

# **BUSINESS DEVELOPMENT TAX INCENTIVE PROGRAM**

## **1. PURPOSE**

The purpose of the Business Development Tax Incentive Program (the “Program”) is to attract new businesses to Town, promote expansion of existing businesses and to encourage rehabilitation and reuse of vacant commercial and industrial buildings. It is the intent of the Town: (1) to create long term tax base growth through the expansion of existing business, (2) to encourage construction of new business facilities, (3) to encourage substantial investment in new machinery, equipment and other personal property subject to taxation within the Town, (4) to assist in the creation of jobs, (5) to promote the extension of utilities where appropriate to support future business development; and (6) to support the rehabilitation and preservation of historic buildings.

## **2. QUALIFYING BUSINESSES**

All uses enumerated in subdivision (b) of CGS Sec. 12-65b that are permissible under Town ordinances, regulations, rules and codes and are consistent with the Canton Plan of Conservation and Development shall qualify for the Business Development Tax Incentive Program.

## **3. MAXIMUM BUSINESS TAX INCENTIVES (MBTI)**

The table below indicates the **maximum business tax incentives (MBTI)** that can be granted to a business expansion or development. The total value of the MBTI, including tax abatements, utility expansion reimbursement, waiving of fees or tax increment financing shall not exceed the following percent of taxes owed as a result of the **increased taxable value of real property**:

**Chart 3**

MBTI	60%	60%	50%	40%	30%
Year	1	2	3	4	5

## **4. ELIGIBILITY REQUIREMENTS**

In order for a qualified business to receive tax incentives, the business must also meet certain eligibility requirements. These requirements are divided into two groups. The first group is minimum eligibility requirements which are mandatory for an applicant to be eligible for a business tax incentive. The second type of eligibility requirements are eligibility guidelines that determine the amount of tax incentive that will be offered.

### **4A. Minimum Eligibility Requirements**

The following requirements must be satisfied before a business can be considered for a tax incentive:

1. All real and/or personal property taxes owed to the Town of Canton shall be paid and no fee or fine can be owed the Town of Canton or an Agency of the Town of Canton;
2. Applicant must have submitted a complete, accurate and thorough application as required by this ordinance and as may be promulgated through additional regulations;
3. The proposed business development or expansion is consistent with the Town's Plan of Conservation and Development;
4. The proposed business development or expansion is a permitted use, or a use may be permitted by the Planning & Zoning Commission through an established process. Any business tax incentive may be conditional on Land Use regulatory approvals.
5. The proposed business development or expansion will increase the value of taxable property by a minimum of \$100,000.
6. If the applicant for business tax incentives is a lessee, tax incentives must be clearly reflected in the lease as accruing to the applicant for the total time period in which the tax incentives are being offered.
7. The applicant must indicate by clear and convincing data, that the total tax revenue received by the Town from the applicant over the first 6 years of the business development or expansion will be greater than both the financial impact of the development on Canton services and the amount of tax incentives offered over the same period [taxes paid-(impact on community + tax incentive)  $\geq$  \$1].

#### **4B. Eligibility Guidelines**

Eligibility guidelines are reviewed to determine the amount of business tax incentives that could be granted. These guidelines are divided into four categories and reflect the stated purposes for the program: 1) Increase the grand list; 2) Location of the business to be developed or expanded; 3) The amount and value of jobs created; and 4) The positive impact on existing or nearby properties, including the extension of utility services. Each category is weighted as a percent of MBTI, *Increase to grand list* being worth 40% and the other three categories worth 20% each. If an applicant was able to completely satisfy the requirements of all four categories then they would receive 100% of the MBTI as indicated in Chart 3.

##### **4B.1 Impact on Grand List – 40%**

The following chart indicates the **increase** in **taxable** property (both personal and real estate) necessary to receive the percent indicated of MBTI (see Chart 3). All values of taxable properties will be determined by the Town Assessor.

