

## CHAPTER 31

### COMMUNITY REVITALIZATION TAX RELIEF INCENTIVE

**State Law References:** Community Revitalization Tax Relief Incentive, RSA 79-E, State Economic Growth, Resource Protection and Planning Policy, RSA 9-B, Appraisal of Taxed Property, RSA 75:1, Collection of Taxes, RSA 80:1-80:42-a, and Administrative Procedure Act, RSA 541-A.

#### Section 1 Declaration of Public Benefit

- A. It is declared to be a public benefit to enhance Somersworth's Downtown Revitalization District with respect to economic activity, cultural and historic character, sense of community, and in-town residential uses that contribute to economic and social vitality.
- B. It is further declared to be a public benefit to encourage the rehabilitation of underutilized structures in the downtown as a means of encouraging growth of economic, residential, and municipal uses in a more compact pattern, in accordance with RSA 9-B.
  1. In instances where a qualifying structure is determined to possess no significant historical, cultural, or architectural value and for which the City Council makes a specific finding that rehabilitation would not achieve one or more of the public benefits established in Chapter 31, Section 7 to the same degree as the replacement of the underutilized structure with a new structure, the tax relief incentives provided under this chapter may be extended to the replacement of an underutilized structure in accordance with the provisions of this chapter.
- C. Short-term property assessment tax relief and a related covenant to protect public benefit as provided under this ordinance are considered to provide a demonstrated public benefit if they encourage the substantial rehabilitation and use of qualifying structures, or in certain cases, the replacement of a qualifying structure, as defined in this ordinance

#### Section 2 Tax Relief Authority

The City of Somersworth hereby adopts RSA 79-E in the manner specified under RSA 79-E:3. In addition, the City has modified the incentive program to best suit the needs of the City and its constituents.

In the interpretation and enforcement of this article, all words other than those defined specifically below shall have the meanings implied by their context in the ordinance or the ordinarily accepted meanings. For the purpose of this ordinance, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

#### Section 3 Definitions

Covenant. A formal and legally binding agreement or contract such as a lease, or one of the clauses in an agreement of this kind.

Qualifying Structure. A building located in the Downtown Revitalization District as depicted on the Official RSA 79:E Map of the City of Somersworth dated February 2013 and incorporated herein as Appendix A.

Replacement. The demolition or removal of a qualifying structure and the construction of a new structure on the same lot.

Substantial Rehabilitation. Rehabilitation of a qualifying structure which costs at least 15 percent of the pre-rehabilitation assessed valuation or at least \$75,000, whichever is less.

Tax increment finance district. Any district established in accordance with the provisions of NH RSA 162-K.

Tax Relief. A period of time, as determined by the City Council in accordance with this ordinance, the property tax on a qualifying structure shall not increase as a result of the substantial rehabilitation thereof.

Tax Relief Period. The finite period of time during which the tax relief will be effective, as determined by the City Council pursuant to Chapter 19, Sec. 19-20.

## **Section 4 Community Revitalization Tax Relief Incentive**

- A. An owner of a qualifying structure who intends to substantially rehabilitate or replace such structure may apply to the City Council through the Department of Development Services. The applicant shall file a complete application form including the address of the property, a description of the intended rehabilitation or replacement, any changes in use of the property resulting from the rehabilitation or replacement, and submit the required non-refundable application fee of \$50.
  1. In order to assist the City Council with the review and evaluation of an application for replacement of a qualifying structure, an owner shall submit to the City Council as part of the application, a New Hampshire Division of Historical Resources Individual Resource Inventory Form, prepared by a qualified architectural historian and if the qualifying structure is located within a designated historic district established in accordance with NH RSA 674:46, a letter from the Somersworth Historic District Commission that identifies any and all historical, cultural, and architectural value of the structure or structures that are proposed to be replaced and the property on which the structure(s) are located. The application for tax relief shall not be deemed to be complete and the City Council shall not schedule the public hearing on the application for replacement of a qualifying structure as required under NH RSA 79-E:4,II until the inventory form and letter, as well as other required information, have been submitted.
- B. Upon receipt of an application, the application will be reviewed by the Director of Planning and Community Development and any other City official deemed appropriate by the Director for any compliance issues. The applicant must satisfactorily answer any questions they may have for the application to be deemed complete.

