



**TOWN OF WINDSOR
FINANCE COMMITTEE
May 23, 2022
HYBRID MEETING**

APPROVED MINUTES

1. CALL TO ORDER

Councilor Jody Terranova, Chair of the Finance Committee, called the meeting to order at 7:00 p.m. with Deputy Mayor Lisa Bress and Councilor Ken Smith present.

Staff Present: Peter Souza, Town Manager; Scott Colby, Assistant Town Manager; Jim Bourke, Finance Director and Patrick McMahon, Economic Development Director

2. PUBLIC COMMENT

George Slate, 74 Ethan Drive, made comments regarding an email from May 23, 2022.

3. DISCUSSION OF AMENDING TAX INCREMENT FINANCING POLICY

Patrick McMahon, Economic Development Director, reported the Tax Increment Financing (TIF) is a local economic development policy and program that is enabled and guided by state law, *CT General Statute* Section 7-339cc to 7-339kk. This item was referred to the Finance Committee following a presentation to the Town Council in March. TIF districts can be a single property or multiple properties. Towns can establish more than one TIF district, but by CT Statute all TIF districts combined cannot exceed 10 percent of the taxable real estate value of the community.

Mr. McMahon stated the first step in the process of designating a TIF district is determining the district boundary. State law provides criteria that must be reviewed in establishing a qualified TIF district. For example: a portion of the real property within the proposed district needs to meet at least one of the following criteria:

- be a substandard, insanitary, deteriorated, deteriorating or blighted area;
- be in need of rehabilitation, redevelopment or conservation work; or
- be suitable for industrial, commercial, residential, mixed-use or retail uses, downtown development or transit-oriented development

It is possible that TIF districts could be considered for portions of Windsor Center, Wilson/Deerfield area as well as in our corporate areas.

Determining District Terms

Towns can establish TIF districts for up to 50 years but most communities that have designated districts have chosen periods of 20 or 30 years. A municipality's legislative body may at a later date vote to extend the term up to 50 years if there is continued benefit from the district. Communities that have designated districts have chosen between 50 and 100 percent capture.

The Finance Committee concurred with the Policy recommendation for terms up to 20 years with the ability of the Town Council to extend the term should there be a continued benefit from the District(s).

Potential Uses of TIF Revenue

There are three broad areas for use of TIF revenue: 1) pay-as-you-go economic and community development programs and projects; 2) to pay back general obligation or revenue bonds issued for project improvements; and 3) enter into credit enhancement agreements.

TIF is a flexible tool to make targeted investments within districts; such as:

- Façade improvements
- Project development and redevelopment costs
- Capital costs, remediation costs, land assembly costs
- Technical and marketing assistance
- Revolving loans
- Professional services
- Administrative expenses, including personnel, studies, costs for Main Street programs
- Business development and expansion assistance for TIF district property owners
- TIF district establishment costs
- Off site impacts (related to impacts of a TIF district)
 - Roadways, water/sewer
 - Public safety
 - Schools
 - Mitigate adverse impacts (e.g., new traffic)
- Economic development and environmental
 - Economic development initiatives
 - Work force training
 - Environmental mitigation

TIF revenue can be used to repay public or private debt for cost incurred in development. Most towns are reserving the right to utilize TIF for repayment of general obligation bonds but are prioritizing pay-as-you-go programs and improvements and the use of Credit Enhancement Agreements (CEA).

Determining Percent of Capture

Another consideration for communities is what percentage of Incremental Revenue will be captured for use within the TIF district. Communities that have designated districts have chosen between 50 and 100 percent capture. As the overall physical condition and market strength of the district can help inform what percentage of capture is most appropriate. After asking questions and discussing this topic the Finance Committee concurred that the percentage of capture would be best determined as each TIF District Master Plan is approved.

TIF Advisory Committee

State law recommends, but does not require, a TIF Advisory Committee. The draft Policy calls for the Economic Development Commission to be charged with advising the Town Council and Town Manager on the creation and implementation of the District Master Plans.

