

Case Study: District Improvement Financing City of Taunton

Plymouth County, Massachusetts

2016 Population: 56,504

Median Household Income: \$54,785¹



This case study is provided for illustrative purposes only to provide an example of a municipality's process and methodology. This performance is no guarantee of similar results.

Background

District Improvement Financing (DIF) was used in the City of Taunton (City) to continue implementation of a long-term effort to redevelop a state-owned vacant brownfield site for sale to private businesses, creating jobs and generating tax revenue.

The campus of the former Paul A. Dever State School in Taunton (Dever School) was state surplus land authorized by the legislature to be sold by the state's Division of Capital Asset Management and Maintenance (DCAMM) to the Taunton Development Corporation (TDC), a private, non-profit economic development corporation. The TDC successfully redeveloped the first three phases of the Dever School as the Myles Standish Industrial Park (MSIP). The largest industrial park in New England, the MSIP (Phase I – Phase 3) has 100 companies, 7,400 employees and over 5.8 million square feet of development.

In 2002, legislation authorized the TDC to purchase the balance of the site and redevelop it as an expansion of the MSIP (Phase 4) and the development of a new life science training and education center (Phase 5).

Unlike the three previous phases of the Dever School, the remaining land contained more than 50 abandoned buildings and structures with a decaying infrastructure system that needed to be completely redeveloped. The TDC had been hesitant to move forward with the DCAMM disposition process for Phases IV and V of the property due to the negative value of the land. The demolition and remediation costs were much higher than the value of the land so the development was not feasible.

The Goal

The TDC wanted to move the Phase IV and V development project forward and, in 2010, they reached out to MassDevelopment to partner with them. TDC, MassDevelopment and the City worked together to create a financing plan that would close the funding gap of the project and move the development forward.

The Process

A public/private finance plan was developed to cover the estimated costs and funding gap of the project. MassDevelopment agreed to cover all of the up-front project and staff costs and would be repaid if future

Basics | Dever School Phase IV and V Development District

District Adoption | November 2011

Original Assessed Value | None – land was owned by the state and tax-exempt

Acreage | 220 (estimated 13,760 total acres in City = 1.4%)

Taxable Parcels | None at start, but 8 have been added back to the City's tax rolls

DIF Eligible Project Costs | *\$5.97 million

*2018 Projections

¹ Population and Median Household Income from the U.S. Census Bureau, American Community Survey, 2016 ACS 5-Year Estimates.

development at the site created sufficient revenues. The Commonwealth agreed to consider providing some infrastructure grant funding (MassWorks Infrastructure Program) toward the project, which could potentially also be used as match money for additional federal Economic Development Agency (EDA) infrastructure funding grants. The TDC agreed to provide project assistance and any future net revenue from land sales associated with Liberty & Union Park (their other industrial park) and the City of Taunton agreed to a 20-year, 35% DIF overlay of the Phase IV and V Development District, which was a 220-acre site (DIF District).

Since 35% of the tax revenue in the DIF District was being reserved for the DIF fund for 20 years, Tax Increment Financing (TIF) was expected to be used within the DIF District on a case-by-case basis. Having worked with TIF in the past, the City recognized that communities can play an active role in attracting new investment by providing financial incentives. This experience also enabled them to understand that tax revenue captured from TIF agreements would be limited to a maximum of 65%, as 35% was reserved for the DIF. The City determined that TIF remained an option to attract the private investment.

In November 2011 the City adopted the DIF overlay and resolution (Resolution) for the DIF District and Development Program. The Mayor, the City Council, and the City's Economic Development Department were highly supportive of this project. The City's DIF commitment was the final financial piece needed to move the project forward.

In January 2012, MassDevelopment and the TDC together formed a 501(c)(3) non-profit corporation, the Taunton Development/MassDevelopment Corporation (TD/MDC), and the property was purchased from DCAMM. MassDevelopment undertook the role of developer and project manager, and the TDC manages the park operations and marketing.

The DIF District and Financial Plan

While the district and financial plan targeted Phases IV and V of the Dever School site for redevelopment, they also ensured the benefits of redevelopment would flow to the entire city. Specifically, the resolution established a 20-year DIF that captures 35% of annual increment, the rest going to the City's General Fund. The ordinance states that DIF funds are to be spent only for:

- Administrative costs;
- Design of a city recreational field (off of the project site);
- Demolition and remediation of the site; and
- Development/construction of the recreation field.

The financial proforma estimated the DIF would generate \$7 million in revenue over the life of the DIF District. In 2018 it is estimated that the early success of the project has increased the revenue which is now estimated to be over \$9 million over the life of the DIF District.

The Projects

With the DIF District established, a revenue source was available for the project to reimburse some of the administrative costs of the TD/MDC and demolition costs for Phase IV demolition and remediation.

Results

As soon as the TD/MDC partnership was formed in 2012, progress was steady on both the physical improvements, and on promoting the value of the site. The first MassWorks infrastructure grant was immediately secured for the development of the first roadway and the demolition of the first three structures was underway. The first land sale occurred in June 2013 when Columbia Gas moved into the park.

In 2018, within six years of taking ownership of the site, the MEPA² permitting and master planning for the entire 220 acres was completed, in addition to demolition and remediation of over 1 million square feet of buildings and underground tunnels. All infrastructure improvements have been completed with the design and construction of two new roadways. Four (of a total of five) MEPA roadway mitigation improvement projects have been complete. Eight new companies have moved into the park, with more than 1.2 million square feet of new development and a private investment of over \$98 million. Approximately 44 acres were rezoned to Business and a new Business Park at Myles Standish was established.

The City's adoption of the DIF was a catalyst to moving all of this success forward.

Lessons Learned

As part of this case study, the City of Taunton was asked to reflect on successes and challenges with adopting and managing a DIF District. The following were identified:

- A strong partnership with MassDevelopment was important for the success of this project. The City noted their experience in infrastructure and demolition and willingness to provide the upfront project costs and staff was critical to the success of the project. According to the City, if the TD/MDC had not been formed, this brownfield site would still be sitting at the gateway to the City and as a liability to the Commonwealth. The gap in financing prohibited private sector interest so the site would have continued to decay unless the City and State stepped forward.
- The DIF allowed the project to move forward with site improvements which made the location more competitive. Companies developing a new facility are on a tight timeline and do not wish to be responsible for any site readiness. They are looking for pad-ready sites, which the DIF allowed by investing the funds into demolition and infrastructure.
- Local leadership was essential, particularly because of the timeframe needed to move from vision to implementation. The project was undertaken throughout two mayoral administrations, and both Mayors were very active, so that any logistical issues were handled promptly. Identifying DIF as a dedicated revenue source made it politically easier.

Pro Tip | DIF “plays well with others,” and in Taunton it was used with MassWorks and EDA funding as well as with Tax Increment Financing to help accomplish a significant long term redevelopment project. Complex projects require a diverse toolbox for success, and DIF made a major contribution here.

² MEPA is the Massachusetts Environmental Policy Act.

Martignetti Headquarters completed in 2017



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