- C. The City Council will hold a duly noticed public hearing to take place no later than 60 days from receipt of an application, to determine whether the structure at issue is a qualifying structure; whether the proposed rehabilitation qualifies as substantial rehabilitation; and whether there is a public benefit to granting the requested tax relief and, if so, for what duration.
- D. No later than 45 days after the public hearing, the City Council shall render a decision granting or denying the requested tax relief and, if so granting, establishing the tax relief period.
- E. The City Council may grant the tax relief, provided:
  - 1. The City Council grant the request by a majority vote; and
  - 2. The City Council finds a public benefit under Chapter 31, Section 7; and
  - 3. The specific public benefit is preserved through a covenant under Chapter 31, Section 8; and
  - 4. The City Council finds that the proposed use is consistent with the municipality's master plan and development regulations; and
  - 5. In the case of a replacement, the City Council specifically finds that the Somersworth Historic District Commission has determined that the replaced qualifying structure does not possess significant historical, cultural, or architectural value, the replacement of a qualifying structure will achieve one or more of the public benefits identified in Chapter 31, Section 7 to a greater degree than the renovation of the underutilized structure, and the historical, cultural, or architectural resources in the community will not be adversely affected by the replacement.
- F. If the City Council grants the tax relief, they shall identify the specific public benefit achieved under Chapter 31, Section 7 and shall determine the precise terms and duration of the covenant to preserve the public benefit under Chapter 31 Section 8.
- G. If the City Council, in its discretion, denies the application for tax relief, such denial shall be accompanied by a written explanation. The City Council's decision may be appealed either to the board of tax and land appeals or the superior court in the same manner as provided for appeals of current use classification pursuant to RSA 79-A:9 or 79-A:11 provided, however, that such denial shall be deemed discretionary and shall not be set aside by the board of tax and land appeals or the superior court except for bad faith or discrimination.
- H. The City Council shall have no obligation to grant an application for tax relief for properties located within a tax increment finance district when the City Council determines, in its sole discretion, that the granting of tax relief will impede, reduce, or negatively affect:
  - 1. The development program or financing plans for such tax increment finance districts; or
  - 2. The ability to satisfy or expedite repayment of debt service obligations incurred for a tax increment finance district; or
  - 3. The ability to satisfy program administration, operating, or maintenance expenses within a tax increment financing district.

## **Section 5 Duration of Tax Relief Period**

- A. The City Council may grant such tax assessment relief for a period of up to 5 years, beginning with the completion of the substantial rehabilitation.
1. For the approval of a replacement of a qualifying structure, the City Council may grant such tax assessment relief for a period of up to five years, beginning only upon the completion of construction of the replacement structure. The City Council may, in its discretion, extend such additional years of tax relief as provided for under this section, provided that no such additional years of tax relief may be provided prior to the completion of construction of the replacement structure. For the purposes of this section, the issuance of a Certificate of Occupancy shall constitute completion of construction. The municipal tax assessment of the replacement structure and the property on which it is located shall not increase or decrease in the period between the approval by the City Council for the replacement structure and the time the owner completes construction of the replacement structure and grants to Somersworth the covenant to protect the public benefit as required by this chapter. The City Council may not grant any tax assessment relief under this chapter with respect to property and structures for which an election has been made for property appraisal under NH RSA 75:1-a.
- B. The City Council may, in its discretion, add up to an additional 2 years of tax relief for a project that results in new non-subsidized residential units if the rehabilitation is done in conjunction with the retail/commercial portion of the building.

Tax relief for the rehabilitation of upper floor non-subsidized, non-single family residential units, as a stand-alone project, will be eligible for tax relief for a period of 2 years.

- C. The City Council may, in its discretion, add up to an additional 4 years of tax relief for the substantial rehabilitation of a qualifying structure that is listed on or determined eligible for listing on the National Register of Historic Places, state register of historic places, or is located within and important to a locally designated historic district, provided that the substantial rehabilitation is conducted in accordance with the U.S. Secretary of Interior's Standards for Rehabilitation.

## **Section 6 Resumption of Full Tax Liability**

Upon expiration of the tax relief period, the property shall be taxed at its market value in accordance with RSA 75:1.

## **Section 7 Public Benefit**

The proposed substantial rehabilitation must provide at least one of the following public benefits in order to qualify for tax relief under this ordinance:

- A. It enhances the economic vitality of the downtown;

- B. It enhances and improves a structure that is culturally or historically important on a local, regional, state, or national level, either independently or within the context of an historic district in which the building is located; or
- C. It promotes development of compact and vibrant municipal centers, providing for efficiency, safety, and a greater sense of community, consistent with RSA 9-B.
- D. It increases non-subsidized residential housing in the Downtown Revitalization District.