**Chart 4B.1**

Value of Increased Taxable Property	Percent of MBTI
\$100,000 to \$500,000	10%
\$500,001 to \$1,000,000	15%
\$1,000,001 to \$2,000,000	20%
\$2,000,001 to \$3,000,000	30%
\$3,000,001 +	40%

**4B.2 Location of Business Development or Expansion – 20%**

The Town of Canton has identified several areas of significance. These are areas that the Town has prioritized as the most critical areas for maintaining sustained, meaningful economic development in Canton. Business development or expansion in the priority areas will receive 20% of the MBTI. The Director of Planning and Community Development will certify whether a proposed business development or expansion is within a priority area.

The recognized priority areas are:

- Collinsville Ax Factory – As identified on the published Existing Industrial Heritage Zone Map in the 2014 Plan of Conservation and Development.
- Route 44 – All properties identified on the published Existing Business Zones Map in the 2014 Plan of Conservation and Development existing along Route 44 from the Avon town line west along Route 44 to the intersection of Route 179 and Route 44 (Hart’s Corner).

**4B.3 Job Creation – 20%**

One of the stated purposes of the Business Development Tax Incentive Program is the creation of jobs. In order to promote the creation of jobs the Town will give an incentive in an amount not to exceed 20% of the MBTI.

The value of a job depends on the income generated by that job. Therefore, jobs are divided into two categories, those that pay equal to or greater than the average job for Hartford County as indicated in the most recent published wage rates by the Bureau of Labor Statistics (high compensated) and those that pay less (lower compensated). A job will be defined as a permanent part-time or full-time position that has the potential to last longer than 12 months. A job will not be considered new if it currently exists with the same applicant in Canton. The amount and type of jobs created will be certified by the Director of Planning and Community Development after consultation with the Economic Development Agency.

### Chart 4B.3

Positions are expressed as full time equivalents (FTEs).

Positions	Percent of MBTI
4 high compensated; or 8 lower compensated; or 10 jobs of either category	10%
6 high compensated; or 12 lower compensated; or 14 jobs of either category	15%
8 high compensated; or 16 lower compensated; or 18 of jobs of either category	20%

### **4B.4 Impact on Existing Properties – 20%**

One of the goals of the Business Tax Incentive Program is to promote the economic revitalization of historic and/or vacant buildings along with extending utilities to areas appropriate for development. Although there is no absolute formula for this category, the following factors will be taken into consideration when determining the percent of MBTI:

1. Façade improvements that increases the value of the property by 25% ;
2. Significant revitalization of a historic structure. A structure shall be considered historic if it exists within an established historic district or has been determined to be of historic importance by the Board of Selectmen after consultation with the Town Historian. A revitalization shall be considered significant if the cost of the revitalization increases the value of taxable property by a minimum of \$100,000;
3. Applicant intends to occupy property that has been vacant for a minimum of 18 months and will increase the value of taxable property by a minimum of \$100,000; or
4. The proposed business expansion or development extends utilities to an area where utilities do not already exist and closer to areas where the nonexistence of utilities has been a hindrance to appropriate business development. The purpose of this section is to promote the extension of utilities to appropriate areas not to offset the cost of installing or hooking up to utilities. The term utilities shall include, but not be limited to gas, water, sewer and fiber optic data lines.

### **4B.5 Process for Determining Value of MBTI**

The actual percent of MBTI to be awarded to an applicant shall be determined by answering the following questions and taking the following steps:

1. Does the business expansion or development meet the qualifications as enumerated in subdivision (b) of CGS Sec. 12-65b and are permissible under town ordinances, regulations, rules and codes and are consistent with the Canton Plan of Conservation and Development?

2. Does the business expansion or development meet the minimum eligibility requirements as specified in Section 4.A?

3. Which of the Eligibility Requirements, as specified in Section 4.B apply and to what percentage?

**Chart 4B.5**

Eligibility Requirement	Maximum Percentage	Percentage Awarded
Increase to Grand List	40%	
Location of Business Development or Expansion	20%	
Jobs Created	20%	
Positive Impact of Existing and Surrounding Properties	20%	
Total	100%	

4. Multiply total percentage of eligibility requirements awarded (Chart 4B.5) by the MBTI (Chart 3) to determine the amount of business tax incentives awarded.

