Bill as Introduced

5jan00.....2047h

HB 226-LOCAL – AS AMENDED BY THE HOUSE

1999 SESSION

99-0279
08/01

HOUSE BILL ***226-LOCAL***

AN ACT establishing municipality bond payment schedules and percentages.

SPONSORS: Rep. Fraser, Merr 21; Rep. Hoadley, Merr 24; Rep. Russell, Ches 15; Sen. Larsen, Dist 15

COMMITTEE: Municipal and County Government

ANALYSIS

This bill establishes municipal bond payment schedule. This bill also requires each issuance of bonds to be a separate loan.

- -

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

5jan00.....2047h

99-0279
08/01

STATE OF NEW HAMPSHIRE

In the Year of Our Lord One Thousand Nine Hundred and Ninety-Nine

AN ACT establishing municipality bond payment schedules and percentages.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Issuance of Bonds; Payment Schedules; Amount Payable. Amend RSA 162-K:8 to read as follows:

162-K:8 Issuance of Bonds. The municipality may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto. ***Bonds issued under authority of this chapter shall be payable in annual payments which shall be so arranged that the amount of annual payment of principal and interest in any year on account of any bond shall not be less than the amount of principal and interest payable in any subsequent year by more than 5 percent of the principal of the entire bond. The total amount of such payments shall be sufficient to extinguish the entire bond on account of which they are made at maturity. The first payment of principal on any bond shall be made no later than 5 years and the last payment not later than 30 years after the date thereof. Each authorized issue of bonds shall be a separate loan.*** All dedicated tax increments received by the municipality pursuant to RSA 162-K:10 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt under RSA 33.

2 Effective Date. This act shall take effect 60 days after its passage.

Amendments

Sen. Hollingworth, Dist. 23
April 11, 2000
2000-4084s
08/01

Amendment to HB 226-LOCAL

Amend the title of the bill by replacing it with the following:

AN ACT establishing municipality bond payment schedules and percentages, and authorizing towns to enter mortgages to finance the renovation or construction of municipal buildings.

Amend the bill by replacing all after section 1 with the following:

2 New Section; Powers and Duties of Towns; Mortgages to Finance Renovation or Construction of Municipal Buildings Authorized. Amend RSA 31 by inserting after section 4-a the following new section:

31:4-b Certain Mortgages Authorized. Towns may vote, at any annual or special meeting under an article in the warrant for such meeting, to enter mortgages to finance the renovation or construction, or both, of municipal buildings.

3 Effective Date.

I. Section 1 of this act shall take effect 60 days after its passage.

II. The remainder of this act shall take effect upon its passage.

2000-4084s

AMENDED ANALYSIS

This bill establishes municipal bond payment schedule. This bill also requires each issuance of bonds to be a separate loan.

This bill authorizes towns to enter mortgages to finance the renovation or construction, or both, of municipal buildings.

Sen. Hollingworth, Dist. 23
April 11, 2000
2000-4084s
08/01

IF this amendment is adopted by the Committee, please deliver to the House Clerk (Room 317) or Senate Clerk (Senate Chamber), the 2 originals and 2 copies.

Amendment to HB 226-LOCAL

Amend the title of the bill by replacing it with the following:

AN ACT establishing municipality bond payment schedules and percentages, and authorizing towns to enter mortgages to finance the renovation or construction of municipal buildings.

Amend the bill by replacing all after section 1 with the following:

2 New Section; Powers and Duties of Towns; Mortgages to Finance Renovation or Construction of Municipal Buildings Authorized. Amend RSA 31 by inserting after section 4-a the following new section:

31:4-b Certain Mortgages Authorized. Towns may vote, at any annual or special meeting under an article in the warrant for such meeting, to enter mortgages to finance the renovation or construction, or both, of municipal buildings.

3 Effective Date.

I. Section 1 of this act shall take effect 60 days after its passage.

II. The remainder of this act shall take effect upon its passage.

2000-4084s

AMENDED ANALYSIS

This bill establishes municipal bond payment schedule. This bill also requires each issuance of bonds to be a separate loan.

This bill authorizes towns to enter mortgages to finance the renovation or construction, or both, of municipal buildings.

Sen. Hollingworth, Dist. 23
April 11, 2000
2000-4084s
08/01

Amendment to HB 226-LOCAL

Amend the title of the bill by replacing it with the following:

AN ACT establishing municipality bond payment schedules and percentages, and authorizing towns to enter mortgages to finance the renovation or construction of municipal buildings.

Amend the bill by replacing all after section 1 with the following:

2 New Section; Powers and Duties of Towns; Mortgages to Finance Renovation or Construction of Municipal Buildings Authorized. Amend RSA 31 by inserting after section 4-a the following new section:

31:4-b Certain Mortgages Authorized. Towns may vote, at any annual or special meeting under an article in the warrant for such meeting, to enter mortgages to finance the renovation or construction, or both, of municipal buildings.

3 Effective Date.

I. Section 1 of this act shall take effect 60 days after its passage.

II. The remainder of this act shall take effect upon its passage.

2000-4084s

AMENDED ANALYSIS

This bill establishes municipal bond payment schedule. This bill also requires each issuance of bonds to be a separate loan.

This bill authorizes towns to enter mortgages to finance the renovation or construction, or both, of municipal buildings.

Banks
April 19, 2000
2000-4171s
08/09

Amendment to HB 226-LOCAL

Amend RSA 162-K:8 as inserted by section 1 of the bill by replacing it with the following:

162-K:8 Issuance of Bonds. The municipality may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto. ***Bonds issued under authority of this chapter shall be payable in annual payments which shall be so arranged that the amount of annual payment of principal and interest in any year on account of any bond shall not be less than the amount of principal and interest payable in any subsequent year by more than 10 percent of the principal of the entire bond. The total amount of such payments shall be sufficient to extinguish the entire bond on account of which they are made at maturity. The first payment of principal on any bond shall be made no later than 5 years and the last payment not later than 30 years after the date thereof. Each authorized issue of bonds shall be a separate loan.*** All dedicated tax increments received by the municipality pursuant to RSA 162-K:10 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt under RSA 33.

Committee Minutes

March 2, 2000

TO: Members of the Senate Banks Committee.
FROM: Jonathan Page
RE: Hearing report on House Bill 226, establishing municipality bond payment schedules and percentages. (Senate Banks, 3/8/00)

Sponsor: Rep. Fraser, Rep. Hoadley, Rep. Russell, Sen. Larsen.

What the bill does: This bill establishes municipal bond payment schedule. The bill also requires each issuance of bonds to be a separate loan.

Who supports the bill: NH Municipal Association, City of Concord Business Development Authority.

Who opposes the bill: No opposition at the hearing.

Testimony report: This bill gives municipalities flexibility in paying off bond issues. Flexibility in paying off bond issues allow municipalities to develop or redevelop areas with the money raised by the bond issuance. The municipality would designate a Tax Increment Financing district (TIF) in which these bonds would be used. And, that's about as much as I understand at this point.

Funding: n/a

Future Action: Pending executive action.

Date: March 8, 2000
Time: 8:40 a.m.
Room: 103 LOB

The Senate Committee on Banks held a hearing on the following:

HB 226 establishing municipality bond payment schedules and percentages.

Members of Committee present:
Senator Fraser
Senator Fernald
Senator Klemm
Senator Krueger
Senator Wheeler

The Chair, Senator Leo W. Fraser, Jr., opened the hearing.

Senator Leo W. Fraser, Jr., D. 4: I am going to open the public hearing on HB 226 and recognize the bill's Prime Sponsor. No. I'm sorry. Someone else has asked to be heard first. Betsey Patten.

Rep. Betsey Patten: Why don't you go. She's the Prime Sponsor.

Rep. Marilyn Fraser: And then Betsey. Mr. Chairman, she will come up after.

Senator Leo W. Fraser, Jr., D. 4: O.K. Marilyn Fraser. I love that last name.

Rep. Marilyn Fraser: Isn't that wonderful?

(laughter)

Good morning Senators. It's nice to see you this morning. My name is Marilyn Fraser and I represent Merrimack District 21 and I'm here from Concord and this was, yes, a Concord bill.

I come before you today in reference to *HB 226-L establishing municipality bond payment schedules and percentages.*

This bill went into the status of rereferral and as a result an amendment ensued. You have that in front of you. In the bold print:

> ***Bonds issued under authority of this chapter shall be payable in annual payments which shall be so arranged that the amount of annual payment of principal and interest in any year on account of any bond shall not be less than the amount of principal and interest payable in any subsequent year by more than 5 percent of the principal of the entire bond. The total amount of such payments shall be sufficient to extinguish the entire bond on account of which they are made at maturity. The first payment of principal on any bond shall be made no later than 5 years and the last payment not later than 30 years after the date thereof. Each authorized issue of bonds shall be a separate loan.***

As I mentioned, this bill went into rereferral status and as a result an amendment ensued and I stated that amendment initially in the original bill. It was 10% and after the rereferral status it became 5%.