## **Section 8 Covenant to Protect Public Benefit**

- A. Tax relief for the substantial rehabilitation or replacement of a qualifying structure shall be effective only after a property owner grants to the municipality a covenant ensuring that the structure shall be maintained and used in a manner that furthers the public benefits for which the tax relief was granted and as otherwise provided in this chapter.
- B. The covenant shall be coextensive with the tax relief period. The covenant may, if required by the City Council, be effective for a period of time up to twice the duration of the tax relief period.
- C. The covenant shall include provisions requiring the property owner to obtain and maintain a certificate of occupancy for the duration of the tax relief period.
- D. The covenant shall include provisions requiring the property owner to obtain casualty insurance, and flood insurance if appropriate. The covenant may include, at the City Council's sole discretion, a lien against proceeds from casualty and flood insurance claims for the purpose of ensuring proper restoration or demolition or damaged structures and property. If the property owner has not begun the process of restoration, rebuilding, or demolition of such structure within one year following damage or destruction, the property owner shall be subject to the termination of provisions set forth in Chapter 31, Section 9.
- E. To protect public benefit, the City Council shall provide for the recording of the covenant with the registry of deeds. It shall be a burden upon the property and shall bind all transferees and assignees of such property.
- F. The applicant shall pay any reasonable expenses incurred by the municipality in the drafting, review, and/or execution of the covenant. The applicant also shall be responsible for the cost of recording the covenant.

## **Section 9 Termination of Covenant; Reduction of Tax Relief; Penalty**

- A. If the owner fails to maintain or utilize the building according to the terms of the covenant, or fails to restore, rebuild, or demolish the structure following damage or destruction as provided in Chapter 31, Section 8 D, the City Council shall, after a duly noticed public hearing, determine whether and to what extent the public benefit of the rehabilitation or replacement has been diminished and shall determine whether to terminate or reduce the tax relief period in accordance with such determination. If the covenant is terminated, the City Council shall assess all taxes to the owner as though no tax relief was granted, with interest in accordance with paragraph B.
- B. Any tax payment required under paragraph A shall be payable according to the following procedure:

1. The commissioner of the department of revenue administration shall prescribe and issue forms to the local assessing officials for the payment due, which shall provide a description of the property, the market value assessment according to RSA 75:1, and the amount payable.
2. The prescribed form shall be prepared in quadruplicate. The original, duplicate, and triplicate copy of the form shall be given to the collector of taxes for collection of the payment along with a special tax warrant authorizing the collector to collect the payment under the warrant. The quadruplicate copy of the form shall be retained by the local assessing officials for their records.
3. Upon receipt of the special tax warrant and prescribed forms, the tax collector shall mail the duplicate copy of the tax bill to the owner responsible for the tax as the notice of payment.
4. Payment shall be due not later than 30 days after the mailing of the bill. Interest at the rate of 18 percent per annum shall be due thereafter on any amount not paid within the 30-day period. Interest at 12 percent per annum shall be charged upon all taxes that would have been due and payable on or before December 1 of each tax year as if no tax relief had been granted.

## **Section 10 Lien for Unpaid Taxes**

The real estate of every person shall be held for the taxes levied pursuant to RSA 79-E:9.

## **Section 11 Enforcement**

All taxes levied pursuant to RSA 79-E:9 which are not paid when due shall be collected in the same manner as provided in RSA 80.

## **Section 12 Rulemaking**

The City of Somersworth will abide by any rules the Commissioner of the Department of Revenue Administration adopts, pursuant to RSA 541-A, relative to the payment and collection procedures under RSA 79-E:9.

## **Section 13 Extent of Tax Relief**

- A. Tax relief granted under this ordinance shall pertain only to assessment increases attributable to the substantial rehabilitation performed under the conditions approved by the City Council and not to those increases attributable to other factors including but not limited to market forces; or
- B. Tax relief granted under this ordinance shall be calculated on the value in excess of the original assessed value. Original assessed value shall mean the value of the qualifying structure assessed at the time the City Council approves the application for tax relief and the owner grants to the municipality the covenant to protect public benefit as required in this ordinance, provided that for a qualifying structure which is a building destroyed by fire or act of nature, original assessed value shall mean the value as of the date of

approval of the application for tax relief of the qualifying structure that would have existed had the structure not been destroyed; or

- C. The tax relief granted under this chapter shall only apply to substantial rehabilitation or replacement that commences after the City Council approves the application for tax relief and the owner grants to the City Council the covenant to protect the public benefit as required in this chapter, provided that in the case of a qualifying structure which is a building destroyed by fire or act of nature, and which occurred within 15 years prior to the adoption of the provisions of this chapter by the City council, the tax relief may apply to such qualifying structure for which replacement has begun, but which has not been completed, on the date the application for relief under this chapter is approved.

### **Section 14 Other Programs**

The provisions of this ordinance shall not apply to properties whose rehabilitation or construction is subsidized by state or federal grants or funds that do not need to be repaid totaling more than 50 percent of construction costs from state or federal programs.

### **Section 15 Reserved**

This ordinance shall take effect upon its passage.

Passed 2/19/2013.