested with the Town Council. The terms and specific details of each TIF agreement are developed on a case by case basis. The Town Manager and the Manager's designated departments will negotiate for the Town based on the merits of the project and this

policy, following the process laid out in the Application Requirements section. In developing the application, the applicant shall meet the following basic provisions, as well as the policies and requirements stipulated in subsequent sections.

3. Eligible TIF Expenses

Eligible TIF expenses include but are not limited to:

1. Capital costs, including, but not limited to,

- a. the acquisition or construction of land, improvements, infrastructure, public ways, parks, buildings, structures, railings, street furniture, signs, landscaping, plantings, benches, trash receptacles, curbs, sidewalks, turnouts, recreational facilities, structured parking, transportation improvements, pedestrian improvements and other related improvements, fixtures and equipment for public use;
- b. the acquisition or construction by the private sector of land, improvements, infrastructure, buildings, structures, including facades and signage, fixtures, and equipment for industrial, commercial, residential, mixed-use or retail use or transit-oriented development;
- c. the demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures, and fixtures;
- d. clean energy initiatives such as solar renewable energy, electric vehicle charging stations, etc.;
- e. environmental remediation;
- f. site preparation and finishing work; and,
- g. all fees and expenses associated with the capital cost of such improvements, including, but not limited to, licensing and permitting

expenses and planning, engineering, architectural, testing, legal and accounting expenses;

2. Financing costs, including, but not limited to, debt service payments, closing costs, issuance costs, and bond retirement premiums, for indebtedness incurred for authorized project costs;

3. Professional service costs, including, engineers, architects, planners, consultants, or attorneys, as needed, to facilitate the implementation of the TIF District Master Plans;

4. Administrative costs, including, reasonable charges for the time spent by municipal employees, other agencies, or third-party entities associated with the implementation of a TIF District Master Plan;

5. Maintenance and operation costs, including costs of increased public services within any TIF District that result from the successful implementation of the TIF District objectives, including but not limited to, increased public safety/security (police, fire, emergency), increased public maintenance (plowing, mowing, trash/litter removal, installation/replacement of marketing/promotion hardware, beautification), and increased utility costs;

6. Technical and marketing and promotion costs, including fiscal and economic impact studies, marketing and promotion of events or programs organized by the Town, or funding the marketing of the Town as a business location, establishing a permanent economic development revolving loan fund or targeted investment fund to support Town economic development strategies, and providing skills development and workforce training for residents of the Town (not to exceed 20% of the total project costs); and

7. All other costs permitted by State law.

4. TIF District Development Financing Mechanisms

In addition to public infrastructure and improvements, the Town may support certain industrial, commercial, residential, mixed-use or retail improvements, downtown

development or transit-oriented development within any TIF District, or a combination thereof, using TIF revenues. The Town's preferred method of providing assistance to property owners, businesses, and developers of property within a TIF District is through use of the Tax Increment Financing Development Fund for each TIF District and Credit Enhancement Agreements (CEAs), however, the Town may choose to utilize other methods as appropriate including issuance of municipal debt and utilizing TIF tax revenues to support debt repayment, tax abatements (in accordance with the Town's tax incentive policy), or fixed valuation agreements.

Tax Increment Financing Development Fund: The Town will establish a Tax Increment Financing Development Fund for each TIF District. Seventy percent (70%) of the incremental real property tax revenue produced from the captured assessed value within each TIF District less any real property tax revenue subject to any other TIF District Development Financing Mechanism (e.g. . . . a CEA, municipal debt or other tax incentives) will be deposited into the Tax Increment Financing Development Fund for such TIF District. Such percentage shall be reviewed by the Town Council annually and may be changed by the Town Council in accordance with this Policy and the maximum percentage set forth in the appropriate TIF District Master Plan. Moneys in any Tax Increment Financing Development Fund may be used for any Eligible TIF Expense, including, but not limited to, the establishment of a TIF District economic development revolving loan fund, a façade improvement program or a streetscape improvement program.

