



# DIF 101: GETTING STARTED WITH DISTRICT IMPROVEMENT FINANCING

May 31, 2018



# GOAL OF THIS WEBINAR

Provide communities with an understanding of District Improvement Financing, or DIF, that will enable them to evaluate whether DIF is a good tool for their economic development goals, including understanding what resources and timeframes are required to use it effectively.



# SYLLABUS

1. Economic Development & DIF
2. DIF as a Tool for Generating Investment
3. How DIF Generates and Captures Revenue
4. Type of Investment Supported by DIF
5. Getting Started
6. Homework Exercise

# DIF DEFINED

## “DIF” means District Improvement Financing

- Massachusetts General Laws Chapter 40Q
- Amended to allow local approval without state review
- Enables communities to pledge future tax revenues from a designated area to planned economic development projects
- Multiple DIF projects are allowed but the area of all DIF Districts combined cannot exceed 25% of community area
- Maximum term is 30 years

# KEY DIF TERMS

## Development District

A specified area within the corporate limits of a city or town which is to be developed by the municipality under a Development Program. Also referred to as a **DIF District**.

## Development Program

A statement of means and objectives designed to improve the quality of life, the physical facilities and structures and the quality of pedestrian and vehicular traffic control and transportation within a Development District.

## New Growth

Increases to the assessed value of a property, as a result of development or other changes.

New Growth generates new tax revenue, and enables you to raise your tax levy limit.

## Tax Increment Revenue

All annual increases in the municipality's limit on total taxes assessed that are attributable to parcels within the DIF District.

*Tax Increment Revenue* is additional revenue that is collected because of New Growth in the DIF District.

# WHAT IS ECONOMIC DEVELOPMENT?

Planning, Organizing, and Acting to Support the Economy

## Common End Goals of Economic Development

Job stability  
and creation


Tax base  
stability and  
growth

Improved  
infrastructure

Quality of life



# HOW DIF PAYS FOR ECONOMIC DEVELOPMENT



Communicates that a district is targeted for growth, and states a community's goals

Attracts new private investment by improving the district with infrastructure, and initiatives such as workforce training

Captures new tax revenues from the New Growth and makes them available to fund the projects that drive growth

# DIF IS...

- ☑ An economic development financing tool that uses development to pay for investment - it directs a portion of future property tax revenues from growth in a district toward projects that benefit the same district
- ☑ A locally-designed and locally-approved tool that can be used in one or several parts of the community
- ☑ A tool that plays well with others – it can be combined with grants, public/private partnerships, and borrowing
- ☑ A clear signal that the community is serious about investment in the district and economic development
- ☑ A written plan of action and expectations



# DIF IS NOT...

- ❌ A new tax, a tax rate increase, or a special assessment on top of the existing property tax
- ❌ A guaranteed revenue stream – New Growth must occur in the District
- ❌ A reduction in money flowing into the General Fund – only revenues on New Growth are captured
- ❌ Required to be approved by the Economic Assistance Coordinating Council – that provision was eliminated
- ❌ A method to provide direct incentives to private entities, but it *can* be complemented by the use of such tools

# HOW DIF GENERATES AND CAPTURES REVENUE

## **Original Assessed Value (OAV): \$3 million**

Property Taxes Paid on OAV: \$59,850

(\$3 million X tax rate at 19.95 per \$1,000 of value)