5. Determine type of business tax incentive to award (tax abatement, utility extension reimbursement, etc.).

The number of years of tax incentives may be less than but not exceed five. The total value of the tax incentives for all years combined cannot exceed the total amount specified in Chart 3.

For example, if a boutique grocery store relocates from West Hartford to Canton Village and spends 1.8 million dollars to refurbish an old grocery store with preexisting utilities and creates 2 high paying positions and 12 lower paying positions (FTEs) the analysis would be as follows:

**Chart 4B.6**

Eligibility Requirement	Maximum Percentage	Percentage Awarded
Increase to Grand List	40%	20%
Location of Business Development or Expansion	20%	20%
Jobs Created	20%	15%
Positive Impact of Existing and Surrounding Properties	20%	10%*
Total	100%	65%

\* Partial award for rehabbing a currently vacant building

Pursuant to the example above, the new grocery store applicant could receive 65% of the MBTI, as outlined in Chart 4B.7.

**Chart 4B.7**

MBTI	60%	60%	50%	40%	30%
65% of tax credit	39%	39%	32.5%	26%	19.5%
Year	1	2	3	4	5

The percent of taxes being abated will remain the same after a revaluation. For example, if a company with an assessed value of \$1,000,000 has a \$1,000,000 expansion and receives a 50% tax abatement on the improvements then that company would have their total property tax bill reduced by 25%. After revaluation, regardless of the increase or decrease of the new valuation, the total tax reduction would still only be 25%.

**5. TYPES OF BUSINESS TAX INCENTIVES**

Several types of business tax incentives shall be offered. The type of business tax incentive shall be determined at the sole discretion of the Board of Selectmen. The total value of the type(s) of business tax incentives awarded cannot exceed the total tax incentive as outlined in Section 4. The anticipated monetary value of any business tax incentive shall be determined by the Town Assessor. The following are the types of tax incentives permitted under this program:

1. Tax Abatement – Reduction in the percent of taxes owed.
2. Rebate of Fees – This shall include building and other Land Use regulatory permits.
3. Extension of Utilities – The Town shall reimburse the applicant the cost of expanding utilities over a maximum of five years in an amount not to exceed the value of the total tax incentives.
4. Tax Increment Financing Master Plan (TIF) – A TIF may be created that provides for tax incentives to the applicant in an amount not to exceed the total value of tax incentives. At the discretion of the Board of Selectmen, the TIF may require master planning for properties other than those under the control of the applicant. Such master planning shall be coordinated and prepared with the consultation of the Director of Planning and Community Development. Such TIF master plan may include additional tax reserves that can be used at the discretion of the Town.

## **6. APPLICATION, REVIEW AND APPROVAL PROCESS**

### **6A. Application**

The applicant shall submit an application and financial impact analysis. The Director of Planning and Community Development shall create an application form that includes the following information:

1. The specific business tax incentive being requested and rationale for the request. The specific business tax incentive may include:
  - a) Tax assessment reduction specifics on a year to year basis, consistent with eligibility requirements and other criteria specified in this ordinance;
  - b) Waiving or reduction of any Town permit fee, specifying the amount of requested waiver;
  - c) Any utility extension reimbursements request must specify the amount of request along with all construction details; and
  - d) Tax Increment Financing Master Plan (TIF) shall include the specific area to be master planned and the tax incentive requested.
2. Description of the project including an estimate of the number of jobs to be created (FTEs) and the anticipated wages.
3. Description of the applicant's business including a listing of its officers.
4. Description of the business and its products or services.
5. An estimate of the value of the proposed business expansion or development, including real property improvements and taxable personal property.
6. An anticipated project construction schedule.
7. Identification of any other public incentives, financial or otherwise, which have been requested and are included in the project financing.
8. A statement of the benefits to the Town for granting an incentive including an estimate of local taxes to be paid on a year to year basis for as long as the requested incentive lasts.
9. A financial impact analysis which specifies the financial impact of the business expansion or development on Town services. At the discretion of the Board of Selectmen, the Board may require an applicant to pay for a fiscal impact analysis to be performed by a consultant approved by the Board.
10. The copy of any lease or terms of proposed lease for any applicant who is a tenant.