Credit Enhancement Agreement (CEA): CEAs are the preferred mechanism for providing assistance to property owners and/or developers undertaking development projects within the Town's TIF Districts. A CEA is a contractual agreement between the Town and applicant that allows the Town to provide reimbursements of future incremental property tax revenues to property owners. This policy outlines the eligibility requirements, guidelines, process, and other details for how and when the Town may enter into CEAs.

The Town reserves the right to negotiate CEAs individually with property owners or developers of any properties within the TIF District. CEAs may provide a reimbursement of up to seventy percent (70%) of the incremental real property tax revenue produced from the captured assessed value on the particular property, and up to the remaining full term of the TIF District. Under any CEA, the Town's obligation to make a periodic payment under

the CEA will only arise to the extent the Town receives incremental real property tax revenue based on positive captured assessed value of the particular property during the appropriate period. In other words, in any CEA, the Town shall not obligate itself to make payments the applicant without receiving incremental tax revenues nor shall it be obligated to make payments if there is no increased assessed value.

The Town will review CEA applications on a case-by-case basis and is not obligated or bound to enter into a CEA.

Revenue Bonds: Revenue Bonds provide another method for financing public and private (through public-private partnership) infrastructure and development costs. They are a means of debt financing available to municipalities. Revenue bonds distinguish themselves from general obligation (GO) bonds through their method of repayment; unlike GOs which rely on taxation, revenue bonds are guaranteed by the specific revenues generated by the issuer. Within a TIF District and according to a TIF District Master Plan, future incremental revenues from new property taxes on taxable real property can be utilized to help finance public and private development costs including infrastructure and site improvements.

Fixed Assessment Agreements (FAA): With a TIF District the municipality can agree to set a fixed valuation on a property for up to fifteen (15) years providing the Town and the owner/developer with predictability in tax liability.

Use of Multiple Incentives: In all cases the Town shall not allow “double dipping,” providing tax incentives from more than one program on the same dollar value of new investment such as providing Enterprise Zone tax benefits and TIF tax benefits.

The Town also reserves the right to transfer revenues from any TIF Development Accounts that are in excess of funds needed to meet its obligations specified in its TIF District Master Plan and any related CEAs to its General Fund and utilize funds for General Fund purposes at any time during the life of the TIF.

While the Town may provide a reimbursement of up to seventy percent (70%) of the incremental real property tax revenue produced from the captured assessed value on the particular property for the duration of the TIF District, it shall be the Town’s policy to provide

no more than fifty percent (50%), on average annually, of incremental real property tax revenue as reimbursement to a developer, business, or property owner regardless of whether achieved through a Credit Enhancement Agreement, Fixed Valuation Agreement, or other TIF financing mechanism. Reimbursement in excess of this fifty percent (50%) threshold will only be considered when the potential benefits as measured by the potential to achieve the Town's goals, as stated in this Policy, are considered to be significantly high.

5. Credit Enhancement Agreement Guidelines and Requirements

General Provisions

A. Terms

The specific terms of each CEA will be negotiated between the Town and the applicant. Agreements can extend between one (1) year and the remaining term of the TIF District Master Plan; and up to seventy percent (70%) of the annual TIF Revenues associated with the captured assessed value from the property can be reimbursed to the property owner depending on the merit in achieving the Town's purpose for CEAs. Under any CEA, the Town's obligation to make a periodic payment under the CEA will only arise to the extent the Town receives incremental real property tax revenue based on positive captured assessed value of the particular property during the appropriate period. In other words, in any CEA, the Town shall not obligate itself to make payments without receiving incremental tax revenues nor shall it be obligated to make payments if there is no increased assessed value. The percentage of annual TIF Revenues that are reimbursed to the property owner may be adjusted over the life of the Agreement. In no case, shall a CEA extend beyond the life of the TIF District.

