

**Granite State Business Park
Tax Increment Financing District:**

**Development Program and
Financing Plan**

City of Rochester, NH

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Date Adopted:

A. Introduction and Objectives

Tax increment financing (TIF), authorized by New Hampshire RSA 162-K may be used to provide municipal incentives for economic development. Tax increment financing allows property taxes derived from growth in assessed valuation within a TIF district to be retained to pay for internal public improvements within the district that encourage new businesses and industries to locate there. Cities and towns in northern New England use the TIF mechanism to compete with financial incentives offered in other regions of the United States. TIF districts are limited in duration, generally by the time required to amortize bonded debt and the recovery of other municipal costs incurred in creating the TIF district and providing public infrastructure.

1. History of Granite State Business Park

The Granite State Business Park (GSBP) is located in the southeastern portion of Rochester adjacent to the Skyhaven Airport. Phase I of the GSBP is accessed via Airport Drive from Rochester Hill Road (NH Route 108). The first buildings in the Granite State Business Park were constructed in 1994. The development pace within the GSBP has been modest, with growth between 1995 and 2010 averaging about 11,500 square feet per year. There are remaining undeveloped lots in Phase I that are currently accessed by Airport Drive, and are serviced by public water and sewer. Phase II of the GSBP lacks utilities and road access, and is separated from Phase I by an active rail line.

A Master Plan and marketing package for the Granite State Business Park (GSBP) was created in 1990 by Matarazzo Design Inc. and S.G. Phillips Companies. The park was planned as a multi-use site that would principally accommodate light and heavy manufacturing, research and development, warehousing and distribution and related uses. The GSBP was intended to respond to a strong demand in the marketplace for light and heavy industrial space in the Seacoast region prior to the closure of the Pease Air Force Base and its subsequent conversion into the Pease International Tradeport.

Early tenants included Prime Tanning, Albany International Techniweave and Salmon Falls Precision. Albany and Salmon Falls were both internal expansions of Rochester businesses. The Rochester Industrial Development Authority (RIDA) was a partner in the Salmon Falls Precision project. The RIDA applied to the New Hampshire Business Finance Authority financing of the project and negotiated a successful built-to-suit/lease-to-own agreement.

The demand for industrial land changed between 1990 and 2000. Rochester's Ten Rod Road Park and Cabletron became the focus of industrial expansion in the City. The redevelopment of the Pease Air Force Base into the Pease International Tradeport and other area business parks offered superior highway access and were able to meet regional demands more effectively than the Granite State Business Park. Interest in the park has grown as Rochester has matured as a regional hub for business development and a center of labor force growth. The availability of larger, serviced industrial parcels in the region has become more limited.

Phase II of the GSBP has the potential to host large industrial users. But new industrial and business development in Phase II is unlikely to occur without initial public expenditures to provide a rail crossing, and the extension of road, water and sewer. The City's Economic Development Department believes that providing this essential public infrastructure will enable access to a significant expanse of industrially-zoned land that will accelerate growth in taxable valuation, jobs and wages.

2. Development Potential of Granite State Business Park

The economic benefits of proposed public investments to enable Phase II of the GSBP are estimated in Table 1. This comparison estimates the current and projected commercial and industrial development, assessed valuation, property tax yield, employment and payroll for Phase I and Phase II properties.

Table 1: Granite State Business Park Development Potential

Comparison Factor	Granite State Business Park TIF by Phase		
	Phase I (1)	Phase II	Total
Gross Land Area (Acres)	284.04	165.48	449.52
Building Floor Area			
Existing	421,500	0	421,500
Growth Potential	381,200	638,400	1,019,600
Buildout Total	802,700	638,400	1,441,100
Taxable Assessed Value (\$ millions)			
Existing (2)	\$15.81	\$0.22	\$16.03
Growth Potential	\$10.99	\$23.98	\$34.97
Buildout Total	\$26.80	\$24.20	\$51.00
Annual Property Tax Yield (3)			
Existing	\$377,701	\$5,256	\$382,957
Growth Potential	\$262,551	\$572,882	\$835,433
Buildout Total	\$640,252	\$578,138	\$1,218,390
Estimated Employment			
Existing	425	0	425
Growth Potential	384	644	1,028
Buildout Total	809	644	1,453
Estimated Payroll (Millions) in 2009 \$			
Existing	\$19-\$20	\$0	\$19-\$21
Growth Potential	\$17-\$19	\$29-\$32	\$46-\$51
Buildout Total	\$36-\$40	\$29-\$32	\$65-\$72

(1) Includes Skyhaven Airport (173 acres) and one residential parcel (7.7 acres)

(2) April 2011 assessment of hangar leases (\$987,180) included in existing Phase 1 valuation

(3) Computed at total 2010 tax rate of \$23.89 per thousand assessed value

Source: Estimates prepared by BCM Planning, LLC incorporating estimates of developable building area for selected lots provided by City of Rochester Economic Development Department.