11. If the applicant is relocating a business to Canton from another municipality, the applicant must provide a maximum of five year history of tax assessments and payments to the other municipality.

12. Any other information that the Director of Planning and Community Development deems necessary.

Upon receipt of the application the Director of Planning and Community Development shall review the application and supporting documentation for completeness and accuracy.

### **6B. Review**

Once the application has been accepted by the Director of Planning and Community Development, it shall be forwarded to the Chief Administrative Officer. The Chief Administrative Officer shall apply the information/data in the application to the criteria located in this ordinance to determine initial qualification and eligibility requirements. Part of this review shall be conducted by the Town Assessor to verify the proposed value of improvements.

The original application and Chief Administrative Officer's recommendations shall be submitted to the Economic Development Agency for review and comment. Within 60 days of receiving the application the Economic Development Agency shall submit to the Chief Administrative Officer a report which incorporates the comments and suggestions of the Economic Development Agency.

The Chief Administrative Officer shall submit a final recommended tax incentive plan along with the original application, fiscal impact analysis and report from the Economic Development Agency to the Board of Selectmen for review.

The Board of Selectmen shall review the application and recommended tax incentives and if the Board wants to proceed with the possibility of granting business tax incentives the proposal and supporting materials shall be forwarded to the Board of Finance, who shall then have forty-five (45) days to comment back to the Board of Selectmen on the proposal.

After the Board of Selectmen receives comments from the Board of Finance or the comment period has expired, the Board of Selectmen may direct the Chief Administrative Officer to draft an agreement with the applicant which will be consistent with the requests of the Board of Selectmen and will provide business tax incentives in an amount that does not exceed the maximum amount specified in this program.

### **6C. Approval**

The final tax incentive agreement must either be approved by the Board of Selectmen or a Town Meeting depending on the total value of the business tax incentives. If over the life of the agreement the total business tax incentives are equal to or greater than \$100,000 then the entire



tax incentive agreement must be approved by a Town Meeting consistent with the requirements of Charter Section 3.06. If the total amount of tax incentives is less than \$100,000, then the tax incentive agreement can be approved by the Board of Selectmen in the same manner in which an ordinance is approved pursuant to Charter Section 4.02.

Any tax incentive agreement approved by the Town of Canton shall not be subject to assignment, transfer or sale without the consent of the Board of Selectmen.

## **7. RECAPTURE OF TAX INCENTIVES**

After approval of an agreement and all Town regulatory approvals have been received, construction must begin on any business development or expansion within six months and be completed within 24 months. The Board of Selectmen may approve extension requests at its sole discretion.

During the term of any business tax incentive agreement a participant shall be considered in default if any of the following occurs:

1. Participant relocates a substantial portion of the business outside of Canton;
2. Participant becomes delinquent in taxes or fees;
3. Participant closes its business for more than 30 consecutive days;
4. Participant declares bankruptcy or is the subject of an involuntary bankruptcy proceeding which is not dismissed within 90 days of filing;
5. Participant fails to meet any of the benchmarks set in the agreement (for example creation of jobs or construction date).

Any participant found in default shall immediately forfeit any benefits specified in the tax incentive agreement. All taxes that would have been received by the Town if not for the agreement and any other financial benefit received by the participant shall immediately become due and payable to the Town and constitute a lien against any real or personal property of the applicant.

## **8. APPLICATION OF BUSINESS TAX INCENTIVE POLICY IS AT THE SOLE DISCRETION OF THE BOARD OF SELECTMEN**

Nothing in this ordinance shall require the Town of Canton to enter into a tax incentive agreement. The application of this ordinance shall be on a case by case basis and any criteria or standards, as outlined in this ordinance, shall be applied at the sole discretion of the Board of Selectmen. The final decision to enter into a tax incentive agreement is at the sole discretion of the Board of Selectmen and/or a Town Meeting.

**9. BUSINESS DEVELOPMENT OR EXPANSION PROPOSALS IN EXCESS OF \$35,000,000**

At its sole discretion, the Board of Selectmen can waive the application of this ordinance to any business development or expansion proposal in excess of \$35,000,000. Any agreement for business tax incentives with an applicant not subject to this ordinance shall require Town Meeting approval.