Betsey Patten who is the Vice Chair who is on County Government was on that rereferral committee. I was not. So if Mr. Chairman, she could go into more detail as to why the percentage was changed and therefore passed by committee in the House, I would appreciate that.

Senator Leo W. Fraser, Jr., D. 4: OK. Would you prefer not to be questioned? To have somebody else to have any questions?

Rep. Marilyn Fraser: I think after Betsey speaks to you, more questions would be oncoming.

Senator Leo W. Fraser, Jr., D. 4: Thank you very much. Representative Betsey Patten. Good morning, Betsey.

Rep. Betsey Patten: Good morning Mr. Chairman and members of the Committee. For the record I am Rep. Betsey Patten. I represent Carroll County District 9, which is the Town of Moultonboro. I am also the Vice Chair of Municipal and County and was on the subcommittee where we discussed HB 226.

It is true that what we came up with was a compromise. Instead of going to 10% we tried for 5% because I am probably more conservative than 10%.

Andrea Reid who did retire from DRA did have some concerns and I will pass the letter in and the information to you in, for what was her concerns for the fact that it could be used by smaller towns that do not have financial supervisors. That they may not understand and be able to do tax increment financing and what not.

What we did come up with is that you could do a 5% of the initial bond but you could also wait until the fifth year to start paying off the bond, so that you would be able to have some extra time. There is a, in the minutes of the subcommittee we did have the scenarios of how you could do this. What would the difference between what was existing, what you could do at 5% and what you could do at 10%.

I do know that Mr. Lurvey is, was - they are OK with the amendment. They also know that the New Hampshire Municipal Association would like to go back to the 10%. I think that what you have to do is I will give you the information and it really is up to you for where you are going.

Senator Leo W. Fraser, Jr., D. 4: Thank you for your testimony. Any questions? Thank you Betsey.

Oh I'm sorry. Sen Fernald.

Senator Mark Fernald, D. 11: What is the objective of this bill? What are we trying to accomplish?

Rep. Betsey Patten: Right now the current law allows that you have to put no less than 3% on the bond payments every year. You can't go higher or lower than that. I think that's what it is. And I think that Maura is probably going to be able to give you better. What the bill requested and what we came up with is the first 5 years, the first 4 years on a bond payment you would not have to pay anything back and then what would happen is that every year you could do 5% of the, not more than 5% so that you keep your tax rate at a steady thing instead of going 10, 10, 5, 5, 10, 10.

I am not a banker so I can't really tell you exactly what happens with it. I will give you the information that we did at the study committee and you probably can drill them later, and figure out how the bill works.

Senator Mark Fernald, D. 11: So we're going to find out if Maura Carroll is an expert?

(laughter)

Rep. Betsey Patten: She's a lawyer. She knows how!

Senator Leo W. Fraser, Jr., D. 4: Thank you, Betsey.

Rep. Betsey Patten: Thank you. And would you please excuse me? I have a subcommittee meeting at 9:00.

Senator Leo W. Fraser, Jr., D. 4: Sure. I understand.

Senator Mark Fernald, D. 11: We know how that works.

Senator Leo W. Fraser, Jr., D. 4: Maura? The Chair recognizes Maura Carroll. And Maura the first question you have to answer is the one that Senator Fernald posed which I was going to ask, but we'll wait for you.

Maura Carroll: Thank you Mr. Chairman, and members of the Committee. Good morning. My name is Maura Carroll and I represent the New Hampshire Municipal Association. I appear here in support of HB 226.

The original purpose of HB 226 as I understand it, was to create greater flexibility for the communities that had adopted TIF Districts. As they looked at the payback for the bonds for infrastructure improvements, they could, if in fact they didn't get the build up early on in the process, could backload some of the payments. So it really is a flexibility tool. As Rep. Patten indicated DRA had expressed some concerns about that particularly with regard to smaller communities.

With all due respect to their concerns, our experience has been that no community that didn't have the financial wherewithal to look through the entire TIF statute is inclined to pass a TIF District. It is not an easy process. It is fairly complicated. We are seeing right now there is a committee that's meeting with Stu Arnet at DRED to try to look at the whole TIF statute and see whether it really works for communities.

There are about 7 communities that have adopted Tiff Districts. There are a number of communities currently looking at it, including Salem. Manchester has not yet adopted a district but they are a likely candidate.

Keene, Concord, Newington, Swanzey, Hanover...and I knew I'd forget the other two, but at any rate, those communities have all adopted TIF districts. In order to go through that statute and look at all of the financial requirements, many of these communities have consulted each other as they

go through that process. So it's our belief that we are not going to end up with the small communities not understanding the financial implications and therefor getting into trouble with the 10% number, so we still advocate that the 10% number works.

We have some figures from the City of Concord because they initially had asked that the bill be introduced, showing how much money it saves the city in order to have that flexibility. Clearly it saves money at 5% versus the 3% that was in the statute or that is currently in the statute. But we would argue that people do not enter into TIF districts lightly. There is not a very great likelihood that there would be financial problems down the road with the 10% number.

I hope I have explained at least generally what the bill has been about and the %5- and that was the only change that was made in the house was from the 10% to the 5%. The rest of the bolded language was in the original bill.

I would be happy to answer any questions but we think that the greater flexibility you can give communities with regard to any economic development tool, the better off we are going to be in building any property tax base.

I thank you very much for the opportunity to be heard.

Senator Leo W. Fraser, Jr., D. 4: Thank you, Maura. Any questions?

Senator Mark Fernald, D. 11: I have a question.

Senator Katherine W. Wheeler, D. 21: Thank you. I have two questions.

I'm sorry. Maybe my mind wandered, but what is a TIF district?

Maura Carroll: Tax Increment Financing is... the basis of the theory is that you take an area of property that you either want to develop or re-develop. You designate it as a Tax Increment Financing (TIF) District. At the time you adopt the district you lock in the original value.

So, say you had a district whose value at the time of adoption was a million dollars. That money goes into all three, now four, of the property tax increments. The local school, the state school, county, and municipal pots. Anything over that original value as the district is built up, goes into paying off any debt that is incurred to build infrastructure in the district. So it is a way for communities to expand their tax base without increasing the municipal tax rate. As I say it is a fairly complicated tool so not a lot of

communities have used it yet, but it's becoming something that has been talked about in a number of communities as a very positive way to move forward in tax base expansion.

Senator Katherine W. Wheeler, D. 21: Could I ask my second question?

Senator Leo W. Fraser, Jr., D. 4: Please.

Senator Katherine W. Wheeler, D. 21: Thank you. I think I understand that now. The percentage, whichever percent is adopted, how much flexibility is there? If we adopt 5% does it require them to do 5% every year, or not more than 5% or not less than 5%? I don't quite understand the wording here. Because...I just don't understand it.

Maura Carroll: And I think Ken Lurvey can explain those details better than I because he's actually worked through two Tax Increment Financing districts. I do have a chart that Fred Enderly, from the City of Concord had prepared for the municipal and county government which I am happy to provide. But my understanding is that it can't be more than 5% of the principle, the entire bond. So therefore you limit what might be considered a roller coaster effect of 1% one year, 10% the other.

Now chances are that's not what's going to happen, but you may end up only doing 3% in the first five years as the district is building up and then you have higher percentages later on. Obviously If you are limited at 5% you've still got to have a higher percentage at the front end because you've got to be able to pay off your bonds in a reasonable time frame. So the 10% allows you a greater time period to build up the district.

Senator Mark Fernald, D. 11: I guess I'll save my question.

Senator Leo W. Fraser, Jr., D. 4: Maura, I think probably I would be more comfortable if I knew, if I understood what will happen if this...what goes on thru today? What will happen if this goes thru to pass. I am having trouble.

You mentioned real property but the language says ***acquisition and betterment of real and personal property.*** So it's not just a tract of land. It could be something else that would be needed to carry a development program within the district.

Tell me, without the bill, what's going on.

Maura Carroll: Well, without the bill you've got the 3% so you are limited in your flexibility to finance. So that if you were, if you have established a district, and Ken can correct me if I'm wrong. If you've established a TIF district and all of a sudden the economy falls through the floor, then you're not going to have a build out as quickly as you anticipated. But you still have to pay those bonds back.

