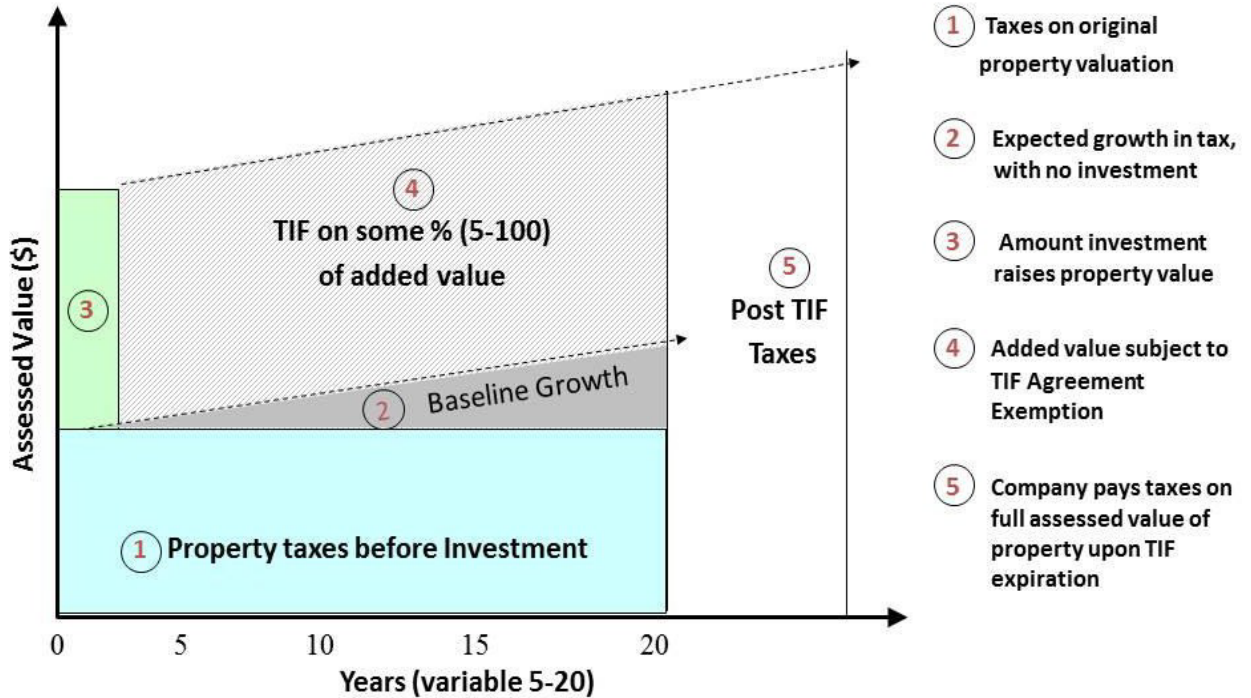


## **1. What is Tax Increment Financing (TIF):**

- a. The Town of Westborough and the EDC supports responsible business development. We actively encourage the growth and prosperity of our existing businesses and work to attract new businesses that create good jobs and expand the tax base. As part of this effort, the Town's Economic Development Committee has used
- b. Tax Increment Financing (TIF) agreements to help our existing businesses expand and provide economic incentives for new businesses to locate in Westborough.
- c. The Massachusetts Office of Business Development (MOBD) Economic Development Incentive Program (EDIP) was established in 1993. The EDIP is: "A program designed to promote increased business development and expansion in Economic Target Areas of the Commonwealth, to be administered by the Economic Assistance Coordinating Council (EACC)."
- d. In July 1994 the State approved the first TIF projects.
- e. Today the EDIP is the largest new job generating program in the Commonwealth.
- f. Tax Increment Financing Agreements are negotiated between business and host municipality. The percentage exemption applies to the incremental increase of assessed value of the parcel. The agreement may contain exemptions on personal property tax per M.G.L. CH 40 & 59.