The development potential of Phase II alone represents potential growth of over \$24 million in assessed valuation, over 640 jobs and about \$30 million in additional payroll. Those benefits would not occur in the foreseeable future without the proposed public investments outlined in this Development Program.

The Rochester Economic Development Commission (REDC) and Rochester Industrial Development Authority (RIDA) has the responsibility and authority to complete the development of the Granite State Business Park, including the sale or lease of lots to businesses and the Phase II expansion of the GSBP.

3. Objectives of GSBP TIF Development Program

The development program for the TIF District reflect the long term goals and objectives developed by the Rochester Economic Development Commission/Rochester Industrial Development Authority (REDC/RIDA) for the Granite State Business Park, including the following:

- Provide for the design, permitting and construction of a bridge crossing of the New Hampshire Northcoast Railroad and extension of a new road from Airport Drive to enable development of Phase II of the GSBP.
- Continue to offer financing assistance and collaboration with local, state and federal programs as an incentive for relocation or expansion; research and apply for new grants or programs for which the park becomes eligible.
- Direct and promote opportunities for business attraction and expansion within the Granite State Business Park in accordance with Rochester's Economic Development Strategic Master Plan.
- Create new employment and entrepreneurial opportunities for area residents through the acquisition and resale of lots, and the construction of public facilities.
- Acquire or assemble parcels within the GSBP to facilitate the efficient development of commercial and industrial property within the TIF.

The REDC/RIDA was created under New Hampshire RSA 162-G and has guided the initial planning and development of the Granite State Business Park. The authority provided by this chapter includes municipal actions to encourage the development of business and industrial facilities by acquiring, developing, expanding, leasing and disposing of such facilities. The REDC/RIDA also operates under the specific authority and limitations contained in the Rochester Code of General Ordinances, Chapter 3, Section 3.12 (Economic Development Commission).

4. Public Benefits of GSBP TIF District

The construction of new industrial and business facilities promotes the long-term growth, stability and diversity of employment and the City's taxable valuation. Long term growth in commercial and industrial valuation ultimately supports higher quality services at a lower tax expense to residential uses. The Granite State Business Park TIF District is expected to provide a number of public benefits, including:

- 1) Enhancing the efficiency of land use and encouraging development consistent with the City's Master Plan and its Economic Development Strategy;
- 2) Concentrating new economic development in desired areas through the efficient use of that infrastructure;
- 3) Stabilizing or expanding the City's manufacturing base and resident access to higher wage jobs;
- 4) Encouraging the creation of diverse economic opportunities and the standard of living for residents;
- 5) Providing for long-term growth in the City's non-residential property valuation;

- 6) Diversifying the property tax base to enable Rochester to continue providing quality municipal services and facilities for residents; and
- 7) Supporting general growth and prosperity of the City and the general welfare of its citizens.

Table 2 illustrates the projected long term economic benefits from employment and wages generated within the GSBP TIF District as the result of infill development and creation of new industrial development sites in Phase II.

Table 2 – Estimated Employment and Payroll

Development Area	Square Feet	Employees	Range in Annual Payroll in Million \$ (2009 Dollars)	
			Lower	Upper
Existing Industries in GSBP	421,500	425	\$19.1	\$21.0
Additional Potential Within Existing Park	381,200	384	\$17.2	\$19.0
New Sites Accessed Via Railroad Bridge	638,400	644	\$28.9	\$31.9
Total TIF Potential (Excluding Airport)	1,441,000	1,453	\$65.2	\$71.9
Growth 2011 to Buildout	1,019,500	1,028	\$46.1	\$50.9

Notes: Excludes airport and one residential parcel; payroll assumes 80% of jobs in manufacturing, 20% other private. Payroll estimates based on average annual wages per employee in City and County for 2009 as reported by NH Employment Security for manufacturing sector and averages for all sectors.

The proposed public infrastructure improvements that will enable access to Phase II of the Granite State Business Park are expected to leverage at least 644 jobs and about \$30 million in annual payroll.