Deputy Mayor Rampulla Bress asked for clarification on the process for establishing a TIF and creating a Master Plan. Who creates this and determines the boundaries? Mr. McMahon responded that staff along with the Town Manager, Planner, Assessor and Finance would draft it before bringing it to the legislative body. In general mostly town staff, guided by the POCD and TOD. A developer or private property owner(s) can also approach the town and propose a district be created.

Deputy Mayor Rampulla Bress inquired about the establishment of a TIF Advisory Committee and if CEA's are separate agreement. Mr. McMahon mentioned that the Advisory Committee is created after the Master Plan and that CEA's are separate and would essentially be development agreement with the project some developer. CEA's would be considered by the Town Council separately.

There was discussion around the role of the Economic Development Commission and the Advisory Committee. Deputy Mayor Bress expressed a desire to include representation on an Advisory Committee from residents of a district. The committee discussed this topic and provided direction to have staff incorporate language in the draft policy that the EDC would seek input from both staff and residents within proposed or approved districts as part of their process of developing recommendations.

Councilor Smith asked if our TIF policy expired in 2017. Mr. McMahon stated one aspect of the Tax Abatement policy relating to housing projects in town center did expire. Councilor Smith asked if there was an example from the town center using the TIF. Town Manager Souza said First Town Center used a version of TIF under the former state enabling law. Windsor Station was a developer agreement which provided for a 4-year tax abatement and lower than market value land sale.

Councilor Terranova asked for thoughts on the term for length of the TIF. It is proposed in the draft policy for 20 years. Deputy Mayor Rampulla Bress stated 20 years is acceptable while 30 years seems too long. Councilor Smith stated he was leaning towards 10-15 years. Mr. McMahon explained the term length and how developers use it along with borrowing. Deputy Mayor Rampulla Bress stated that it sounded similar to a 30 year mortgage.

Consideration of Credit Enhancement Agreements (CEAs)

CEAs are a mechanism for providing assistance to property owners or developers undertaking development projects in the TIF District. A CEA is a contractual agreement between the Town and Applicant that allows the Town to provide reimbursements of future incremental property tax revenues to the Applicant in exchange for development expenses incurred by the owners/developers for their project.

The Policy allows for CEAs to be up to the full term of the district and up to 100% of the TIF revenue produced from the particular property. This is in keeping with what other communities that have adopted TIF districts have done to date and was acceptable to the Finance Committee.

Councilor Terranova asked what would be the minimum investment. Mr. McMahon stated in general a CEA is used for the larger projects but staff did not want to exclude smaller desirable projects. Councilor Terranova asked if staff was comfortable with a \$500,000 minimum investment. Mr. McMahon stated he was and that some communities have set lower or higher dollar thresholds.

Councilor Terranova asked why someone would choose the CEA over the TIF. Mr. McMahon stated the CEA allows for lending. They are also more likely to secure capital knowing that the town is involved to a degree.

When considering an application for a CEA, the Finance Committee was in favor of requiring a minimum investment of five hundred thousand dollars (\$500,000) in development costs and a minimum applicant equity contribution of ten percent (10%) of the project.

The Finance Committee considered the criteria to evaluate applications for CEAs. The draft Policy will be updated to include additional language in two areas:

1. Projects creating new multifamily housing would need to provide at least 20% of the units at or below 80% Area Median Income.
2. The criteria for green technology includes examples such as LEED (Leadership in Energy and Environmental Design) certified construction, solar installation, EV charging stations or other alternative energy measures.

Role of Finance Committee in considering TIF districts and CEAs

It was recommended that the Finance Committee should have the opportunity to review applications for new TIF districts, as well as CEAs, and language to that effect will be incorporated into the Policy.

Deputy Mayor Rampulla Bress suggested creating a flowchart to explain the overall process.

MOVED by Deputy Mayor Rampulla Bress, seconded by Councilor Smith to recommend that the Tax Increment Financing policy with recommended changes be reviewed at a future Town Council meeting.

