

## What is a TIF, and how could it help Stratham?

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STRATHAM -- Residents attending the March 13 Town Meeting will decide if the municipality will designate its Gateway zone along Portsmouth Avenue from Route 101 to the vicinity of the police station as a tax increment financing district.

Since a public effort began two years ago to revitalize the Gateway, officials said they believe setting up the zone as a TIF would spur private development with access to possible water and sewer infrastructure in the future.

During Thursday night's public hearing on two warrant articles to adopt enabling legislation to create the TIF district, Selectman Joe Lovejoy said it was the best way to ensure the town would keep a diversified tax base for decades to come.

Stratham residents currently bear 84% of the property tax burden, according to officials. Officials maintain an aging population and older strip malls making up a significant portion of the commercial tax base could eventually cause a double-whammy of higher costs for increased municipal services, like more ambulance calls to assist elderly residents, and a shrinking number of commercial properties to offset the residential tax base.

"There's no other place in town we can put this much commercial development," Lovejoy said. "We've zoned ourselves into this position."

A TIF is a municipal finance tool a town can adopt if passed by voters. In the first year of a TIF, the property taxes for each property within it are collected as the baseline taxes for the town's general fund.

In successive years, as different property owners redevelop their parcels or sell to developers, the incremental property tax revenue increase from redeveloped properties is captured in a separate fund by the town, while the baseline rate still flows into the general fund. The incremental funds can later be used to leverage bonding authority to fund projects of public benefit, such as infrastructure improvements, within the TIF district.

Skepticism and opposition remained Thursday night as some residents expressed doubt developers would be interested in Stratham even with a TIF in place. Others said they did not want to be saddled with increased taxes for a future bond project to put water and sewer lines to new commercial and/or residential buildings.

Stratham adopted its Gateway vision in 2008 and passed zoning ordinances in 2009 and 2014 to shape the type of development permitted in the area. However, officials say the lack of water and sewer infrastructure prevents the type of development the ordinances allow, which are mixed-use buildings capable of accommodating denser housing units spelled out as desired new development in the town's most recent Master Plan. They used Market Basket's inability to construct a new grocery store on its site nearly a decade ago as an example because a modern store's sprinkler system would require too much water for a well's supply to meet code.

Exeter's TIF district is off Route 101's Exit 9 and runs east along Route 27 toward downtown. It makes up portions of three different zones in the town's ordinance, which combined, allow for residential, commercial and industrial development within the TIF. One project is Unitil's new 54,000-square-foot operations center that is under construction on Continental Drive.

According to the town's office of economic development, in three years Exeter's TIF has generated more than \$2 million in incremental tax revenue, which has allowed the town to leverage bonds to construct a new road, traffic light at the intersection of Route 27 and Continental Drive and expanded water and sewer services in the zone.

"The diversity of projects going into the TIF; we're seeing residential, commercial and residential," said Darren Winham, Exeter's director of economic development. "The TIF is used to build public infrastructure to spur private investment. It becomes a rising tide lifting all boats mentality, and people start saying Exeter is a great place to invest."

Winham said TIFs do not come without some element of risks, calling them, "a hedge," but he added as Stratham's neighboring town, he felt the community was well-situated to be an attractive destination for developers should it pass.

"You're hedging by public investment, you'll get the private investment you want," Winham said. "Stratham is right off 101, it's near the coast, it's near Interstate 95. There's a lot of reasons why people would want to live there, shop there if it's retail. Anyone would want to move a business there."

During Thursday's public hearing in Stratham, lifelong resident Lucy Cushman made a plea for residents to pass the TIF. She cited Brentwood's long-running grumblings with the Exeter Region Cooperative School District budget every year. She said Brentwood's residents are hardest hit in SAU 16 because the town's tax base is predominately residential as an example of what could happen to Stratham down the road.

"Some people are missing the fact this is just enabling legislation, not anything more," said Cushman, who volunteered on the town's Route 108 Corridor Study Committee. "If the naysayers are right (if the TIF passes), and nothing happens, that (tax) money goes back to the town anyways."

Officials claimed the town has been engaged in informal talk with developers seeking to build in Stratham, but they won't make any move until voters approve the TIF as an indication the town is serious about development in the Gateway zone.

Select Board Chairman Mike Houghton said he wanted to emphasize to voters that the town was not on the hook for attempting to bond any kind of project in the upcoming Town Meeting. He said if the TIF passes, the town would have to bring a project to voters to approve using TIF funds to go get a bond in a future Town Meeting.

"It's a complex issue and I applaud the residents for taking a detailed and thoughtful viewpoint to what we're presenting them," Houghton said. "We're not asking for bonding authority for water and sewer. We have to come back to voters with a project that is fitting for the district they created. It'd be irresponsible of us as town leaders not to look at different ways to manage the tax base."

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Dover and Exeter are examples of communities that have created TIF districts, but for varying purposes to realize different outcomes with respect to public benefit.

Dover designated its downtown area as a TIF five years ago and has since created nearly \$600,000 in incremental tax revenue from new development and redevelopment. Christopher Parker, assistant city manager and director of planning and strategic services, said the city was able to use TIF funds to obtain a \$15 million bond to construct its parking garage downtown.

"Our TIF works for us because all plans were filtered through the lens of our Master Plan and were reviewed by our legislative bodies," Parker said. "Right now, we're focused on continuing to pay down the debt (on the parking garage) bond. We won't identify any other infrastructure improvements until we've built up one year's worth of debt service in reserve."

Dover also designated its waterfront area around the River and Washington streets intersection. Parker said the Phase I of construction likely would not begin until next year, but the city is under a development agreement with Boston-based Cathartes. Plans call for constructing 500,000 square feet of mixed-use development, including 25,000 square feet of street level commercial space.