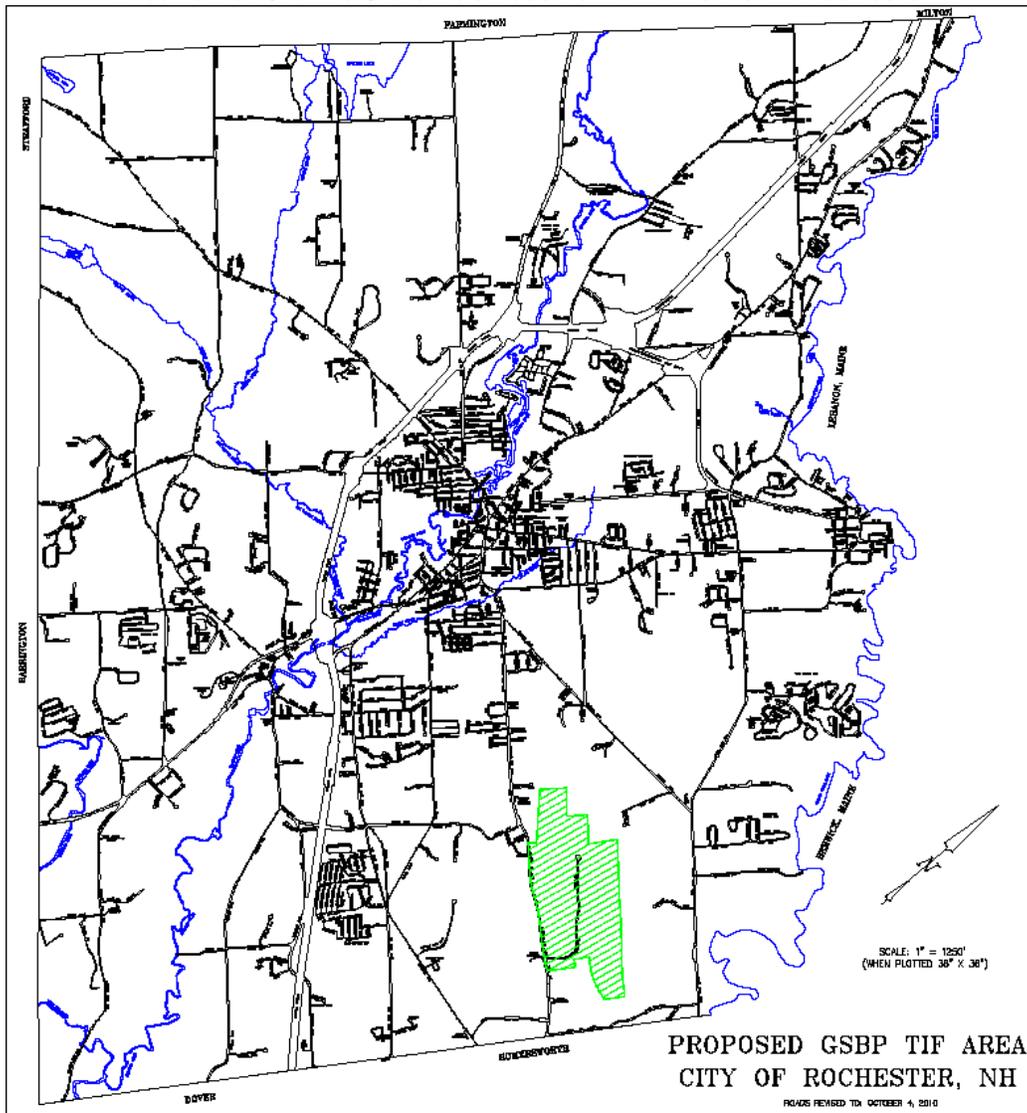
Between 2011 and its full buildout, the total GSBP TIF District (Phase I and II combined) is expected to add over 1,000 jobs and an additional \$46 to \$51 million in annual payroll.

B. Description of the GSBP Tax Increment Financing District

1. District Boundaries

The Granite State Business Park TIF District (the District) will include the Skyhaven Airport and the existing (Phase I) portions of the Granite State Business Park, one adjacent residential lot, and additional land located in Phase II of the GSBP, located easterly of the New Hampshire Northcoast Rail Line. The particular parcels to be included within the TIF District are listed in Table 3 and described by tax map and lot number and/or street address. With the exception of one parcel, the entirety of the acreage within the listed properties will be included within the TIF District. For that parcel (identification number 0241-0021) only a portion of its gross acreage (about 59.3 acres) is included within the TIF boundary.¹

Location of Granite State Business Park TIF District in Rochester



¹ Estimated acreage of the portion of this parcel to be included in the TIF District is based on the layout for Phase II of the Granite State Business Park Master Plan.