So then, arguably you've got to dig in to the municipal pot and increase the municipal tax rate in order to pay off those bonds. TIF districts are designed to pay off within their unit so that you don't have to dip into the municipal pot. If you allow a greater than 3% flexibility, then you have allowed for the bottom falling out of the economy. You've allowed for a miscalculation about how quickly the district was going to build out. It doesn't take away any responsibility that the municipality has to pay its debt, it just allows greater flexibility in how you finance that debt.

Senator Leo W. Fraser, Jr., D. 4: So the only change under 226, the only change that would be the percentage. Everything else is the same way as it is today. If you are going to go from 3% to either 5% or 10%, depending on what the Committee decides.

Maura Carroll: That's my understanding.

Senator Leo W. Fraser, Jr., D. 4: Is that a fair statement?

Maura Carroll: Mm Hmm. And the only change that the House made was from 10% to 5%.

Senator Leo W. Fraser, Jr., D. 4: So the original bill was 10% and they reduced it to 5%.

Maura Carroll: Yes.

Senator Leo W. Fraser, Jr., D. 4: Thank you. Any other questions of Maura?

Thank you, Maura.

Maura Carroll: Thank you very much.

Senator Leo W. Fraser, Jr., D. 4: Ken Lurvey, City of Concord.

Ken Lurvey: Good morning Your Honor, members of the Committee. My name is Kenneth G. Lurvey. I am the business development director for the

City of Concord and this is the first time I've testified on this bill and I was recruited at five o'clock last night.

Senator Katherine W. Wheeler, D. 21: So you stayed up all night working on it.

(laughter)

Ken Lurvey: I will try to answer all the questions as best I can but normally our finance director Jim Howard would be here. If you've experienced his testimony you know that he could tell you every percent and the impacts. The chart that Maura referred to is something that he and the Assistant City Manager prepared as to what the differences are.

However let me discuss a little bit about what I do with TIFs, Tax Increment Financing. I think Maura described how they work. We've done it three times using a pure tax increment finance formula here, and we've done another three projects that use a formula similar to that but do not dedicate the city, school or the county share to pay off the TIFs. It only uses the City share of the tax revenues to pay off the TIF. The other three - we used all three - and we have one going before the City Council this coming Monday night that would use all four, including the State's portion. We're not...under the new formula everything changes a little bit with the State formula.

What we have done in the past, as a for instance. We've built the Durgin Block Parking Garage in conjunction with what was First Capital Bank, Capital Plaza, right here downtown. We dedicated the revenue from the redevelopment of the First Capital Plaza property to pay off the tax increment bonds to build the Durgin Block Parking Garage. The Parking garage was necessary to guarantee that we could get the tenants in that building. They'd have some dedicated parking and the balance would be public parking.

That project was so successful that it paid off in, I think we projected that we would pay it off in 15 years and we paid it off in closer to 7 years because not only did we get the redevelopment of the First Capital Bank, now Citizens' Bank, we got all the other buildings up and down Main Street redeveloped that were part of the district and that revenue could go into paying off those bonds.

So Tax Increment Financing has worked very effectively for the City of Concord. It originally was designed for redevelopment projects. Where you had a very difficult environment, for instance downtown you are dealing with older buildings, you don't know what you are going to get into for

environmental conditions. You don't have adequate parking in most of your downtowns. What we were doing was building a parking garage to alleviate that part of the problem.

Keene has used it very effectively. Claremont has. Other communities are starting to try to use it as we move along.

This bill was presented originally by the City of Concord just to give us that flexibility in that in any given year, as Maura said, your development may be greater or less than what you projected. We've been very fortunate in every single project we've done with this formula, that our results have been far greater than we projected. So we've been able to pay off each of our bonds far earlier.

The most recent one is the Hotel Conference Center North End Opportunity Corridor on the North end of the city by Page Belton. We had projected we would be able to pay that off over 15 years, a year ago. We just got this passed a year ago. We expected over a ten year period to have a $30 million build out of that area. In the first year we have $23 million worth of building permits. That's how successful that one was. So we're far, far ahead of any projections from what we anticipated.

We always guarantee to the City Council with a, what we call, a *bird in hand* development that's a big enough project to generate enough revenue to pay off our bonds before we even go to the council and ask for the authorization. In that case we had a hotel and conference center bird in hand. They committed in a development agreement they would pay enough taxes to pay off our bonds so that if that was the only development that ever happened we would not get stuck with a debt we couldn't pay off with the Tax Increment District. That's not a requirement of the law but that's been pretty much a requirement of our City Council. Do not come with one of these unless you've got the *bird in hand* to guarantee it. That's been very successful for us.

To the point of what this law is trying to accomplish. The current law allows a 3% variation from year to year of your principal and interest payback. That sometimes limits you, and if you get into a very lean year it might make it very difficult for you. Ten percent is very comfortable, 5% is workable. Our City Finance Director and City Assistant Manager both went through an analysis and submitted that to DRA and supported DRA's request to reduce this in the bill to 5%.

I'd be happy to answer any other questions relative to our experience.

Senator Leo W. Fraser, Jr., D. 4: Senator Fernald for a question.

Senator Mark Fernald, D. 11: I want to make sure I understand how this 5% thing works. So let me give a hypothetical. A $100,000 bond, and let's say it has 10% interest. Ten dollars non-market rate. And let's say the bond provides for interest only doing the first five years as allowed under this bill. So for the first five years $10,000 payments of interest only are going to be made on this $100,000 bond.

Now I've got 25 years left and we've to pay that interest and principal in the remaining 25 years. Does this 5% rule mean that no subsequent payment – the first five payments are $10,000 – does this mean that no **subsequent** payment can exceed $15,000, which is the $10,000 plus 5% of the original principal amount of the bond. Is that what this bill is doing?

Ken Lurvey: I think that that is exactly what it is doing. I'm just trying to follow. Five percent of the total bond would be $5,000, so yes, $15,000.

Senator Leo W. Fraser, Jr., D. 4: Senator Wheeler.

Senator Katherine W. Wheeler, D. 21: Thank you Mr. Chair. I still am interested in the flexibility. You could not exceed the 5% of the 10% but you can go lower than that if you want? Can it change every year?

Ken Lurvey: You could go lower than that. It could be zero percent and that's what we try to do is keep it fairly flat over the course, at least from a projection point of view, but when we have the advantage of being able to pay off more, then we would. If our development is greater. Yes.

Senator Leo W. Fraser, Jr., D. 4: Sen. Fernald?

Senator Mark Fernald, D. 11: Who objected to the 10%. I mean in a sense a bond is a contract between the city and whoever is buying the bond. If the buyer of the bond is willing to have huge fluctuations in the payments, why does the State care?

Ken Lurvey: I really can't respond to that. It was the DRA that suggested this revision from 10% to 5%. The City at first, well, we preferred the 10%, but for the sake of moving this forward 5% still works for us. It may not work as well for other communities again because our projects have exceeded our projections. Five percent would be very comfortable for us. I don't know what the rationale was for going from 10% to 5%.

Senator Mark Fernald, D. 11: The reason why we need this bill is that there is something else in our RSA's that is a 3% rule. Do you know where that 3% rule resides in the RSA's?

Ken Lurvey: RSA 162-K:8.

Senator Mark Fernald, D. 11: It's not in K:8 because you can see from the bill the highlighted language we are adding. We are not taking out anything. So we are not taking out 3% from there.

Ken Lurvey: I don't have it in front of me. It my have been a subsequent amendment. You have the law there don't you?

Senator Mark Fernald, D. 11: Yes and I looked. It's not in 162-K. I'm wondering if it's in some general municipal bond statute or something.

Senator Leo W. Fraser, Jr., D. 4: All set?

Senator Mark Fernald, D. 11: Laura's going to make me all set when she finds it.

Senator Leo W. Fraser, Jr., D. 4: Senator Wheeler, are you?

Senator Katherine W. Wheeler, D. 21: I'm all set, thanks.

Senator Leo W. Fraser, Jr., D. 4: Any questions from this side of the table? Ken, I guess I want to follow up on Sen. Fernald's question about.... would the DRA's concern be that the municipality may pay off too quickly and dissipate new funds that maybe they should have held in reserve. This is kind of a test case for me if I understand exactly what this bill is trying to do.

Ken Lurvey: I don't know if that is their argument but I wouldn't think so because from our experience the quicker you can pay it off, the quicker you can take that revenue and put it back into your general fund and use it for all the other purposes; school, county and what-not. That's our overall desire, is to get this paid off as quickly as possible and then we get the benefit of keeping the tax rate low by dedicating it back to the general fund. I don't know the value of ....