B. Level of Funding Adjustments

During the application process and during the life of the TIF District (and CEA), the applicant shall demonstrate that the funds are being used at appropriate levels for the purpose intended. If the level of funds the applicant receives exceeds the projected need, the amount returned to the applicant shall be adjusted and any excess placed in the Town's General Fund or applied to the TIF Districts.

C. Enterprise Zone Requirements and Relation to Other Town Provided Incentives

For projects within an enterprise zone or receiving other Town-provided direct tax benefit, the applicant will contractually agree not to take the Town enterprise zone reduced assessed value on land and buildings benefit or to receive any other direct Town tax benefit for any phase of the project benefitting from a CEA. The Applicant cannot receive benefit from both a CEA and another Town financial incentive on the same incremental value.

6. CEA Requirements

The Town may participate in CEAs when its participation is proven by the Applicant to be financially necessary and involvement by the Town is needed in order for the project to be undertaken (i.e. the “but for” test). Justification for financial need and Town involvement can be demonstrated by:

- a. A need to offset infrastructure costs unique to the site; or
- b. A lack of sufficient private or other public funding sources to meet the full capital investments needed to undertake a project.

The following requirements will also be considered:

- a. The Applicant is financially capable to undertake the project demonstrated by submitting one or more of the following:
 - i. Letters from a financial institution, government agency, or other funding agency indicating a commitment to provide a specified amount of funds, and the uses for which the funds may be utilized. In cases where funding is required but there can be no commitment of money until approvals are received, letters of “Intent to Fund” from the appropriate funding institution indicating the amount of funds and their specified uses.
 - ii. The Applicant’s most recent corporate (or other entity) annual report indicating availability of sufficient funds to finance the development, together with explanatory material interpreting the report.

- iii. Evidence indicating availability of funds if the applicant will personally finance the development.
- b. The Applicant is compliant with statutory and regulatory guidelines of the Town and State of Connecticut and is current on all Town taxes.
- c. The project represents a minimum private investment of at least one million dollars (\$1,000,000) for new businesses coming to Town and at least five hundred thousand dollars (\$500,000) for the Town's existing businesses in development or redevelopment costs. This minimum investment cannot include the cost of acquisition of the property.
- d. The Applicant's equity contribution (excluding all debt, local, state, and federal support including tax credits, grants, and other support) to the project is a minimum of ten percent (10%) of the development or redevelopment costs.
- e. Reasonable build-out timeline for investment and completion of construction with documentation indicating the build-out completion plans with supporting market/feasibility information.
- f. Developer has pursued use of other available funding and incentives and has integrated other sources to the extent possible.
- g. Developer provides sufficient financial information as deemed necessary by the Town for planning and administration of the TIF District including information for the consideration of TIF District and CEA approval and annual information following TIF District and CEA approval on the status of the development including a description of development completed, total jobs created, total jobs retained, jobs created and retained for Bloomfield residents, and total private investment made.
- h. Submission of any other documentation requested by the Town to help ensure that the Town and its residents will benefit through new investment, new employment, and/or other public and quality of life benefits.

7. CEA Application Requirements

The Town shall utilize an application form that includes at a minimum the following information:

- a. Name and contact information of applicant and owner if separate; attorney if applicable
- b. Tax Map and Lot # of property (or properties) for which TIF assistance is being requested
- c. Zoning District(s)
- d. List of any other local zones or districts the property is within that relate to tax assessment or payments, including but not limited to fire districts, city taxes, sewer mill rates, etc.
- e. Current original assessed value of taxable real property
- f. Description of proposed project
- g. Description of proposed use(s) for site (residential, commercial, retail, industrial, etc.)
- h. Description of how the proposed project meets the Town's TIF purposes as stated in its TIF District Master Plan and this TIF Policy
- i. Estimated permanent jobs to be created and/or retained resulting from development
- j. Estimated development costs
- k. Estimated development timetable including project start, completion, and any phasing if applicable
- l. Statement that the applicant demonstrates the financial capacity to undertake the project and provides evidence in support of this capacity. Evidence will include but is not limited to:
 - i. Development budget and pro-forma
 - ii. Financial commitments of project lenders
 - iii. A project implementation plan and schedule
- m. Description of any other local, state, or federal support being used to finance project
- n. Statement that the requested TIF project would not otherwise occur "but for" assistance through TIF

Confidentiality: All such information provided by the Applicant shall be kept confidential to the extent permitted by law.