Boundary of Granite State Business Park TIF District and Included Parcels



Granite State Business Park TIF District

**Table 3: Granite State Business Park TIF District Parcels
Estimate of Original Assessed Valuation (Baseline) ²**

Parcel ID (PID)	Property Address	Owner	LUC	Land Use Description	Type	Acres	Finished Floor Area	Year Built	Total Baseline Assessment *
0242-0004-A000	0 Airport Dr	Bell Atlantic % Verizon	430	Telephone	Telephone	0.00	0		\$31,900
0243-0020-0000	102 Airport Dr	Albany Engineered Composites	440	Ind Dev Land	Land	2.68	0		\$122,700
0243-0036-0000	109 Airport Dr	Spectex Realty LLC	440	Ind Dev Land	Land	3.53	0		\$126,100
0243-0021-0000	112 Airport Dr	Albany International Techniweave	400	Manufacture	Industrial	12.88	130,672	1999, 2008	\$4,982,000
0243-0035-0000	127 Airport Dr	GSBP %Howard Katz	440	Ind Dev Land	Land	3.46	0		\$125,800
0243-0034-0000	145 Airport Dr	GSBP %Howard Katz	440	Ind Dev Land	Land	3.78	0		\$127,100
0243-0024-0000	166 Airport Dr	Albany Engineered Composites	440	Ind Dev Land	Land	5.23	0		\$132,900
0243-0033-0000	167 Airport Dr	GSBP %Howard Katz	440	Ind Dev Land	Land	5.10	0		\$132,400
0243-0032-0000	189 Airport Dr	216 Airport Dr LLC	440	Ind Dev Land	Land	2.57	0		\$122,300
0243-0025-0000	190 Airport Dr	216 Airport Dr LLC	440	Ind Dev Land	Land	2.68	0		\$122,700
0243-0031-0000	199 Airport Dr	216 Airport Dr LLC	440	Ind Dev Land	Land	2.10	0		\$120,400
0243-0027-0000	216 Airport Dr	216 Airport Dr LLC	046	Mix Ind/CU	Industrial	27.90	192,280	1994	\$3,790,369
0242-0004-0000	41 Airport Dr	GSBP %Howard Katz	440	Ind Dev Land	Land	4.39	0		\$73,600
0242-0001-0000	48 Airport Dr	GSBP %Howard Katz	440	Ind Dev Land	Land	4.81	0		\$131,200
0242-0003-0000	61 Airport Dr	Airport Drive Condo Assoc % Amarosa	988	Information		4.63	0		\$0
0242-0003-0001	61 Airport Dr	Amarosa Perkins Development	345	Comm Condo	Condo	above	2,500	2006	\$164,400
0242-0003-0002	61 Airport Dr	Robmar Realty	345	Comm Condo	Condo	above	3,400	2006	\$222,400
0242-0003-0003	61 Airport Dr	Robmar Realty	345	Comm Condo	Condo	above	1,600	2006	\$106,400
0242-0003-0004	61 Airport Dr	Bolton Realty Trust LLC	345	Comm Condo	Condo	above	2,500	2006	\$164,400
0242-0003-0005	61 Airport Dr	Amarosa Perkins Development	345	Comm Condo	Condo	above	2,500	2006	\$164,400
0242-0003-0006	61 Airport Dr	Robinson	345	Comm Condo	Condo	above	2,500	2006	\$164,400
0242-0003-0007	61 Airport Dr	Kizzmo Realty	345	Comm Condo	Condo	above	2,500	2006	\$164,400
0242-0003-0008	61 Airport Dr	Airport Dr. Business Park c/o Amarosa	345	Comm Condo	Condo	above	4,865	2009	\$331,400
0242-0003-0009	61 Airport Dr	C & D Entry Level Properties LLC	345	Comm Condo	Condo	above	5,225	2009	\$331,400
0243-0037-0002	85 Airport Dr	Frisbie Foundation	905	Charitable	Warehouse	4.66	9,897	1999	\$548,900
0243-0019-0000	88 Airport Dr	88 Airport Drive LLC	400	Manufacture	Industrial	10.84	61,025	1994	\$1,947,800
0243-0037-0000	97 Airport Dr	Spectex Realty LLC	440	Ind Dev Land	Land	1.10			\$60,400
0242-0006-0000	0 Rochester Hill Rd	City of Rochester (Formerly Kline)	440	Ind Dev Land	Land	50.54			\$3,530
0242-0005-0000	0 Salmon Falls Rd	GSBP %Howard Katz	631	C.U. - White Pine	Land	55.61			\$212,200
0241-0021-0000 **	1035 Salmon Falls Rd	Linda Sargent & Martha J. Fowler	613	C.U. Farm 20% Rec	Land	59.33			\$5,482
0255-0017-0000	290 Rochester Hill Rd	Dupont Madelin M Revocable Trust	101	Single Family	SF Home	7.70	2,202	1956	\$332,300
0243-0018-0000	238 Rochester Hill Rd	Pease Development Authority	901	State of NH	Airport	174.00			\$0
Various leases	238 Rochester Hill Rd			Hangar Leases			not included		\$967,180
Total TIF District						449.52	423,666		\$16,032,861