Senator Leo W. Fraser, Jr., D. 4: They were the ones that recommended reducing it from 10% to 5%.

Ken Lurvey: Yes. I wasn't part of those meetings. I don't know if Maura sat in on the discussion with them or not. So I'm not sure of their rationale

Senator Leo W. Fraser, Jr., D. 4: I think that Sen. Fernald, his observation, I agree with him. What you just said, namely the faster you can pay it off the better off you are. I'm trying to rationalize why the DRA would not allow for that.

Rep. Marilyn Fraser: Sen. Fraser, I was not on the subcommittee when the bill was rereferred. However, as Rep. Patten alluded to, and I think the one rationale that she emphasized was the fact that small communities who have not dealt with TIF and a sophisticated way of doing it, that this might be not advantageous to them.

Senator Leo W. Fraser, Jr., D. 4: To pay off too quickly.

Rep. Marilyn Fraser: Exactly.

Senator Mark Fernald, D. 11: I am trying to think why the DRA would care. And of course part of their job is to set tax rates and the tax rates are based on the financial obligations of the town for a particular year. Maybe their thought was if they allowed too much flexibility the tax rate is going to spike up in town. But... it's a local issue...and usually the amount of money.....

Senator Leo W. Fraser, Jr., D. 4: This is not an executive session.

(laughter)

Senator Katherine W. Wheeler, D. 21: Great lawyer. He asks and answers his own questions.

Senator Mark Fernald, D. 11: But Maura had something more to say when she heard me talking so perhaps we can ask her.

Senator Leo W. Fraser, Jr., D. 4: Thanks, Ken for your testimony. I think I am starting to get a handle on at least what the bill is trying to do. I guess like everyone else in this committee I am just a little confused as to why the DRA may have requested that we reduce the 10% to 5%. I am going to ask recognize Maura again.

Ken Lurvey: Thank you for the opportunity.

Senator Leo W. Fraser, Jr., D. 4: Maura?

Maura Carroll: Thank you Mr. Chairman. I did sit in on all the rereferral committee meetings. DRA's concern was that rather than being afraid they'd pay the debt off too quickly, that in fact they would back load it too much. So that is they weren't approaching it in a financially sound way that they would get political with these numbers. They could be heroes to the community by only having 3% paid off in the first six years that they were members of the board of selectmen. Then they would end up paying 10% after they were out of office. Our position was we don't think that's going to happen because you don't enter into a TIF district very lightly and so you are unlikely to say "well, no big deal. We'll just pay 3% this year and let everybody else worry about it." So that was their concern. That someone in a small community without really thinking through the process would get the community in a financial bind.

Senator Leo W. Fraser, Jr., D. 4: A question from Sen. Fernald.

Senator Mark Fernald, D. 11: A rhetorical question. Are you suggesting that politicians might want to put off payment of obligations until another biennium or someone else's term?

Senator Leo W. Fraser, Jr., D. 4: That's a hypothetical question.

(laughter)

Maura Carroll: I wasn't suggesting that Senator, but I think DRA might have been suggesting that.

Senator Leo W. Fraser, Jr., D. 4: Senator Krueger.

Senator Patricia Krueger, D. 16: I have a quick question. Are you saying however whether it's the old 3% or this current one. Let's take the situation you just laid out that in fact, how could they pay more than the 3%? In other words you can only push off your obligation so far. How could they....

Maura Carroll: That's right. And it really is as was mentioned before A situation where you've made the contract with your financial provider and so what works for that institution is what's going to work for the community. And you negotiate that. So if you have negotiated that you can do 3% at the beginning in order to build up the district and then you have to have a higher percentage later on, then that's really a decision made by those two entities. If it doesn't work financially I can't imagine that the financial institution would agree with it.

Senator Leo W. Fraser, Jr., D. 4: I guess my problem question, Maura is that even though the Municipal Association would prefer 10% based on Mr. Lurvey's testimony, you are comfortable with 5%.

Maura Carroll: We certainly don't want to lose any change at all. So absolutely we would support a passage of a change to 5%.

Senator Leo W. Fraser, Jr., D. 4: As it currently is presented. Thank you very much for your testimony. Is there anyone else who wishes to be heard on HB 226? Seeing no further testimony we will close the public hearing.

The hearing on HB 226-L was closed at 9:10 a.m.

This verbatim transcript repectfully submitted by,
Jennifer Ruffing, Senate Banks Secretary

Speakers

SENATE BANKS COMMITTEE

Date March 8, 00 Time 8:30 Public Hearing On HB 226-L

Appearing in FAVOR: (Please print) Please check box at left to speak.

Speaking?	Name	Address	Representing
☑	Marilyn Fraser	Merrimack 21	
☑	Ken Lurvey	City of Concord	
☑	MAURA CARROLL	P.O. BOX 617 CONCORD	NH MUNICIPAL ASSN 224-7447
☑	Betsey Patten	Carroll 9	MtCG Cmte
☐	Sen. Sylvia Larsen	CONCORD DIST 15	COSPONSOR
☐			
☐			
☐			
☐			
☐			

Appearing in OPPOSITION: (Please Print) Please check box at left to speak.

☐			
☐			
☐			
☐			
☐			
☐			
☐			
☐			
☐			
☐			

Hearing Minutes

HB 226-LOCAL – AS AMENDED BY THE HOUSE

5jan00.....2047h

1999 SESSION

99-0279
08/01

HOUSE BILL ***226-LOCAL***

AN ACT establishing municipality bond payment schedules and percentages.

SPONSORS: Rep. Fraser, Merr 21; Rep. Hoadley, Merr 24; Rep. Russell, Ches 15; Sen. Larsen, Dist 15

COMMITTEE: Municipal and County Government

ANALYSIS

This bill establishes municipal bond payment schedule. This bill also requires each issuance of bonds to be a separate loan.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

5jan00.....2047h

99-0279
08/01

STATE OF NEW HAMPSHIRE

In the Year of Our Lord One Thousand Nine Hundred and Ninety-Nine

AN ACT establishing municipality bond payment schedules and percentages.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Issuance of Bonds; Payment Schedules; Amount Payable. Amend RSA 162-K:8 to read as follows:

162-K:8 Issuance of Bonds. The municipality may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto. ***Bonds issued under authority of this chapter shall be payable in annual payments which shall be so arranged that the amount of annual payment of principal and interest in any year on account of any bond shall not be less than the amount of principal and interest payable in any subsequent year by more than 5 percent of the principal of the entire bond. The total amount of such payments shall be sufficient to extinguish the entire bond on account of which they are made at maturity. The first payment of principal on any bond shall be made no later than 5 years and the last payment not later than 30 years after the date thereof. Each authorized issue of bonds shall be a separate loan.*** All dedicated tax increments received by the municipality pursuant to RSA 162-K:10 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt under RSA 33.

2 Effective Date. This act shall take effect 60 days after its passage.

Adopted

HB 226-LOCAL – AS AMENDED BY THE HOUSE

5jan00.....2047h

1999 SESSION

99-0279
08/01

HOUSE BILL ***226-LOCAL***

AN ACT establishing municipality bond payment schedules and percentages.

SPONSORS: Rep. Fraser, Merr 21; Rep. Hoadley, Merr 24; Rep. Russell, Ches 15; Sen. Larsen, Dist 15

COMMITTEE: Municipal and County Government

ANALYSIS

This bill establishes municipal bond payment schedule. This bill also requires each issuance of bonds to be a separate loan.

- -

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

HB 226-LOCAL - AS AMENDED BY THE HOUSE

5jan00.....2047h

99-0279
08/01

STATE OF NEW HAMPSHIRE

In the Year of Our Lord One Thousand Nine Hundred and Ninety-Nine

AN ACT establishing municipality bond payment schedules and percentages.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Issuance of Bonds; Payment Schedules; Amount Payable. Amend RSA 162-K:8 to read as follows:

162-K:8 Issuance of Bonds. The municipality may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto. ***Bonds issued under authority of this chapter shall be payable in annual payments which shall be so arranged that the amount of annual payment of principal and interest in any year on account of any bond shall not be less than the amount of principal and interest payable in any subsequent year by more than 5 percent of the principal of the entire bond. The total amount of such payments shall be sufficient to extinguish the entire bond on account of which they are made at maturity. The first payment of principal on any bond shall be made no later than 5 years and the last payment not later than 30 years after the date thereof. Each authorized issue of bonds shall be a separate loan.*** All dedicated tax increments received by the municipality pursuant to RSA 162-K:10 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt under RSA 33.

