

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING HELD ON THURSDAY, MAY 23, 2019 AT 7:00 P.M. IN COUNCIL CHAMBERS, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Robert J. Oris, Jr. Chairman; Jeffrey Falk, Patti Flynn-Harris, Sylvia Nichols, Thomas Ruocco, Timothy Slocum; Peter Talbot; David Veleber. Absent: Paul A. Bowman
Staff: Sean Kimball, Town Manager; Arnett Talbot, Assistant Town Manager; Gerald Sitko, Economic Development Coordinator
Economic Development Commission – David Pelletier, Chairman; Bill Stanley, Don Dobbs, Derik Gromko, Peter Nichols.
Guest: Victoria Storrs, Project Manager, Camoin Associates-310.

Chairman Oris opened the meeting at 7:05 p.m.

1. ROLL CALL

The clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

3. PRESENTATION AND WORKSHOP FOR TAX INCREMENT FINANCING MASTER PLAN

Chairman Oris thanked the EDC members for attending the meeting and joining the Council on oversight of the TIF program. This project has been in the works for many months, and is one of the recommendations from the Muldrow Report.

Victoria Storrs, Project Manager, Camoin Associates-310, Saratoga Springs, NY, gave a brief history of the firm which includes work on strategic planning, creation, identification and use of different educational tools to achieve goals.

Tax Increment Financing (TIF) – Ms. Storrs submitted a copy of her power point presentation for the workshop on the proposed Town of Cheshire Interchange Zone TIF.

The focus of this workshop will be on the Connecticut statute, what can and cannot be done, protection of municipalities, and abuse or going too far with the law. Sample TIF use in Connecticut includes Bristol, Bridgeport, Groton.

Pages 3-7

TIF – is a financing method to catalyze economic development; it allows some or all future tax revenue from developments to be dedicated to support infrastructure, projects and programs related to economic development; property tax increment can be used to help public and private development costs; portion of incremental revenues not dedicated for TIF is used for general fund; once TIF expires all revenues go to the general fund. TIF falls under value increase and taxes recapture.

TIF is not a new tax or a special assessment on top of existing property tax.

TIF can enable a community to negotiate tax reductions to generate more private development. The key steps are Planning, Approval, Implementation and Monitoring. There are no zoning changes; TIF is in keeping with the Plan of Conservation and Development (POCD); everything is included in the annual audit, insuring transparency.

Master Plan for Cheshire – Ms. Storrs talked about Cheshire having a vision for the I-C zone, the Town willing to use the TIF plan for development; Town discussion on the TIF district; max debt, anticipated revenue, percentage of increment to be captured (0-100%), use of revenues for public v. private costs, guidelines for approval and evaluation of potential tax abatement agreements (Credit Enhancement Agreements).

Page 8 – shows the TIF flow of funds, outlines what happens with the money.

Pages 9-14 – Draft Town of Cheshire Interchange Zone TIF Master Plan

Map of the proposed TF I-C Zone District; identified projects (public); plan elements (projects, estimated costs, district in place 30 years, Credit Enhancement Agreements (CEA) and guidelines proposed, estimated revenue at 2% and 4% growth in assessed value; Summary of Estimated Revenues Original Assessed Value (OAV) at 2% and 4% growth, captured revenue on investments.

Mr. Oris stated the Town Council can use the 75% captured funds for the operating budget.

Page 15 – Town of Cheshire TIF Next Steps – Confirm TIF Master Plan; Public Hearing; Draft Legislation; Town Council adoption of the legislation.

Public Hearing Date – June 11, 2019.

The statute has a 90 day window for the Planning and Zoning Commission (PZC) to review the draft plan, deliver a letter of approval, and then Town Council can vote on the TIF Plan.

Page 43 – Ms. Storrs pointed out and reviewed the tax increment financing revenue scenarios (over 30 years and mill rate increase of 1.0% annually) for the Cheshire TIF district at 2% growth scenario and 4% growth scenario. She explained the “Cumulative Value Added” is the increase in assessment as a result of the new private investment, and this increases the value in the district. Incremental tax revenue for TIF purposes is 75% captured over the base number.

The CT Statute Senate Bill is #677 and PA 15-57. Two states without a TIF district are Arizona and Wyoming.

In comparing Connecticut with other states, Ms. Storrs stated there is an excellent balance between protecting a community from abusing the tool (TIF), but still gives the power to offer the benefit to a private party. In Connecticut, the plan must be reviewed by PZC, go through public hearing, be voted on by the Council, all funds are subject to the annual audit, and the plan cannot be in place for more than 50 years. The TIF is hinged on increases in the assessed value, so it cannot be gained by playing with the tax rate. Massachusetts DIF is similar to the Connecticut TIF, except Massachusetts DIF is only used for public projects.