* Parcel valuation data as of 2010 with exception of airport leases - assessed values shown are those anticipated to begin April 1, 2011

** Total parcel has 153 acres, assessed value of \$14,138 (2010). Portion of lot to be included in TIF: 59.33 acres; prorated assessment estimated at \$5,482 based on acreage.

² Data in Table 3 are estimated and subject to change. Actual values will need to be certified by the City Assessor upon official designation of the TIF District.

2. Compliance with Statutory Limits on TIF Land Area and Valuation

Table 4 compares baseline conditions in the GSBP TIF district to statutory limitations on taxable valuation and acreage allowed within the City. New Hampshire RSA 162-K:5 sets the maximum allowable base valuation of any individual TIF district, at not more than eight percent (8%) of the City's taxable value, and limits gross land area within a TIF to not more than five percent (5%) of the City's land area. Maximum base valuation for a single TIF district in Rochester is \$160.47 million (as of 2010) and maximum land area allowable in an individual district is 1,434 acres. Both the valuation and acreage of the GSBP TIF District are well within statutory limits (see Table 4).

Table 4

Comparison Factor for Statutory TIF Limitations - RSA 162-K:5	Taxable Valuation	Land Area in Acres
City Total 2010	\$2,005,896,840	28,688.05 (1)
Maximum Allowable - Individual TIF District <i>(8% of Taxable Value; 5% of Acreage)</i>	\$160,471,747	1,434.40
Granite State Business Park TIF Baseline <i>As Percent of City Total</i>	\$16,032,861 0.80%	449.52 1.57%
Maximum Cumulative TIFs Allowable (2) <i>(16% of Taxable Value; 10% of Acreage)</i>	\$320,943,494	2,868.81
Granite State Business Park TIF (3)	\$16,032,861	449.52
Other Existing TIF Districts 2010	\$0	0.00
Total Cumulative District Values 2010 <i>As Percent of City Total</i>	\$16,032,861 0.80%	449.52 1.57%
<i>(1) Source: NHOEP compilation based on New Hampshire GRANIT System; NH Office of State Planning & Complex Systems Research Center, UNH</i>		
<i>(2) Cumulative valuation permitted for proposed TIF plus valuation in other TIF districts for which bonds remain outstanding</i>		
<i>(3) The valuation figure is based on 2010 assessments, plus valuation of Airport hangar lease values to be assessed beginning April 1, 2011</i>		

The statute also limits the cumulative land area and taxable valuation within all TIF districts of a municipality to 16% of assessed valuation and 10% of total land area. Rochester has no other existing TIF districts.

The City is anticipating the possible creation of a second TIF district along NH Route 11. Based on a 2005 analysis of the proposed Route 11 TIF district, the combined TIF valuation and acreage of both districts would remain well within the statutory limits.

C. Proposed Development Activities

The City's principal activities in developing the Granite State Business Park TIF District may include land acquisition and assembly, public infrastructure development, marketing and promotion of the District, negotiation of development agreements, and the sale or lease of property for commercial and industrial development.

1. Acquisition of Land, Easements and Rights of Way

The City intends to undertake land acquisition solely through a negotiation process, without the need for involuntary acquisitions. Land acquisition by the City will center on property required for installation of necessary public infrastructure and roadways, and on securing key parcels where feasible to facilitate development that is consistent with the objectives for the District.

Phase I of the GSBP contains a number of serviced but undeveloped lots that are in common ownership. At a minimum, the City will acquire a 4.39-acre lot (41 Airport Drive) to support the extension of a roadway to Phase II. Future activities may include acquisition of other undeveloped properties in Phase I of the GSBP to facilitate efficient development or to assemble sites for resale or lease to private parties.

Phase II of the GSBP comprises three large undeveloped parcels. One of these, a 50.5 acre lot (parcel 0242-0006) has been purchased by the City to enable Phase II industrial development to begin once the parcel is accessed by a new railroad overpass bridge, road and public utilities. Other acquisitions may be made in the future during the course of TIF development and buildout.