2 Effective Date. This act shall take effect 60 days after its passage.

Testimony

Greg Sargent
J. Locke Seminar
Paper #6

Public or Private

John Locke prescribes in *Some Thoughts concerning Education* a progressive method of education that is only today beginning to become widespread. He describes his simple method with the following words, "*Esteem* and *disgrace* are, of all others, the most powerful incentives to the mind, when once it is brought to relish them," (Sect. 56). A discussion of esteem, disgrace and their "relishment" leads the reader to the "true principle," (Section 56), behind Locke's method. Education, in Locke's view, is easily attained through the use of emulation, habituation, and (the focus of this paper) esteem and disgrace, rewards and punishment, pleasantness and pain, good and evil.

Esteem is chosen by Locke to represent good, pleasantness, and reward. Locke's words echo another profound writing: the Bible. It uses esteem as a quality to be sought, "A good name is more desirable than great riches; to be esteemed is better than silver or gold," Proverbs 22:1. In today's world the use of esteem for reward is known as positive reinforcement, which educators and psychologists are preaching as the best method to be used in any child associated occupation. Locke considers esteem as praise and commendation and as such describes a method for its fullest influence.

A method involving great numbers of the public forum will have the greatest effect upon the child. Locke tells the reader that the child should be commended in front of others in order for the child's reputation to grow (Sect. 62). This allows for the child to become esteemed in the eyes of others causing the desired effect of positive reinforcement: continued virtuous behavior. Public commendation also allows others to

see the reward of virtue and supports the emulation of such a deed. *The New Lexicon Webster's Dictionary* (1989) defines esteem as *(n) good opinion, regard* and this is what the child comes to desire from his peers.

Locke places disgrace opposite esteem for purposes of educating the child and describes a different manner for its conveyance. "The rebukes and chiding, which their faults will sometimes make hardly to be avoided, should not only be in sober, grave, and unpassionate words, but also alone and in private," (Sect. 62). A parent, a tutor, or a governor should always be in a calm state when administering shame. To disgrace a child or person is to point out the wrongdoing and cause one to understand why it was wrong. Doing this in the public setting acts to destroy the reputation of the wrongdoer. Locke touched upon this effect saying a child who is exposed in such a manner will give up the desire for others esteem and enter into a cycle where each public rebuke causes less desire for public esteem which leads to more public rebuke (Sect. 62).

The "love of credit, and an apprehension of shame and disgrace..." (Sect. 56), is easily attained if esteem and disgrace are applied as described by Locke. The age Locke lived in was one where the public forum was advancing in all directions. Proper use of such an entity by those in the charge of children can make it an effective means of positive reinforcement simply by feeding a child's reputation. Reputation, in Locke's thoughts, is the principle and measure which comes closest to the true principle and measure of a man's virtue (Sect. 61). Proper commendation for virtuous acts in the public forum is proper but disgrace must remain out of the public's eye to assure one's reputation remains intact. Human nature will make a love for esteem and avoidance of disgrace a natural act if Locke's method is utilized because acceptance is something we

all desire. Acceptance from those we love and esteem creates a friendship we desire to maintain by avoiding shame. Shame from wronging the very people who think so highly of us. Reputation causes this principle to become all encompassing in the public forum.

Rewards and punishment coupled with one's reputation in the public sector are sufficient to ensure success in education through emulation and habituation. The proper use of esteem and disgrace allow a child to attain a greater reputation among others or to see how this opportunity was missed. Locke's theory has advanced to become a basic tenet of present day psychology and education and has become widely used in our school systems. It has a new name, positive reinforcement, but the principles are unchanged. What Locke has created is a vehicle for parents, tutors, and governors to harness human nature in the name of education and virtue. For this he is publicly praised.

City of Concord, New Hampshire

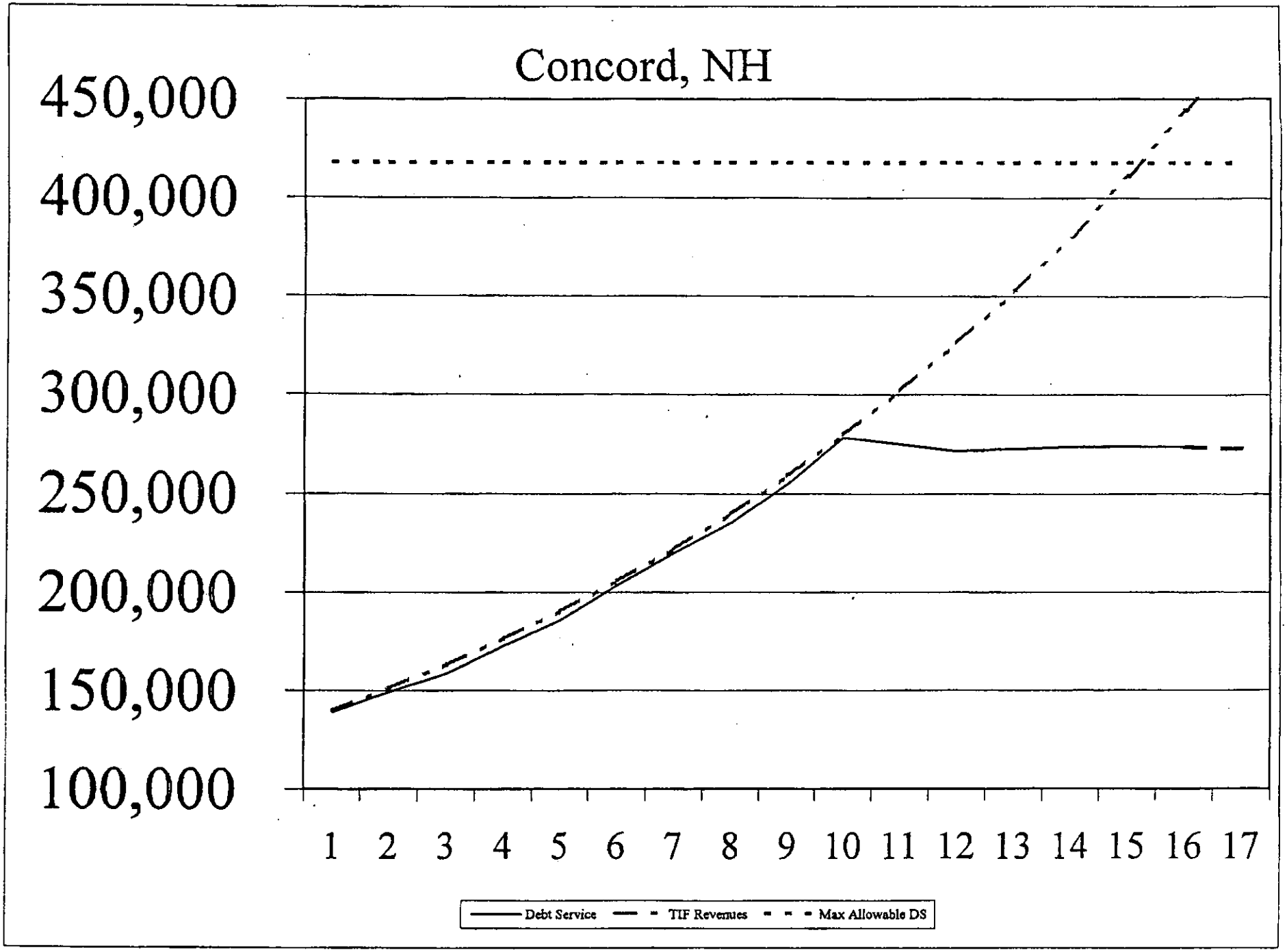
Tax Increment Financing District
Scenario R4