The Council was informed by Mr. Sitko that TIF has been in Connecticut for many years, but the statute has changed and is more manageable. Mr. Sitko talked about the initial I-C zone TIF District, keeping it smaller and manageable, and West Main Street. Once TIF approval is received it is easier to expand a district or add a 2nd district. The decision was made to proceed with the TIF district in the I-C Zone.

Ms. Storrs advised there is no State approval required in Connecticut for a community to adopt a TIF plan.

Regarding the formation of a Management Committee (page 3) in the Master Plan, Mr. Ruocco noted this committee is charged with advising and guiding the Town on implementation of the plan. He asked if this committee has anything to do with how funds are appropriated and used.

Ms. Storrs said the committee does not have authority to allocate funds, and this remains with the Town Council. The committee could make a recommendation if there are excess funds, is expected to provide an annual review on revenue coming in against project costs, and make recommendation on excess funds.

Mr. Ruocco raised the issue of a project exceeding the referendum limits, and if such a TIF District project is subject to referendum before moving forward.

This has been reviewed by the Town Attorney, and Mr. Sitko said there is no answer. Attorney Smith has stated that as long as there is transparency, there should be no difficulty with going through the process without a referendum.

In that regard, Ms. Storrs said there is no precedent or case law.

Chairman Oris clarified the question...if there is a specific project cost for use of funds above referendum fund limits...would this initiate a referendum for the TIF project.

If the project is within the TIF district, Ms. Storrs said the attorney advised that no referendum is required, but the Town is not prohibited from holding a referendum on the project.

Chairman Oris stated he wants more information and clarification on the referendum issue; there is public sector use of the money (i.e. extending sewer and water to an area); those projects will be bonded; the assumption is the increased taxes would pay for the bond payments. On an individual basis, Mr. Oris is less likely to support this, as the economic growth is unsure, and in such a case the project might have to go to referendum. For a private development project, they would bring in the utilities, and once the project is there with increased tax generation, some of these funds would support the developer who took the chance.

The TIF funds grow over time and Mr. Ruocco questions needing a referendum on a project over the limit using TIF funds.

If there are too many TIF dollars, Mr. Pelletier said the Council can take money out and put it into the General Fund.

According to Ms. Storrs there is nothing in the TIF statute intended to do an end run around a referendum.

To extend sewer or water to an area costing \$5M using TIF money, Chairman Oris would want to go to referendum for community support. No matter what is drafted and approved, Mr. Oris said it is always subject to Council final approval...there are two facets – public and private.

With the CEAs, Mr. Pelletier said this is an extra incentive to the property owner, and the Town controls reimbursement. The CEA is included in the Master Plan. The EDC makes recommendations to the Council for approval, and in the CEA the Town goes through criteria for approval.

Ms. Flynn-Harris stated the TIF Management Committee is making recommendations on the CEA approval.

Ms. Storrs talked about tax abatements, a property owner owing \$100,000 in taxes, but because of the abatement, they pay \$50,000. With a TIF district and CEA agreements enabled, the Town can gross bill...i.e. property owner owes \$100,000 in taxes. These taxes must be paid in full; if taxes are paid and there is compliance with CEA criteria, the Town rebates an agreed upon portion of the taxes paid. The standard time frame for a CEA is ten (10) years.

A question was asked by Mr. Slocum about the pool of funds being held as Town funds, and if they become part of a specialized reserve fund.

Chairman Oris stated this money is an unencumbered asset until applied to a particular project. He talked about there being "0" in the account; a developer wants to do a project to be completed in one year, takes \$1M of vacant land and turns it into a \$20M project. Mr. Oris assumes the Town can enter into an agreement to use a portion of that increase, when it happens, even without a pool of money to start with...and he sees this possibly happening.

The Council discussed the "funds" issue. Ms. Storrs talked about getting the TIF 75% revenue from the district and going into the master plan fund or project cost account. For public infrastructure the money goes into "town cost sub-account" for payment of direct costs (sewer, sidewalks) for an infrastructure project. If there is a CEA, taxes from the owner go into the "developer cost account", and they are paid a portion of what they have paid in taxes.

With TIF funds in the account, i.e. \$1M, Mr. Veleber asked if this money is used only for economic development in the TIF district...or outside the TIF district.

According to Ms. Storrs it depends, as the reasons for the improvements must be shown...i.e. paving, road improvements...for the benefit of the district.

The residual costs for a development were cited by Mr. Ruocco, such as a fire station. He asked about use of TIF funds for residual costs, i.e. a fire truck, payment to firefighters, and where the line stops.

It would stop before the firefighter salaries, and Ms. Storrs said she is uncertain a fire truck could be purchased with the TIF funds.