The cost of acquisition, net of sales proceeds, may be recovered through tax increments to reimburse the City for investment to secure those properties.

a. Relocation and Displacement

The City intends to acquire all property through negotiated purchases. It does not anticipate the need to relocate persons, families, or businesses due to publicly financed acquisition or development activity within the Granite State Business Park TIF District. Any proposals for the involuntary displacement of persons or businesses would require an amendment to this TIF Development Program.

b. Property Disposition & Reuse of Private Property

The City may convey all or a portion of property it acquires within the TIF District to private developers in under the terms of specific development agreements designed to promote the objectives of the Development Program. The terms of purchase and sale agreements or development agreements pertaining to properties transferred by the City must be approved by the City Council.

2. Environmental Remediation of City-Owned Sites

While there is no anticipated need for the remediation of contaminated sites to be acquired by the City within the TIF District, the City of Rochester may undertake environmental cleanup, remediation or monitoring of municipally owned real estate it owns within the District. The City shall have the authority to accept grants from the federal government, State of New Hampshire, or other entities, to finance remediation activities. Should a need arise for the environmental remediation within property owned by the City in the District, the City may use tax increment revenues for that purpose.

3. Public Facilities to be Constructed

a. Initial Infrastructure Projects

The City's initial capital investment in public infrastructure within the TIF District includes the following elements, which center on improvements necessary to enable development of Phase II of the Granite State Business Park:

1. New railroad bridge to overpass NH Northcoast rail line (enables access Phase II land).
2. Engineering costs for railroad bridge
3. 1,450 linear feet of public roadway extended from Airport Drive
4. 1,200 linear feet public sewer main extension
5. 1,450 linear feet public water main extension
6. 1,400 linear feet of stormwater drainage installation
7. 1,100 linear feet underground electric service installation
8. 1,000 linear feet extension of municipal street lighting
9. Upgrading existing portions of Airport Drive as needed for anticipated development
10. Ancillary costs for related engineering, land clearance, erosion control, excavation, guardrails, slope stabilization and restoration.

Design, approval and construction of these initial improvements is expected to require a one year period, including wetlands permits as may be needed to cross to the buildable area within Phase II of the GSBP.

b. Other Public Facility Costs

While the initial plan for infrastructure development centers on the above elements, additional projects to extend or improve public utilities and roadways may also be undertaken within Phase II of the GSBP in the future, including but not limited to:

1. Extension of public roadways and street lighting
2. Extension of water, sewer and underground electric services.
3. At-grade rail crossings.
4. Sidewalks or other public amenities for employees and public use.
5. Intermodal transportation facilities and rail sidings.
6. Intersection or signalization improvements at Airport Drive and Rochester Hill Road (NH Route 108) as needed to accommodate growth in District traffic.

The Development Program does not envision the creation of public open space by the City within the GSBP TIF District. However, reservations of land for public open space or conservation may be established as conditions of Planning Board approval during the site plan approval process, and/or donated or offered by individual developments.

4. Private Utilities and Railroad

a. Gas and Electric

Natural gas service is provided to the Granite State Business Park by Unitil (formerly Northern Utilities.) Unitil has a policy of extending service lines at its own cost to provide service to new development sites.

Public Service Company of New Hampshire (PSNH) is the provider of electric service to the GSBP.

The City may enter into such contracts and agreements as are necessary to enable the installation of underground electric service within the TIF District, cable and telephone, natural gas or other common services, and to provide for appropriate easements for the installation and maintenance of these facilities.

b. Rail

The City has discussed with New Hampshire Northcoast Railroad the need for a railroad crossing and the possibility of a siding for business use in the GSBP. Rail use is expected to increase as the price of fuel continues to escalate, affecting overhead, production and transportation costs for some industries.

The GSBP development program includes the cost for the City to construct a bridge overpass of the rail line. Future infrastructure development within the GSBP TIF District may require other improvements to be negotiated with Northcoast Railroad in support of business development within the District.

5. Environment Controls

Private property within the District shall be developed or redeveloped in accordance with the goals, objectives, and standards set by the following City documents, as amended:

1. Rochester Master Plan and economic development strategy;
2. Zoning ordinance;
3. Special zoning overlay provisions centering on the Skyhaven Airport flight path and vicinity
4. Subdivision regulations;
5. Site plan review regulations;
6. Building and life safety codes;
7. All applicable state and federal laws pertaining to abatement of hazardous materials or environmental contamination.

In addition to applicable public regulations, other pertinent limits on development may be defined by the terms of development agreements between the City and individual private parties, and in specific covenants applicable within the Granite State Business Park.

Covenants and restrictions were developed at the inception of the GSBP as part of its original Master Plan and marketing strategy. Those provisions will be reviewed regularly by the REDC/RIDA to assure continuity of high standards for park maintenance and development. The intent of the covenants is to protect the integrity, investment value, and corporate image of the properties within the GSBP.

