

TIFs, TIEs, and Solar PILOTs...

Getting Out of the Blocks Cleanly.



MAAO
Summer Conference
June 22, 2022

Matthew J. Thomas, Esq.



Pre-Race Preparations

- **Tax Increment Financing (TIF)**
 - In Massachusetts, a TIF is actually a specific type of tax increment financing.
 - In return for capital investment & job creation, the municipality agrees to phase-in taxation on New Growth.



Pre-Race Preparations

- **Tax Increment Exemption (TIE)**
 - Only available in Gateway Cities.
 - In return for creation of Market Rate Housing, municipality agrees to phase-in taxation on New Growth from newly created residential units.



Pre-Race Preparations

- **Solar Payment in Lieu of Tax (PILOT)**
 - Chapter 59, Section 5, Clause 45th.
 - Solar Facilities producing more than 125% of owner's annual energy needs may enter into PILOT agreement with municipality.



Making the Team

- Assessors should be part of the team negotiating TIFs, TIEs & Solar PILOTS.
- Each of these agreements is an economic development tool, but each has major assessing implications.



Making the Team

- If you haven't been asked...
 - TIFs - G.L. c. 40, §§ 59(viii), 60(d), & 60A(a)(vi); G.L. 23A, §§ 3A – 3G
 - DOR IGR 19-13.
 - TIEs - G.L. c. 59, § 5M; 760 CMR 66.06.
 - Solar PILOTs – DOR IGR 21-24.



On Your Mark!

- Review the executed Agreement
 - The 1st FY the Exemption Applies;
 - What is, and is not, included;
 - The Exemption percentage;
 - Annual Escalations;
 - Term & Reporting.



Get Set!

- **Review the Base Assessment**
 - Each type of Agreement will have a Base Assessment.
 - Review and Print Out the Property Record Card for the Base Assessment.
 - Enter the Base Assessment Information into the Excel Workbook.



Get Set!

- Review the Exemption Start Date;
 - Do not assume the Exemption begins as shown on the Estimated Tax Savings Exhibit;
 - TIFs – Certificate of Completion;
 - TIEs – DHCD Final Certification;
 - Solar PILOTs – It depends.



Go!

- We've done everything to get out of the blocks quickly and cleanly.
- Now it's time to make sure we don't stumble during our first few strides.

Let's take a look at an example of each type of Agreement.



1st Strides – TIF Agreement

Project Details

- Vacant Parcel – Value \$1 Million
- Certificate of Completion – 8/1/2020
- Assessed Value by the Assessors upon Certificate of Completion - \$ 6 Million
 - Includes land value



1st Strides – TIF Agreement

Project Details

- Agreement provides:
The exemption for real estate taxes shall commence in the fiscal year following the date a certificate of occupancy has been issued to allow the Company to use and occupy the Project in its entirety.



1st Strides – TIF Agreement

Project Details

<u>Real Estate</u>	
<u>Year</u>	<u>Exemption %</u>
Year 1	95%
Year 2	95%
Year 3	85%
Year 4	85%
Year 5	75%
Year 6	75%
Year 7	60%
Year 8	60%
Year 9	50%
Year 10	50%
Year 11 -15	40%

<u>Personal Property</u>	
<u>Year</u>	<u>Exemption %</u>
Year 1	100%
Year 2	100%
Year 3	100%
Year 4	100%
Year 5	100%

**Exemption Schedules
can differ**



1st Strides – TIF Agreement

Real Estate Assessment/Exemption

Inflation Factor/Adjusted Base

Numerator - \$10,500,000 (\$11,000,000 [FY2022 Total Value Non-TIF Eligible C&I Parcels] minus \$500,000 [FY2022 C&I new growth])

Denominator - \$10,000,000 (FY2021 total value of parcels included in the numerator)

Inflation Factor = 1.05%

FY2022 Adjusted Base Value = \$1,050,000



1st Strides – TIF Agreement

Real Estate Assessment/Exemption

FY2022 TIF Exemption

FY2022 Fair Cash Value	\$6,000,000.00
------------------------	----------------

FY2022 Adjusted Base	\$1,050,000.00
----------------------	----------------

FY2022 Adj. Fair Cash Val.	\$4,950,000.00
----------------------------	----------------

FY2022 TIF Exemption	95%
----------------------	-----

FY2022 TIF Exempted Amt.	\$4,702,500.00
--------------------------	----------------

FY2022 TIF Impacted Amt.	\$1,297,500.00
--------------------------	----------------



1st Strides – TIF Agreement

- FY2023 – the same process is used.
- Once the Inflation Factor is determined its applied to \$1,050,000.
- Taxpayers will look for the TIF Exemption % and so it might help to use multiple page property cards.