Other Requirements: The creation and approval of a TIF District Master Plan shall not relieve the Developer from complying with any other regulatory and/or permitting requirements which may be necessary as part of the Developer's project such as site plan, wetlands, building permits, etc.

Application Fee: At the time of the final application submission and after preliminary advisement by Town staff, a non-refundable fee of \$5,000 will be made by the applicant to help fund Town expenses for staff time and any other direct expenses such as required legal and other professional fees.

8. CEA Application Process

A property owner, or a developer that has secured an interest in real property within an approved or proposed TIF District, may approach the Town seeking the potential use of a CEA. If a developer, the property interest must include sufficient rights to purchase the property upon a definitive event. The steps outlined below detail the full CEA approval process.

Step 1: Preliminary Advisement with applicant by Town Staff (Planning and Economic Development (PED), Finance Department, and Tax Assessor)

Step 2: Application submission to PED with all required information supplied by applicant

Step 3: Review and Recommendation by TIF Advisory Committee

Step 4: Review and approval by PED, Finance Department and Tax Assessor

Step 5: Review and approval by Town Manager

Step 6: Submission to Town Council for review and approval

Step 7: Implementation and tracking by Town Staff

Additional CEA process and requirements may be contained within any individual TIF District Master Plan that add to or exceed the requirements contained in this policy.

9. Amendment procedure

Amendments to this policy shall be completed in the same manner as the adoption of this policy.

APPENDIX A

1. Glossary of Tax Increment Financing Terms

- a. Captured Assessed Value – the amount, as a percentage or stated sum (up to the maximum specified in each TIF District Master Plan), of increased real assessed value that is utilized from year to year to finance project costs in connection with any TIF District.
- b. Credit Enhancement Agreement – Town’s written agreement with developer or business to return a portion of real property taxes paid annually over a specified period of time to offset development costs
- c. Current Assessed Value – the assessed value of all taxable real property within a TIF District as of October first of each year that the TIF District remains in effect.
- d. Incremental Assessed Value – the valuation amount by which current assessed value of a TIF District exceeds the original assessed value of such TIF District. If the current assessed value is equal to or less than the original assessed value, there is no incremental assessed value.
- e. Original Assessed Value (OAV) –assessed value of all taxable real property (land & buildings) within a TIF District as of October first of the tax year immediately preceding the year in which the TIF District was established by the Town.
- f. Tax Abatement – Connecticut law allowing communities to reduce a portion of property taxes owed for specified reasons for a fixed time period of time.
- g. TIF District – Those property(ies) wholly within the corporate limits of the municipality that have been established and designated as such pursuant to the Connecticut General Statutes and that is to be developed under the TIF District Master Plan applicable to such district.
- h. TIF District Master Plan – a statement of means and objectives prepared and approved by the municipality, including, but not limited to, the Tax Increment Finance Districts Master Plan: Town Center, Tobey Road, And Blue Hills adopted and approved by the Town Council on February 22, 2021, relating to a TIF District designed to provide new employment opportunities, retain existing employment, provide housing opportunities, improve or broaden the tax base or

construct or improve the physical facilities and structures through the development of industrial, commercial, residential, retail and mixed use, transit oriented development, downtown development or any combination thereof, as described in section 7-339ff of the Connecticut General Statutes.

- i. TIF Revenues – revenues generated by incremental real assessed value within a TIF District