D. Tax Increment Financing Plan

1. Objective

The objective of the Financing Plan is to provide funds for the construction of public improvements, to offset of the net public cost of land acquisition and assembly, and for organizational and administrative expenses for incurred in creating and developing the GSBP TIF District. The City intends to use the property tax revenue derived from captured (incremental) assessed valuation within the GSBP TIF District to fund public infrastructure and to reimburse the City for other expenditures incurred in creating the District.

2. Land Acquisition Costs

The cost of land acquisition, less sales proceeds, will be considered an expense eligible for reimbursement from tax increment revenues, but subordinate to the use of incremental revenues to pay debt service on bonds for public infrastructure.

3. Sale of City-Owned Real Estate within the TIF District

As part of the Development Program, the City may convey individual properties to private entities for the purposes of development consistent with the purposes of the District. Net revenues generated from the sale of these parcels shall be used to reimburse the City's Economic Development Fund for its prior investments in land acquisition within the TIF District. Acquisition costs that are not recovered from net sales proceeds may be reimbursed as an eligible expense of the TIF Development Program.

4. Cost of Public Improvements

The City anticipates approaching public improvements in multiple phases over the course of the development or build-out of the Granite State Business Park. The initial cost of the essential public improvements required to initiate the development of Phase II is estimated at \$3.1 million. (See Table 5.)

Table 5 – Estimated Cost of Public Improvements

Public Infrastructure Development	Estimated Cost
Railroad Bridge, Roadway Upgrade, Water, Sewer Extension, Lighting, Drainage (Road Extended from Airport Drive)	\$2,591,750
Bridge Engineering	\$310,214
Contingency, Administration & Reimbursements	\$200,000
Total Investment to Initiate Phase II	\$3,101,964

(Note: Cost estimates prepared November-December 2010)

Assuming bonded debt at the above amount, annual debt service costs would be:

20-year bond @ 4.25% - level annual payment: \$233,329 per year

20-year bond @ 5.25% - level annual payment: \$254,213 per year

The costs estimated in Table 5 do not include projections for other long-term infrastructure investments that may be needed during the full course of buildout within the GSBP TIF District. As additional public improvements are proposed, the City may amend the Financing Plan in accordance with applicable provisions of RSA 162-K.

The estimated costs shown above in Table 5 are draft budget figures for a specific set of improvements. For comparison, annualized debt service costs (level payment, 20 years) are illustrated in Table 6 below for a range of bonded debt amounts from \$1 million to \$5 million at interest rates of 4.25% to 5.25%.

Table 6 – Annualized Debt Service Comparison

Bonded Amount	Level Annual Payment Required Principal and Interest	
	@ 4.25%, 20 Years	@ 5.25%, 20 Years
\$1,000,000	\$75,220	\$81,952
\$2,000,000	\$150,440	\$163,905
\$3,000,000	\$225,660	\$245,857
\$4,000,000	\$300,879	\$327,809
\$5,000,000	\$376,099	\$409,761

5. Revenue Potential from Captured Assessed Valuation in District

a. Annual TIF District Revenues

TIF revenues will be generated by property taxes levied on the captured assessed valuation within the District after the date of its creation. Long term projections of buildout of the GSBP TIF District indicate the following annual tax revenue potential generated by 100% retention of captured assessed value.

<u>Year Ending:</u>	<u>Annual Tax Revenue Potential From Captured Assessed Valuation</u>
2013	\$ 191,000 to \$ 208,000
2015	\$ 298,000 to \$ 324,000
2020	\$ 500,000 to \$ 550,000
2025	\$ 540,000 to \$ 588,000
2030	\$ 745,000 to \$ 811,000

The above revenue estimates rely on assumptions that include anticipated near-term development commitments, a continuation of the historic annual pace of growth in industrial floor area within Phase I of the GSBP, and development of large lots in Phase II by new industrial users in 2013, 2020, and 2027.³

b. Retention of Captured Value for TIF Expenses

In order to meet the projected annual debt service costs for public improvements, initially estimated at \$233,000 to \$254,000 per year, 100% retention of captured assessed valuation will be required during the initial years of the TIF. The portion of captured assessed valuation required to be retained for TIF expenses may change over time depending on the actual pace and character of new development within the TIF, actual valuations assigned to TIF properties, and property tax rate

³ See long term development, estimate of captured assessed value and tax rate assumptions contained in Granite State Business Park Tax Increment Financing District - Buildout Estimate and Revenue Potential, March 18, 2011, prepared for City of Rochester by BCM Planning, LLC.