Bonds Dated: March 1, 1999
LT Interest Rate: 5.00%
Yearly TIF increase: 8.00%

Fiscal Year	TIF Bond Issue			Tax Increment Revenues	Coverage Ratio
	Principal	Interest	Total P&I*		
1	0.00	139,250.00	139,250.00	140,000.00	1.01
2	10,000.00	139,250.00	149,250.00	151,200.00	1.01
3	20,000.00	138,750.00	158,750.00	163,296.00	1.03
4	35,000.00	137,750.00	172,750.00	176,359.68	1.02
5	50,000.00	136,000.00	186,000.00	190,468.45	1.02
6	70,000.00	133,500.00	203,500.00	205,705.93	1.01
7	90,000.00	130,000.00	220,000.00	222,162.41	1.01
8	110,000.00	125,500.00	235,500.00	239,935.40	1.02
9	135,000.00	120,000.00	255,000.00	259,130.23	1.02
10	165,000.00	113,250.00	278,250.00	279,860.65	1.01
11	170,000.00	105,000.00	275,000.00	302,249.50	1.10
12	175,000.00	96,500.00	271,500.00	326,429.46	1.20
13	185,000.00	87,750.00	272,750.00	352,543.82	1.29
14	195,000.00	78,500.00	273,500.00	380,747.32	1.39
15	205,000.00	68,750.00	273,750.00	411,207.11	1.50
16	215,000.00	58,500.00	273,500.00	444,103.68	1.62
17	225,000.00	47,750.00	272,750.00	479,631.97	1.76
18	235,000.00	36,500.00	271,500.00	518,002.53	1.91
19	245,000.00	24,750.00	269,750.00	559,442.73	2.07
20	250,000.00	12,500.00	262,500.00	604,198.15	2.30
21	0.00	0.00	0.00	652,534.00	-
22	0.00	0.00	0.00	704,736.72	-
23	0.00	0.00	0.00	761,115.66	-
24	0.00	0.00	0.00	822,004.91	-
25	0.00	0.00	0.00	887,765.30	-
26	0.00	0.00	0.00	958,786.53	-
27	0.00	0.00	0.00	1,035,489.45	-
28	0.00	0.00	0.00	1,118,328.61	-
29	0.00	0.00	0.00	1,207,794.89	-
30	0.00	0.00	0.00	1,304,418.49	-
Total	2,785,000.00	1,929,750.00	4,714,750.00		

* Under proposed legislation, total debt service cannot increase by more than 5% of par from any preceding year.

First Year DS:	139,250.00
5% of Par:	139,250.00
Max. Allowed:	278,500.00



09/06/99 TUE 10:10 FAX 1 617 345 1027 FIRST SECURITIES 003

City of Concord, New Hampshire

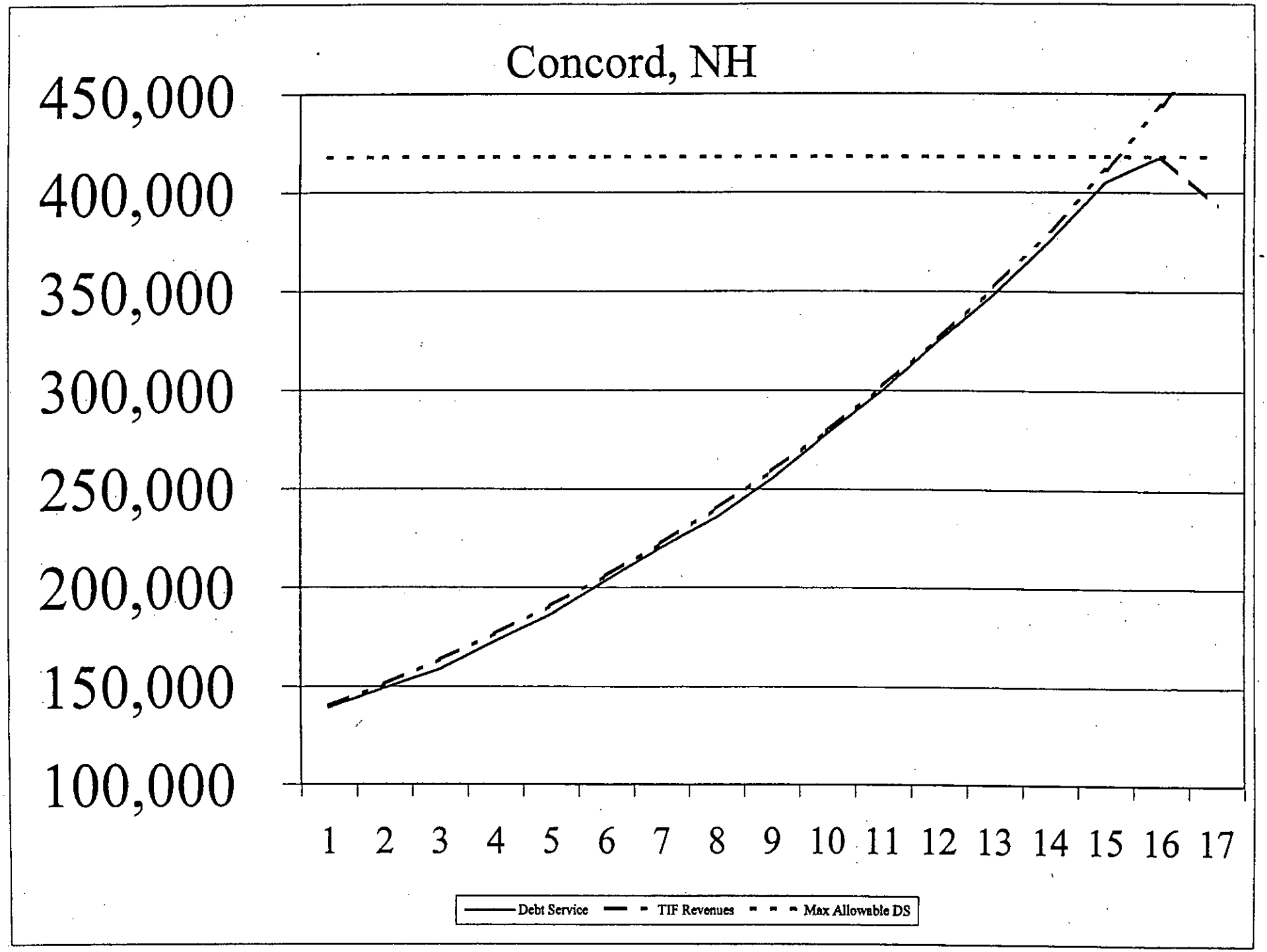
Tax Increment Financing District
Scenario R1

Bonds Dated: March 1, 1999
LT Interest Rate: 5.00%
Yearly TIF increase: 8.00%

Fiscal Year	TIF Bond Issue Principal	Interest	Total P&I*	Tax Increment Revenues	Coverage Ratio
1	0.00	139,250.00	139,250.00	140,000.00	1.01
2	10,000.00	139,250.00	149,250.00	151,200.00	1.01
3	20,000.00	138,750.00	158,750.00	163,296.00	1.03
4	35,000.00	137,750.00	172,750.00	176,359.68	1.02
5	50,000.00	136,000.00	186,000.00	190,468.45	1.02
6	70,000.00	133,500.00	203,500.00	205,705.93	1.01
7	90,000.00	130,000.00	220,000.00	222,162.41	1.01
8	110,000.00	125,500.00	235,500.00	239,935.40	1.02
9	135,000.00	120,000.00	255,000.00	259,130.23	1.02
10	165,000.00	113,250.00	278,250.00	279,860.65	1.01
11	195,000.00	105,000.00	300,000.00	302,249.50	1.01
12	230,000.00	95,250.00	325,250.00	326,429.46	1.00
13	265,000.00	83,750.00	348,750.00	352,543.82	1.01
14	305,000.00	70,500.00	375,500.00	380,747.32	1.01
15	350,000.00	55,250.00	405,250.00	411,207.11	1.01
16	380,000.00	37,750.00	417,750.00	444,103.68	1.06
17	375,000.00	18,750.00	393,750.00	479,631.97	1.22
18	0.00	0.00	0.00	518,002.53	-
19	0.00	0.00	0.00	559,442.73	-
20	0.00	0.00	0.00	604,198.15	-
21	0.00	0.00	0.00	652,534.00	-
22	0.00	0.00	0.00	704,736.72	-
23	0.00	0.00	0.00	761,115.66	-
24	0.00	0.00	0.00	822,004.91	-
25	0.00	0.00	0.00	887,765.30	-
26	0.00	0.00	0.00	958,786.53	-
27	0.00	0.00	0.00	1,035,489.45	-
28	0.00	0.00	0.00	1,118,328.61	-
29	0.00	0.00	0.00	1,207,794.89	-
30	0.00	0.00	0.00	1,304,418.49	-
Total	2,785,000.00	1,779,500.00	4,564,500.00		

* Under proposed legislation, total debt service cannot increase by more than 10% of par from any preceding year.