Available to General Fund: \$59,850

## **Assessed Value (AV) of New Growth: \$10 million**

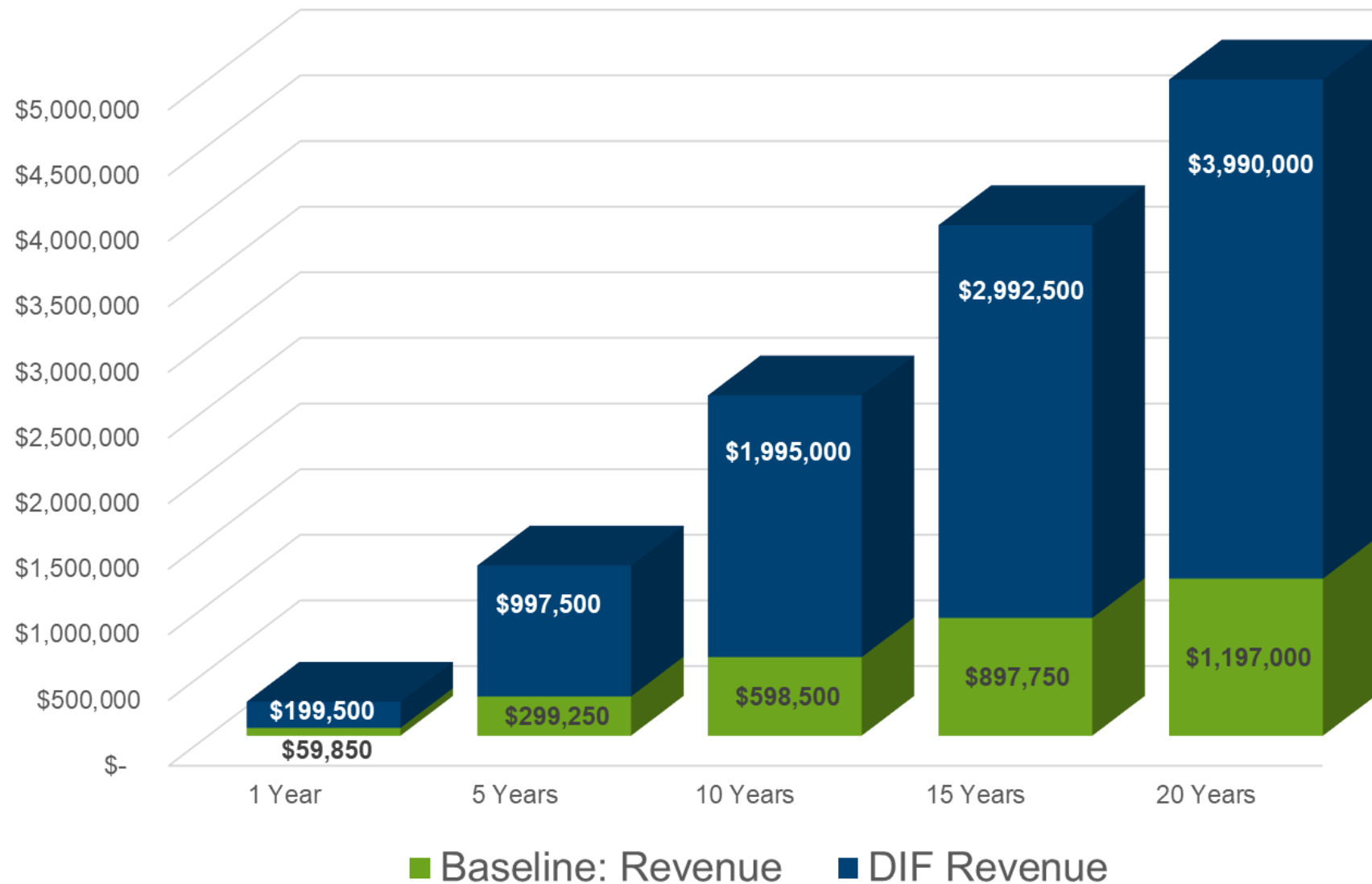
Tax Revenues from New Growth in Year 1: \$199,500 (\$10 million x tax rate of 19.95)

\$997,500 of Cumulative New Growth with DIF, by Year 5

*(assumes no other New Growth or tax rate changes)*

# DIF REVENUE CAPTURED

Cumulative Revenues With and Without \$10m DIF Program  
(Assumes same tax rate and no other New Growth)



# TYPES OF INVESTMENT SUPPORTED BY DIF

## PUBLIC

### **Direct Investment & Partnerships**

- Capital investment in infrastructure – transportation, communication, environmental
- Ongoing or increased funding for education, safety, other quality of life goals
- Workforce training and career paths