Mr. Pelletier stated if there is that much excess funds building up, the recapture rate could be changed so more money goes into the general fund for purchase of a fire truck...so there is flexibility.

The Council already has this flexibility with funds and Mr. Oris questions whether TIF decisions would be different. The TIF vehicle could spur economic development.

If the fire station is funded with TIF revenues, Ms. Storrs noted the general fund is in a better position to buy a fire truck. If the TIF is not working in the out years, Ms. Storrs advised the Council has the authority to dissolve the TIF District, or change terms of the district. The impediment of this would be whether the Town has entered into a contract with someone, i.e. a CEA still in existence. If so, the TIF district cannot be dissolved. It could be shrunk down to that one parcel with the CEA, but the power to dissolve the district or change the terms cannot impair the other party's rights under a contract.

The assumption is a 1% mill rate increase annually, and Mr. Veleber asked what happens if the mill rate is higher.

Mr. Oris said it would be the same. We are not capturing an increase in mill rate on the base line assessment. The point of the TIF is not to take away from existing assets, but to promote new economic development that increases values...this is what is being captured in a certain percentage into the TIF fund.

If the mill rate is increased faster than 1% a year, Ms. Storrs said the Town will get more money into the general fund on the base line and into the TIF fund. The property owner's tax bill does not indicate any TIF...just the taxes. Ms. Storrs stated any type of development can occur in the TIF. She noted that payment by the property owner for outside counsel costs are written into the CEA.

Mr. Sitko said there can be a \$500 application fee for a CEA to offset Town costs, and the Town wants serious investors and development.

As part of an application review, Mr. Oris asked if other types of costs could be written into the contract for reimbursement by the applicant.

Mr. Sitko stated there could be a consultant looking at the first few CEA's. There could be legal consultation by the Town Attorney, and these fees would be paid by the developer.

It was recommended by Ms. Storrs that when a CEA is written it should not include these extra payments and costs. The policy creates a balancing act; the Town wants to show it is friendly but serious; and more hurdles can affect the project and moving forward.

Mr. Slocum talked about the history and track record and experience of TIF use which the Council can look at and review.

The information on TIF projects in Connecticut has been submitted and Ms. Storrs cited Somerville MA as a successful TIF community. This town has major mixed use development, roadway improvements, sewer improvements, MTBA stations, streetscape...all publicly funded. Ms. Storrs noted a TIF is something a town like Cheshire wants because it aligns with its goals and values, and it is a tool to make investments.

Before a Council vote on the TIF District, Mr. Oris said it is important to share with the public the success stories of a TIF program. He requested this information be displayed at the public hearing and Council meeting of June 11th.

Ms. Nichols commended the EDC on all the work and research undertaken on the TIF District. She does not see any negatives; sees the need to be transparent; and convince the public of the value of the TIF program. Other areas of the country are thriving because communities take a risk, and Ms. Nichols does not see the TIF program as taking a risk for Cheshire. She supports the program as it has been

presented, without depending on past successful projects to make a decision. There should be less focus on the dollars, and more focus on the results and benefits of the TIF for the community.

Mr. Pelletier stated the public must be informed that there will be no “double dipping” by developers.

The TIF District was one of the ideas from the Muldrow Report, and Mr. Oris said many people and groups worked on the economic development program. We need to act and try some of the things, think out of the box, make sure things are done right, well documented, and inform the community on why the TIF District is appropriate for Cheshire.

Ms. Flynn-Harris commented on this being the next step, and clear communication showing the benefits of the TIF District which has financial implications. The Council sends the message of what can be done and how the revenue will be used.

Mr. Sitko stated the Interchange Zone was designated in 1985.

On page 39 of the report, Town Manager Kimball noted the list of parcels is cited. There are three (3) State owned parcels. If they became privately owned (their base line is zero dollars) so the entire increment would be the new value of the property.

Mr. Ruocco said that he goggled TIF. It is not all positive; there are some disadvantages, among those is transparency; and how certain parcels get developed over others.

Ms. Storrs informed the Council that the TIF statute does not limit the amount of money spent on any one project.

Chairman Oris noted exhibit “B”, and said there must be assurance this zone does not exceed 10% of the Town’s grand list.

Mr. Sitko advised the Town is at about 3%.

As of now, the zone is at 0.39%, and Ms. Storrs said there is the power to amend the district, add an abutting parcel to the TIF district, under Section 2C of the statute.

Before adjournment, Chairman Oris thanked Ms. Storrs for attending the meeting and the TIF District presentation.

4. ADJOURNMENT

MOTION by Ms. Nichols; seconded by Mr. Talbot.

MOVED to adjourn the special meeting at 8:30 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk