REVITALIZATION TOOLS AND STRATEGIES FOR RHODE ISLAND’S URBAN AND VILLAGE CENTERS:

THE TOOLS

Grow Smart Rhode Island
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Revitalization Tools: A Primer

- Redevelopment Areas
- Tax Increment Financing
- Improvement Districts
- Historic Tax Credits
- Rebuild Rhode Island Tax Credits
- Brownfields Funding
Redevelopment Areas

- **Statutory Authority.** RIGL Chapters 45-31 – 45-32.

- **Necessary Approvals.** The municipality must designate by resolution or ordinance a redevelopment area.

- The redevelopment agency must adopt a redevelopment plan for the project area satisfying the requirements of RIGL Section 45-32-8. (Extensive list of requirements, including blight).

- Then the redevelopment agency must submit the redevelopment plan to the city or town council and the planning board for approval.

- The city or town council must adopt the redevelopment plan by an ordinance satisfying the requirements of RIGL Section 45-32-20. (Again, long list of findings).
Redevelopment Areas

Considerations

Under Section 45-32-5(a)(5) and (a)(6), the redevelopment agency is limited to financing the development of a project site as a building site, the construction of public facilities.

Under Section 45 32-5(b), the redevelopment agency must own or acquire the property and cannot construct any new buildings for residential, commercial, or industrial uses contemplated by the redevelopment plan.

Process can be long and expensive.
Tax Increment Financing

Statutory Authority. RIGL Chapters 45-31 – 45-33.2. (Note that legislation is pending that would modernize the Municipal TIF Statute and change the process under the heading Necessary Approvals below).

Necessary Approvals. Municipality starts with same approvals as for Redevelopment Area described above. Under RIGL Section 45-33.2-3(4)(i), the redevelopment agency's redevelopment plan must include a project plan for the Project, and a Tax Increment Area.

The city or town council must adopt the project plan after making specific findings required by RIGL Section 45-33.2-4.
Tax Increment Financing

Required findings:

i. For a Project providing municipal or other public facilities or land, that the facilities, programs and other assistance are needed and that the Project is in the public interest; or

iii. For a Project providing land for industrial or commercial development or revitalization, that unemployment or the threat of unemployment exists in the municipality, or that security against future unemployment is required, that the Project is needed, that it will provide employment or security against loss of employment, having a reasonable relationship to the probable cost of acquiring, establishing, improving or rehabilitating the facilities in which the employment is to be provided and maintained, and that that Project is in the public interest or that the requirements of paragraph (iii) below are satisfied; or
Tax Increment Financing

iii. With respect to the entire Project:

(a) that the Project is located in a "blighted and substandard area" or that the Project is needed to prevent the area from becoming blighted and substandard;

(b) that the Project area would not by private enterprise alone, without either governmental subsidy or the exercise of governmental powers, be developed or revitalized so as to prevent, arrest, or alleviate the spread of blight or decay;

(c) that the plan will afford maximum opportunity to privately financed development or revitalization consistent with sound needs of the municipality as a whole; and

(d) that the financing of the Project in accordance with the plan is in the public interest;
Tax Increment Financing

Assessed Value

Base Value

Captured Increment Less “GO” Portion

Creation Date

Maturity

Tax Revenues Flow to:

Tax Increment Fund
Excess above debt service and coverage goes to General fund

Municipality and General Fund
Tax Increment Financing

Considerations

Several stages of approval are necessary (redevelopment agency, city or town council and the planning commission).

Process is long and expensive

Requires a finding of blight, which is often difficult to make
Improvement Districts

Statutory Authority: RIGL Chapter 45-59

Improvement District supplements services provided by municipal government

Established by ordinance or resolution of city or town council upon petition of real property owners of 60% of assessed value of property

At least 50% of the real property must be commercial and retail;

Need to have established a 501(c)(3) which will have appointing authority.

Public hearing on petition within 90 days.

Newspaper notice 3 successive weeks.
Improvement Districts

Council approves creation of Improvement district authority to levy special tax assessment.

Authority has corporate powers to:

- Clean streets,
- Provide for security
- Do landscaping
- Provide for trash removal
- Authorized to borrow for up to 3 years of public improvements (very limited capacity)

Considerations – Frank LaTorre.
Federal Historic Tax Credits

Statutory Authority: Tax Reform Act of 1986 (P.L. 99-514; Internal Revenue Code Section 47)

What is a tax credit? Different from tax deduction which lowers the amount of income subject to taxation. A tax credit lowers the amount of tax owed.

20% Tax Credit - Income tax credit available for the rehabilitation of historic, income-producing buildings.

The State Historic Preservation Commission and the National Park Service review the rehabilitation work. The IRS defines qualified rehabilitation expenses. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.

- Building must be depreciable (used in trade or business)
- Rehabilitation must be substantial < $5,000 or the adjusted basis of building (purchase price, minus land cost, plus improvements mad already, minus depreciation taken already).
Federal Historic Tax Credits

10% Tax Credit – Income tax credit available for the rehabilitation of *non-historic buildings* placed in service before 1936. The building must be rehabilitated for non-residential use. In order to qualify for the tax credit, the rehabilitation must meet three criteria:

- at least 50% of the existing external walls must remain in place as external walls,
- at least 75% of the existing external walls must remain in place as either external or internal walls, and
- at least 75% of the internal structural framework must remain in place.
State Historic Tax Credits

The credit equals 25% of the cost of approved rehabilitation work for projects that rehabilitate space for a trade or business, and 20% of the cost of approved rehabilitation work for residential apartments and condominiums.

Program sunsets June 30, 2017 *(current pending legislation may extend the sunset provision to June 30, 2019)*

Mixed views regarding State Historic Tax Credits. Some view as efficient catalyst for community revitalization and economic development. Others take view that State Historic Tax Credits are costly and inefficient.
Historic Preservation Easements

Tax Benefits for Historic Preservation Easements.

A historic preservation easement is a voluntary legal agreement, typically in the form of a deed, that permanently protects an historic property. Through the easement, a property owner places restrictions on the development of or changes to the historic property, then transfers these restrictions to a preservation or conservation organization. A historic property owner who donates an easement may be eligible for tax benefits, such as a Federal income tax deduction.
Rebuild Rhode Island Tax Credits

Statutory Authority: RIGL Chapter 42-64.20

Tax Credits available for Commercial Projects, Residential Projects and Mixed-use Projects

In general, project cost must be over $5,000,000

At least 20,000 or 25,000 square feet depending on type of project

Applicant must have at least 20% equity

There must be a Project Financing Gap
Rebuild Rhode Island Tax Credits

May require a tax stabilization agreement

$15,000,000 maximum tax credit, in up to 5 increments

Qualified Development Project may be exempt from sales and use taxes

Program Sunsets December 31, 2018

Mixed reports from developers regarding the program
Brownfields Funding

Statutory Authority: Small Business Liability Relief and Brownfields Revitalization Act ("the Brownfields law") P.L. No. 107-118

- Assessment Grants
- Revolving Loan Fund Grants
- Cleanup Grants
- Job Training Grants
- Area-Wide Planning Grants
- EPA Targeted Assessments
- State & Tribal Funding
- Showcase Communities
Brownfields Funding

RI Department of Environmental Management Rules and Regulations define the specific documents that are needed, or may be needed, as part of that process:

- Notification of Release;
- Site Investigation Work Plan (SIWP);
- Public Notice of Investigation;
- Site Investigation Report (SIR);
- Public Notice of Completed Site Investigation & Public Comment Period on Technical Feasibility of Proposed Remedy;
- Remedial Action Work Plan (RAWP);
- Remedial Action;
- Closure Report; and, if applicable, Environmental Land Usage Restriction (ELUR).
Impact of Tax Levy Cap

- In 2006 the General Assembly enacted tax cap legislation, RIGL section 44-5-2, which changed the tax cap from a rate-based tax cap to a levy-based tax cap of 4% per year.

- The effect of the tax levy cap statute is that the benefit of increased taxes associated with new development is spread among taxpayers in general. Thus, municipalities have a disincentive to approve new developments to increase the tax base. In 2008, TIF statute was amended (RIGL section 45-33.2-21) to permit excess increment to be excluded from tax levy cap for up to 25 years if it is pledged to certain financing for certain types of projects. Current law requires approval from Department of Revenue division of property valuation.

This provision has never been used.
Making Revitalization Happen: Tools and Strategies

Panelists

Jeanne Boyle, Director of Commerce, City of Pawtucket
Thomas Liguori, House Counsel, Cherenzia Companies, Westerly, RI & Pawcatuck, CT; and Counsel, Urso/Liguori/Urso, Westerly, RI
Frank LaTorre, Director, Downtown Improvement District, Providence
Barbara Sokoloff, Barbara Sokoloff Associates, Providence, RI

Importance of bundling programs from multiple sources.

Importance of strategies, not just the tools.
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