Motion Passed 3-0-0

4. DISCUSSION OF GENERAL FUND BALANCE POLICY

Jim Bourke, Finance Director, stated given the strength of our current reserves, it is appropriate to review the policy in terms of potentially including guidance language related to the reallocation of reserves when the 20% parameter is exceeded.

Mr. Bourke stated that over the past several years, the town has experienced positive General Fund operating results in terms of surplus revenues and expenditure savings due to strong grand list growth, revenue from building permits, conveyance fees, grants, delinquent property tax collections, as well as vacancy savings and monitoring of expenditures. In the past the Town Council, on an annual basis, has approved use of the Unassigned Fund Balance for a range of projects and uses such as capital projects, tax rate stabilization (opening cash), and open space preservation.

As a result, the Unassigned Fund Balance as of June 30, 2021 was 25% of the adopted FY 22 General Fund operating expenditures, and is \$6.3M over the 20% policy amount. Current

projections for the Unassigned Fund Balance as of June 30, 2022 is preliminarily estimated to be \$6.5M over the 20% policy amount.

Mr. Bourke stated as noted previously, the policy currently provides guidance as to how the General Fund Unassigned Fund balance may be spent. The purpose of this agenda item is to identify potential policy language to guide the use of the unassigned reserves once the level of the fund balance has exceeded 20%.

A surplus in the General Fund unassigned fund balance identified in the Town's audited financial statements that exceeds 20% maximum target will be available for possible appropriation. In making said allocation of funds, the Town Council shall give priority to the following activities:

- Transfer up to 40% to Tax Rate Stabilization Fund for use to reduce the tax rate in the subsequent year(s) provided that care is taken to avoid a major fluctuation in the tax rate in succeeding years
- Transfer up to 20% of excess to the Capital Projects Fund for capital projects
- Transfer up to 20% of excess to fund long term liabilities in Other Post Employment Benefit programs (OPEB) or defined benefit pension plan
- Transfer up to 20% of excess to Clean Energy & Sustainable Projects Fund

Deputy Mayor Rampulla Bress asked if we are locked into this suggested policy or can we use the funds. Town Manager Souza stated that if an opportunity or emergency were to occur then the Town Council would be able to discuss the allocation of these funds.

Councilor Smith asked if we were to be at 17% in reserves if this would affect our current bond rating. Town Manager Souza indicated that the Town Council has an adopted policy and would still be higher than 15% so it should not affect our bond rating.

Councilor Terranova inquired about the process for the allocation and utilization of these funds.

MOVED by Deputy Mayor Rampulla Bress, seconded by Councilor Smith, to recommend the General Fund Balance policy to the Town Council.

Motion Passed 3-0-0

5. DISCUSSION OF AMENDING TAX ABATEMENT POLICY

Town Manager Souza provided an introduction to this item.

Deputy Mayor Rampulla Bress inquired as to how other communities' tax abatement policies are structured. Mr. McMahon stated that this policy allows for flexibility and allows for potential local requirements.

Deputy Mayor Rampulla Bress asked how we would know if the local requirements were being met. Town Manager Souza stated that since they have an abatement, they have to provide a report to the town during the abatement period.



Deputy Mayor Rampulla Bress asked if clean energy objectives within a tax abatement policy were included within Sustainable CT. Assistant Town Manager Colby stated Sustainable CT did not have objectives related to tax abatement policies.

Councilor Terranova stated that she would like to continue the discussion on this topic and have town staff work on a revised draft based on the discussion.

6. APPROVAL OF MINUTES

MOVED by Deputy Mayor Rampulla Bress, seconded by Councilor Smith, to approve the unapproved minutes of the February 16, 2022 meeting as presented.

Motion Passed 3-0-0

7. ADJOURNMENT

MOVED by Deputy Mayor Rampulla Bress, seconded by Councilor Smith, to adjourn the meeting at 9:04 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Scott Colby
Assistant Town Manager