First Year DS:	139,250.00
10% of Par:	278,500.00
Max. Allowed:	417,750.00


Concord, NH
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
Debt Service
TIF Revenues
Max Allowable DS

State of New Hampshire
Department of Revenue Administration
45 Chenell Drive
P.O. Box 487
Concord, N.H. 03302-0487
(603) 271-3397
Fax: (603) 271-1161

Stanley R. Arnold
Commissioner

Barbara C. Reid
Assistant Commissioner

Municipal Services Division
Andrea M. Reid
Director
Barbara J. Robinson
Assistant Director

Betsy Patten

HB226

September 21, 1999

Representative Richard C. Leone
Municipal & County Government Sub-Committee
Legislative Office Building 301
Concord, NH 03301

Dear Representative Leone and Committee Members:

I have reviewed the information provided by the City of Concord and have discussed it with both Jim Howard, Finance Director, and Fred Enderle, Assistant City Manager. I continue to feel strongly that, as written, this legislation is not good general law. As I told both of them, I can understand why it could be good law for cities and/or large towns that have sophisticated financial personnel. How you would write those specifications into law, I'm not sure. One of them suggested that it be written for municipalities over a certain size, which I took to be size by population. Accordingly, I'm providing a print-out of :

the estimated population by town in descending order,

which are cities and

which already have Tax Increment Financing Districts and whether those with TIFs have finance directors.

The New Hampshire Municipal Association has a computerized data base of most, if not all, municipal officials for all municipalities in the state; perhaps they could pull together a list of all municipalities with Finance Directors.

I hope this addresses your needs.

Sincerely yours,

Andrea M Reid

Andrea M. Reid

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division
Print Date: 09/21/99

Name of Municipali	1998 EST. POPULATION	Tax Increment Financing District	
City MANCHESTER	105,221		
City NASHUA	83,209		
City CONCORD	38,180	Yes $2.8 mil	
DERRY	32,183		
City ROCHESTER	27,800		
SALEM	27,525		
City DOVER	26,658		
MERRIMACK	23,899		
City PORTSMOUTH	23,100		
City KEENE	23,090	Yes (2) $4.9 mil	
LONDONDERRY	21,854		
HUDSON	21,723		
City LACONIA	17,130		
GOFFSTOWN	15,951		
BEDFORD	15,911		
City CLAREMONT	13,856	Yes (2) $1.05 mil	
EXETER	13,409		
HAMPTON	13,342		
DURHAM	12,900		
MILFORD	12,859		
City LEBANON	12,768		
City BERLIN	11,924		
City SOMERSWORTH	11,679		
PELHAM	10,793		
AMHERST	10,229		
WINDHAM	9,978		
HOOKSETT	9,674		
HANOVER	9,636	Yes $5.1 mil	no finance director
RAYMOND	9,246		
CONWAY	8,481		
City FRANKLIN	8,408		
PLAISTOW	7,873		
NEWMARKET	7,715	Yes (2) $5.25 mil	no finance director
HAMPSTEAD	7,618		
SEABROOK	6,944		
BARRINGTON	6,896		
WEARE	6,865		
LITCHFIELD	6,844		
HOLLIS	6,760		
PEMBROKE	6,733		
SWANZEY	6,713	Yes $3.3 mil	no finance director
PLYMOUTH	6,526		
BOW	6,503		
NEWPORT	6,304		

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division
Print Date: 09/21/99

Name of Municipali	1998 EST. POPULATION	Tax Increment Financing District	
BELMONT	6,228		
ATKINSON	6,071		
LITTLETON	6,052		
FARMINGTON	6,009		
GILFORD	5,967		
KINGSTON	5,838		
STRATHAM	5,810		
PETERBOROUGH	5,686	Adopted	no finance director
EPPING	5,572		
JAFFREY	5,434	Adopted	no finance director
RINDGE	5,358		
WOLFEBORO	5,188		
MEREDITH	5,070		
HOPKINTON	5,059		
ALLENSTOWN	4,850		
SANDOWN	4,785		
RYE	4,738		
CHARLESTOWN	4,732		
HILLSBOROUGH	4,665		
LOUDON	4,553		
NORTHFIELD	4,517		
AUBURN	4,506		
NEW IPSWICH	4,306		
WINCHESTER	4,223		
ENFIELD	4,222		
HAVERHILL	4,196		
HENNIKER	4,139		
LEE	4,093		
HINSDALE	4,089		
NORTH HAMPTON	3,984		
PITTSFIELD	3,961		
NEWTON	3,915		
EPSOM	3,896		
CANDIA	3,799		
MILTON	3,781		
NEW BOSTON	3,753		
NEW LONDON	3,658		
DANVILLE	3,622		
BOSCAWEN	3,607		
LANCASTER	3,509		
ALTON	3,493		
DEERFIELD	3,449		
BROOKLINE	3,408		
OSSIPEE	3,376		

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division

Print Date: 09/21/99

Name of Municipali	1998 EST. POPULATION	Tax Increment Financing District
WALPOLE	3,359	
WILTON	3,332	
TILTON	3,319	
STRAFFORD	3,294	
CANAAN	3,292	
CHESTER	3,290	
CHESTERFIELD	3,290	
NORTHWOOD	3,283	
NOTTINGHAM	3,251	
MOULTONBOROUGH	3,243	
BARNSTEAD	3,237	
WAKEFIELD	3,221	
FREMONT	3,166	
GORHAM	3,093	
GREENLAND	3,083	
BRENTWOOD	3,003	
GILMANTON	2,748	
ROLLINSFORD	2,740	
SUNAPEE	2,700	
BRISTOL	2,654	
COLEBROOK	2,623	
NORTHUMBERLAND	2,613	
BARTLETT	2,512	
WARNER	2,483	
CAMPTON	2,473	
ANTRIM	2,375	
SANBORNTON	2,253	
TAMWORTH	2,230	
GREENVILLE	2,222	
PLAINFIELD	2,198	
BETHLEHEM	2,152	
TROY	2,130	
CHICHESTER	2,115	
DUNBARTON	2,094	
MARLBOROUGH	2,059	
FITZWILLIAM	2,055	
NEW DURHAM	2,055	
ASHLAND	2,027	
MONT VERNON	1,982	
ANDOVER	1,979	
WHITEFIELD	1,970	
TUFTONBORO	1,911	
MADISON	1,818	
CANTERBURY	1,800	

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division

Print Date: 09/21/99

Name of Municipali	1998 EST. POPULATION	Tax Increment Financing District
KENSINGTON	1,787	
NEW HAMPTON	1,779	
LISBON	1,771	
DEERING	1,765	
ALSTEAD	1,759	
HAMPTON FALLS	1,755	
HOLDERNESS	1,735	
WESTMORELAND	1,683	
CORNISH	1,676	
NEWBURY	1,660	
HANCOCK	1,655	
EAST KINGSTON	1,647	
THORNTON	1,611	
LYME	1,544	
DUBLIN	1,533	
MADBURY	1,525	
GREENFIELD	1,517	
WEBSTER	1,498	
SUTTON	1,479	
LYNDEBOROUGH	1,461	
UNITY	1,448	
RUMNEY	1,443	
BRADFORD	1,416	
LINCOLN	1,413	
GRANTHAM	1,404	
MILAN	1,338	
NEWFIELDS	1,332	
ALEXANDRIA	1,330	
MASON	1,288	
BENNINGTON	1,273	
WOODSTOCK	1,269	
TEMPLE	1,259	
FRANCESTOWN	1,254	
MIDDLETON	1,242	
SALISBURY	1,137	
SANDWICH	1,112	
STEWARTSTOWN	1,060	
CENTER HARBOR	1,045	
ORFORD	1,039	
LEMPSTER	1,036	
HARRISVILLE	1,021	
JEFFERSON	1,009	
WILMOT	1,003	
GRAFTON	971	

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division
Print Date: 09/21/99

Name of Municipali	1998 EST. POPULATION	Tax Increment Financing District	
STRATFORD	971		
FREEDOM	963		
RICHMOND	955		
DANBURY	953		
EFFINGHAM	952		
PITTSBURG	916		
SPRINGFIELD	893		
HILL	868		
FRANCONIA	864		
DALTON	854		
BRIDGEWATER	834		
WARREN	833		
NEW CASTLE	831		
BATH	819		
WASHINGTON	812		
SOUTH HAMPTON	790		
GOSHEN	782		
ACWORTH	779		
NEWINGTON	777	Yes	Did not provide information no finance director
MONROE	755		
GILSUM	749		
COLUMBIA	740		
SULLIVAN	722		
JACKSON	709		
SURRY	694		
CROYDON	684		
WENTWORTH	664		
MARLOW	661		
PIERMONT	651		
STODDARD	650		
LANGDON	644		
CARROLL	625		
ALBANY	581		
NELSON	578		
BROOKFIELD	530		
STARK	527		
SUGAR HILL	494		
SHELBURNE	439		
HEBRON	424		
LYMAN	417		
DORCHESTER	385		
RANDOLPH	380		
EATON	367		
LANDAFF	356		