# Tax Increment Financing (TIF) Agreement Mechanics



Massachusetts Office of Business Development

## 2. How the Program Works:

- TIF's have a 5-year minimum term with a maximum of 20 years, or anything in between.
- Business pays full tax rate on the "base value" of the property,
- An exemption from property taxation on all or part of the increased value accrued, as a result of a development (the "increment").
- The percentage of an exemption (for incremental real and personal property tax value) may range from 5% to 100%.
- All TIFs must be approved by Town Meeting;

- f. Following a favorable vote at Town Meeting the Town must petition the State Economic Assistance Coordinating Council (EACC Board) for final approval.
- g. TIFs are an economic development tool that spurs local job growth.
- h. They are a catalyst for real estate investments that broadens the Town's tax base.

### **3. Two Key Components of the TIF agreements:**

- 1) Commitment from a company to invest in a real estate development project.
  - a) The types of development projects are: (1) new construction, (2) building expansion and (3) building renovation.
- 2) Job Creation
  - a) A Commitment from the company to create additional jobs. The types of jobs created or retained is an important factor: full time, good wages and benefits

### **4. How TIF's are structured:**

- 1) TIF is a discount on real estate taxes incremental increased value of a property from a development project.
- 2) Base Assessment – The value of property prior to any development project.
- 3) Increment – The difference between the base property value and real estate value after a development project.
- 4) Tax Discount – The percentage reduction of real estate taxes on the increased incremental value of the property.

## **5. How the TIF & SA agreements work:**

- 1) TIF agreements provide an exemption only on the value added to a property through an investment by the property owner. Thus, under a TIF agreement, municipalities continue to receive all property tax revenues from the property as was assessed before the new investment.
- 2) Municipalities receive additional revenue based on a pre-determined baseline growth factor (like an inflation factor) on the assessed value before the investment – projected over the term of the TIF agreement.
- 3) The TIF exemption is based only on the added assessed value after the investment and can range from 5% to 100% for a term between 5 and 20 years.
- 4) In accordance with the terms of the TIF agreement, the exemption percentages may vary from year to year.
- 5) Upon completion of the term of the TIF agreement, the municipality receives property tax revenue based on the full-assessed value of the property.

## **6. Process:**

- 1) MOBD will inform municipality and company if project is out-of-compliance
- 2) The company is offered a hearing, or can ask for voluntary project revocation
- 3) If a project is decertified, MOBD informs both community and company
- 4) If a TIF agreement will terminate as a result of project certification, the municipality may permit the continuation of the tax increment financing by amending the TIF agreement
- 5) The community should (notify the EACC (within 60 days) that it will amend the TIF agreement; duly authorize the amendment, including a vote of town meeting, town council, or city council with the approval of the mayor, as required by law; and submit the fully executed amendment to the EACC for approval by the EACC within a year (12 months) of decertification.
- 6) The EACC shall allow the municipality to levy taxes on the decertified project in accordance with the original TIF agreement until

the date of the EACC's approval of the amended TIF agreement  
(for one year)

## **7. Application Process:**

To apply for a TIF Agreement the Applicant will:

- 1) Submit Letter of Intent The process of applying for a TIF Agreement begins with a letter of intent to apply for a TIF agreement, addressed to the Westborough Town Manager and the MOBD's Regional Director.
- 2) The letter must contain the expected scope of the project, total investment, and number of jobs to be retained and/or created
- 3) Negotiate TIF agreement
- 4) Town Meeting Vote
- 5) Submit Application & Supporting Information
- 6) Vote at EACC'S quarterly meeting

## **8. Project Decertification:**

- 1) A Certified Project will result in the termination of a TIF or STA agreement project if:
- 2) The terms of the agreement expressly provide for termination of the agreement upon the revocation,
- 3) As a result of the revocation, the project no longer fulfills the terms and conditions of the municipal action A TIF/STA agreement may remain in place after the EACC revokes a project's certification, if: the agreement does not expressly provide for its termination upon the revocation of the project certification, and the continuation of the agreement is consistent with the original municipal authorization