c. Annual Allocation of Captured Value

Where annual tax increment revenues from the GSBP District, together with unexpended balances of such revenues from prior years exceed the amount necessary annual debt service payments, the balance may be used to offset other approved costs for prior expenditures for land acquisition or TIF development costs, to fund public improvements within the District, to create reserve funds set aside for future improvements, or for the operation and maintenance of public infrastructure. The priority for use of incremental TIF revenues shall be:

1. Bonded debt service;
2. Repayment of past expenditures for funds drawn from the Economic Development Fund for acquisition, to the extent required to offset costs net of sales proceeds;
3. The recovery of initial costs for land capability analysis, infrastructure development cost estimates, legal and consulting fees pertinent to the creation or development of the District
4. Funding of capital reserve accounts or other improvement funds designated for upgrade or replacement of water, sewer, roads, traffic safety, or stormwater drainage facilities.
5. Approved operating costs for public infrastructure within the TIF District.

d. Impact of TIF District on Related Taxing Jurisdictions

In accordance with RSA 162-K10, tax revenues generated by the original assessed value (base value) of the TIF District will continue to accrue to the City's general fund, as well as to the Rochester School District, Stafford County, and the State of New Hampshire. The general appreciation of property values reflected by changes in the real estate market will continue to accrue to the taxable value of the City in generating taxes that support the City's general fund, the Rochester School District, Strafford County, and State of New Hampshire.

The captured assessed valuation that is created and retained within the District to fund TIF expenses is not included as part of the taxable valuation of the City when computing property tax rates. While all or a portion of captured assessed valuation may be retained by the District to fund internal public improvement costs for a period of time, the original taxable valuation within and outside the TIF remain available to all taxing jurisdictions. Consequently the assessed valuation and revenue base available to all taxing jurisdictions is not diminished as a result of forming the District.

During the operation of the TIF District, tax revenue from captured valuation that not required to fund eligible expenses of the TIF Development Program will become available to all tax jurisdictions. Upon expiration of the TIF District, all incremental valuation that has been created within the TIF becomes available generated property tax revenues for the City's general fund and to all other taxing jurisdictions.

6. Reimbursement of Previous City Expenditures

The City has invested in the predevelopment planning of the Granite State Business Park expansion in the form of legal and consulting costs for TIF District development, land capability analysis, environmental review of land capability, development potential, and estimates of infrastructure development costs. Prior investment by the City that is directly related to TIF land acquisition and public infrastructure development, planning and development-related consulting and legal costs shall be reimbursable from TIF incremental revenues. The recovery of these past expenditures will be subordinate to the principal use of incremental revenues to fund current year debt service payments for infrastructure costs.

7. Operation and Maintenance

The City will be responsible for the operation and maintenance of all public facilities, including the cost of winter and summer maintenance of roads, bridges and street lighting, and the operation and maintenance of storm drains and catch basins, public water and public sewer utilities. The cost of public water and sewer operations are offset by connection and user charges to individual properties served by these systems.

While the cost of operation and maintenance of road and drainage facilities may be charged against the incremental revenues of the TIF District, these costs will initially be borne by the general fund or by the appropriate utility fund, unless otherwise approved by the District Administrator with the approval of the Advisory Board.

The City may also establish capital reserve accounts for the replacement or upgrades of public infrastructure within the District using TIF incremental revenues.

E. District Administration

1. Administrator

The administrator of the Granite State Business Park TIF District shall be by the City Manager, who shall make an annual financial report to the City Council.

2. Advisory Board

In accordance with RSA 162-K: 14, the City Council shall pass a resolution which shall create an Advisory Board for the GSBP District. A majority of the Advisory Board shall be owners or occupants of real property within or adjacent to the District. The same resolution shall incorporate provisions of 162-K: 14 and stipulate the powers and authority of the Advisory Board. The purpose of the Advisory Board shall be to review the policies and actions of the district administrator in the planning, construction and implementation of the Development Program and the operation of the District after the program are completed.

The Advisory Board shall have 30 days to appeal any decision of the district administrator to the City Council for review and appropriate action. The Advisory Board shall meet either as determined by the chair of the Board or the mayor or the City Manager to examine operation and maintenance of the TIF District.

3. Amendments

Amendments to the boundaries of the TIF District, the Development Program or Financing Plan shall be undertaken in accordance with the public hearing process set forth within RSA 162-K:4, including its requirements for reasonable notification to the Rochester School District and Strafford County, in accordance with RSA 162-K:9.

4. Duration of Program

The Granite State Business Park Tax Increment Financing District will remain in existence until eligible public expenditures of the District have been repaid through tax increment revenues.