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## PRIVATE

### Financial Incentives through Complementary Programs

- Direct capital investment in facilities and new equipment for existing business
- Direct capital investment in a new facility including site work, including in brownfields
- Hiring and retaining workers as a result of capital improvements to facilities or new location



# TYPES OF INVESTMENT

## Eligible Public Project Costs



### Capital & Workforce Investment

- Capital costs of public works in the district
- Water and sewer projects necessary for the district even if located outside
- Workforce training
- Financing costs



### Land & Leasing

- Land acquisition
- “Real property assembly” if community incurs a deficit on a sale or lease of property
- Relocation costs for occupants of a condemned parcel



### DIF Creation & Administration

- Community costs to create and administer the DIF
- Professional services and studies including environmental impact, planning
- “Improvement costs” such as public safety, advertising, public events, education, commercial activities

# TIPS FOR GETTING STARTED

A grayscale background image of a city skyline with various buildings of different heights and architectural styles.

# WHAT NEEDS TO BE ACCOMPLISHED

## **Goal:**

Adoption by your local government of a Development District and Development Program that meets statutory requirements, sends a positive message about your community, and can be implemented in the short- and long-term.

## **It must:**

- Have support from the community and business
- Clearly set forth what you propose to do and how you will do it

**Tip:** Tie DIF efforts to existing community economic development and comprehensive plans.

# ASSEMBLE A TEAM

Assembling a team can get the process started and begin to build buy-in.

Leadership

Assessment

Finance

Planning

Public Works

*Legal*

**Tip:** Form a DIF Advisory Committee with clearly communicated roles, responsibilities, and timeframes.

# PLAN EARLY FOR LOCAL APPROVAL PROCESSES

Local approval processes vary by municipality but will usually include:



## **Statutory Requirements:**

Vote of town meeting, town council, or city council with the approval of the Mayor where required.



# PLAN EARLY FOR LOCAL APPROVAL PROCESSES

Recommended best practices for getting buy-in early:

Host a workshop with government leadership

Initiate discussions with stakeholders

Facilitate a public information session

Leverage the internet to publish plans, presentations

**Tip:** Tell a story about your community's goals, not about the tool. Repeat, repeat, repeat.

# LET THE PROJECTS DRIVE THE PLANNING

## Considerations:

- Where you want to focus investment
- What is likely to occur when investments are made – what can you affect?
- What's already there and how stakeholders will react
- Timeframe for completion
- Costs acceptable to the community even if DIF revenues do not completely fund all projects



# SUCCESS FACTORS

## DIF is a tool

Start by evaluating what you want to accomplish.

## Understand its functionality

It's not a new tax, or a guaranteed revenue stream. You have to attract New Growth.

## Local support is critical

The approval process can be time consuming, but don't overlook public engagement.

## Let the projects drive

A good fit among what you're planning and where, and the expected outcomes, is key.



# HOMework

1. Prepare a Statement of Goals for your proposed DIF District and Development Program

## EXAMPLE

“The Town of Charlotte designates the Charlotte Square Development District (the “District”) and adopts this Charlotte Square Development Program (the “Development Program”) for the District to help revitalize the Town’s historic downtown and support employment, business growth, infrastructure improvements, and economic growth in the Town.”

# HOMework

2. Identify at least three specific projects that you plan for your proposed DIF

(costs are estimates at this point)

## Charlotte Square Public Infrastructure Projects: Estimated Project Costs

Project Name	Type of Work	Project Cost
		Estimate
Planning and Engineering	Planning	\$950,000
Washington Street Rebuild	Roadway	\$8,500,000
Washington Street Streetscape	Streetscape	\$1,500,000
Charlotte Sq. Amphitheatre		
Renovation	Public Facilities	\$2,000,000
George St. Stormwater Drainage	Sewer	\$5,000,000
Public Safety	Public Safety	\$750,000
	Totals	\$18,700,000



# HOMework

3. How good is the fit? For each project, write at least one sentence about how it furthers the Goals from Question 1.
4. Feel free to revise projects, goals, and how they fit together – you want to create a clear, short narrative of why DIF is expected to be a good tool.



# DIF 102

## TARGETING A DISTRICT & IDENTIFYING PROJECTS