1st Strides – TIE Agreement

Project Details

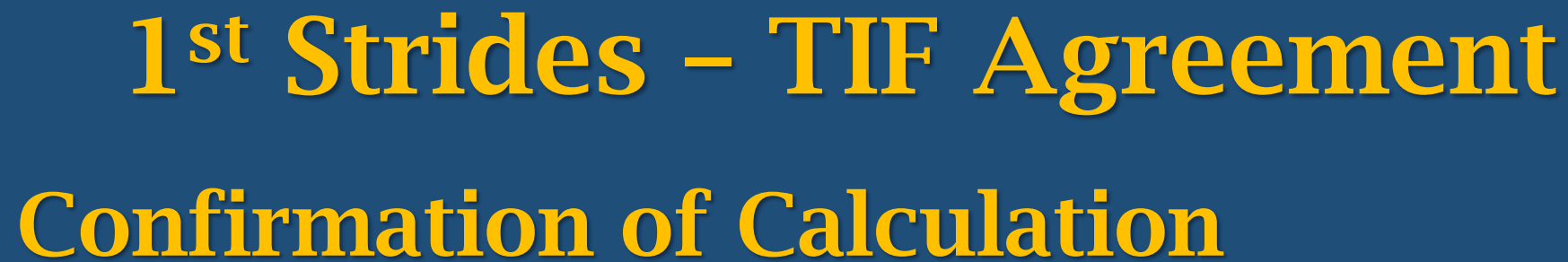
- Project – 40 Units of Market Rate Apts.
10 Units of Affordable Apts.
10,000 sf of Commercial Space.
- The TIE only applies to value of the Market Rate Apartments.



1st Strides – TIF Agreement

Project Details

- Exemptions under TIE Agreements don't begin until DHCD grants Final Certification.
 - Certificate of Completion for all the Residential Units;
 - Tax Increment Exemption – Confirmation of Calculation (Exhibit #4).



- Can only be completed after the CO for the Residential Units has been issued.
- Establishes the Assessed Value to which the Exemptions will be applied.



1st Strides – TIE Agreement

Project Details

- Pre-Dev. Residential Value \$1 Million
- Conf. of Calculation Value – \$11 Million
- DHCD Final Certification – 8/15/2020
- Exemption:
 - Years 1 – 5 80%
 - Years 6 – 10 20%



1st Strides – TIE Agreement

Real Estate Assessment/Exemption

FY2022 TIE Exemption

FY2022 Res. Fair Cash Value	\$ 11,000,000.00
TIE Base Value	<u>\$ 1,000,000.00</u>
FY2022 Adj. Residential Val.	\$ 10,000,000.00
MRRU%	80%
TIE Increment	\$ 8,000,000.00
TIE Increment x 20%	\$ 1,600,000.00



1st Strides – TIE Agreement

Real Estate Assessment

FY2022

TIE Base Value	\$ 1,000,000.00
FY2022 TIE Impacted Res.	\$ 1,600,000.00
FY2022 Non-TIE Impacted Res.	\$ 2,000,000.00
FY2022 Commercial Value	\$ 3,000,000.00
	<hr/>
FY2022 Property Value	\$ 7,600,000.00



1st Strides – TIE Agreement

- FY2023 – the same process is used.
- Taxpayers will look for the TIE Exemption % and so, on a multi use parcel such as this it might help to use multiple page property cards.



1st Strides – Solar PILOTs

Some General Reminders

- Real Estate not included unless under common ownership.
- DOR LFO 2022-1
- Rooftop Solar Facilities on multiple buildings should be treated separately to determine exemption.



1st Strides – Solar PILOTs

When Does the PILOT Begin?

- Since Solar Facilities are personal property they should follow personal property rules.
 - All property, real and personal, situated within the commonwealth...unless expressly exempt, shall be subject to taxation – Chapter 59, Section 2



1st Strides – Solar PILOTs

Tracer Lane II Realty v. Waltham

- Recent SJC Decision on Solar Bylaws.
 - An outright ban of large-scale solar energy systems in all but one to two percent of a municipality's land area, however, restricts rather than promotes the legislative goal of promoting solar energy....

Thank You!



MATTHEW J. THOMAS, ESQ.

Attorney at Law

© Law Office of Matthew J. Thomas, 2022