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division

Print Date: 09/21/99

Name of Municipali	1998 EST. POPULATION	Tax Increment Financing District
GROTON	341	
SHARON	333	
DUMMER	327	
BENTON	318	
ERROL	303	
CHATHAM	274	
ORANGE	257	
ROXBURY	257	
CLARKSVILLE	237	
EASTON	230	
WATERVILLE VALLEY	230	
WINDSOR	119	
ELLSWORTH	86	
WENTWORTH LOCATION	36	
HARTS LOCATION	30	
DIXVILLE	25	
MILLSFIELD	14	
CAMBRIDGE	8	
ATKINSON-GILMANTON GRA		
BEAN'S GRANT		
BEAN'S PURCHASE		
CHANDLER'S PURCHASE		
CRAWFORD'S PURCHASE		
CUTT'S GRANT		
DIX GRANT		
ERVING'S GRANT		
GREEN'S GRANT		
HADLEY'S GRANT		
HALE'S LOCATION		
KILKENNY		
LIVERMORE		
LOW & BURBANK GRANT		
MARTIN'S LOCATION		
ODELL		
PINKHAM'S GRANT		
SARGENT'S PURCHASE		
SECOND COLLEGE GRANT		
SUCCESS		
THOMAS & MESERVE PURCH		
	1,185,083	

attach · Bday Patten

State of New Hampshire

HOUSE OF REPRESENTATIVES

CONCORD

HELP LINE TDD RELAY
225-4033

COMMITTEE ON MUNICIPAL AND COUNTY GOVERNMENT

MEMORANDUM

TO: Rep. David W. Hess, Chairman
Municipal and County Government Committee

FROM: Rep. Richard C. Leone for the Subcommittee on HB 226 (re-referred)

DATE: October 1, 1999

RE: **Subcommittee Report on HB 226**, establishing municipality bond payment schedules and percentages

Analysis: This bill establishes municipal bond payment schedules.
This bill also requires each issuance of bonds to be separate loans.

Issues of Concern:

(1) When this bill was re-referred by the full committee by a vote of 15-0 on March 2, 1999, it wasn't fully established what effect the Claremont funding would have on TIF Districts. It has since been determined that Claremont would not have a significant effect.

(2) The Department of Revenue Administration did not agree with the original proposal of the bill which advocated up to a 10 percent spread in bond payments. The current law allows for 2 percent, but the city of Concord wanted the opportunity to pay it off sooner to save considerable dollars. DRA claimed that the way the law read, some communities could pay very little for several years (backload). They were particularly concerned about smaller communities which did not have financial officers who were familiar with the process (see attached Andrea Reid letter of August 24, 1999).

Action Taken:

After several meetings discussing the issue with DRA and the city of Concord, the subcommittee present (Reps. Lovejoy, Patten, Sarette, and Leone) voted 4-0 on September 22, 1999, to accept Andrea Reid's (DRA) recommendation that bond payment increments be 5 percent rather than 2 percent (current law) or the 10 percent (as proposed). This would mean that the 10 percent on line 10 of the bill would be changed to 5 percent (only change). It should also be noted that Rep. Rice, unable to attend the 9/22/99 meeting, telephoned in to notify us of his support of the subcommittee. **The subcommittee recommends OTP/A.**

State of New Hampshire
Department of Revenue Administration
45 Chenell Drive
P.O. Box 487
Concord, N.H. 03302-0487
(603) 271-3397
Fax: (603) 271-1161

Stanley R. Arnold
Commissioner

Barbara C. Reid
Assistant Commissioner

Municipal Services Division
Andrea M. Reid
Director
Barbara J. Robinson
Assistant Director

August 24, 1999

Subcommittee, Municipal & County Government
Room 301
Legislative Office Building
Concord, NH 03301

Re: HB 226

Dear Committee Members:

Maura Carroll, Esq. of the New Hampshire Municipal Association contacted me on August 23, 1999 to ask for my input once again on HB226. I have already testified that I feel that the absence of early payments plus the up-to-10% spread allows a municipality to back-load bond payments to too great a degree. The governing body that institutes the tax increment financing district can play hero, so long as they leave office before the larger payments (which would fall on all taxpayers should the TIF fail) are due; that could leave a recent and blameless governing body with the onus of breaking bad news. See possible scenarios as written on accompanying page.

It is also possible that, as smaller towns without professional financial personnel become involved in TIFs, an early, seemingly innocuous mistake could result in real financial pain for many years.

I admire the ability to put off bond payments during the first four years. That would seem to be an advantage when a TIF district is formed that needs extensive infrastructure changes before the site(s) can be developed into taxable properties. I developed two compromises, one with no payback within the first four years but keeping a 2% spread as in current law, second with no payback within the first four years and a 5% spread.

I am unable to attend your work session on August 25, 1999 but could attend on September 1 or 8 if you wish to discuss this further.

Sincerely yours,

Andrea M. Reid

Andrea M. Reid

Enc.

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division

HB 226

Possible scenarios as written

Year	#1 % of Total Bonding	#1 Cumulative Payback	#2 % of Total Bonding	#2 Cumulative Payback	#3 % of Total Bonding	#3 Cumulative Payback
1	0	0	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0
4	0	0	0	0	0	0
5	1	1	1	1	1	1
6	1	2	1	2	1	2
7	1	3	1	3	1	3
8	1	4	1	4	1	4
9	1	5	1	5	1	5
10	1	6	1	6	1	6
11	1	7	2	8	1	7
12	1	8	2	10	1	8
13	1	9	2	12	1	9
14	1	10	2	14	1	10
15	1	11	2	16	1	11
16	5	16	2	18	1	12
17	6	22	3	21	1	13
18	6	28	3	24	1	14
19	6	34	3	27	1	15
20	6	40	3	30	1	16
21	6	46	7	37	2	18
22	6	52	7	44	2	20
23	6	58	7	51	10	30
24	6	64	7	58	10	40
25	6	70	7	65	10	50
26	6	76	7	72	10	60
27	6	82	7	79	10	70
28	6	88	7	86	10	80
29	6	94	7	93	10	90
30	6	100	7	100	10	100

What could happen if it were made 10% ... DRA concerned about backloading as outlined in cover letter from Andrea Reid See #s 1, 2 + 3

Suggested Options by Andrea Reid 8/24/99

Current Law Year	% of Total Bonding	Cumulative Payback
1	3	3
2	3	6
3	3	9
4	3	12
5	3	15
6	3	18
7	3	21
8	3	24
9	3	27
10	3	30
11	3	33
12	3	36
13	3	39
14	3	42
15	3	45
16	3	48
17	3	51
18	3	54
19	3	57
20	3	60
21	3	63
22	3	66
23	3	69
24	3	72
25	3	75
26	5	80
27	5	85
28	5	90
29	5	95
30	5	100

Existing

Compromise suggested earlier (same %) Year	% of Total Bonding	Cumulative Payback
1	0	0
2	0	0
3	0	0
4	0	0
5	3	3
6	3	6
7	3	9
8	3	12
9	3	15
10	3	18
11	3	21
12	3	24
13	3	27
14	3	30
15	3	33
16	3	36
17	4	40
18	4	44
19	4	48
20	4	52
21	4	56
22	4	60
23	5	65
24	5	70
25	5	75
26	5	80
27	5	85
28	5	90
29	5	95
30	5	100

2%

Compromise suggested earlier (5%) Year	% of Total Bonding	Cumulative Payback
1	0	0
2	0	0
3	0	0
4	0	0
5	1	1
6	1	2
7	1	3
8	1	4
9	1	5
10	1	6
11	1	7
12	1	8
13	1	9
14	1	10
15	1	11
16	5	16
17	6	22
18	6	28
19	6	34
20	6	40
21	6	46
22	6	52
23	6	58
24	6	64
25	6	70
26	6	76
27	6	82
28	6	88
29	6	94
30	6	100

5%

HB 71-FN-L, relative to authorizing agreements for the determination of each municipality's share of county costs. INEXPEDIENT TO LEGISLATE

Rep. Richard C. Leone for Municipal and County Government: Due to the complexity of this bill, the Committee unanimously voted to recommend it "Inexpedient to Legislate" at this time. However, the Municipal and County Government Committee already has a standing subcommittee to study county issues on a continual basis. This would include the subjects of HB 71, issues of proportionality, property equalization (statewide), the formulas used by cooperative school districts relative to numbers of students (usage) and property valuation, and the significance of per capita income of each community. Vote 15-0.

HB 209, relative to authorizing the consideration of traditional village patterns in local zoning ordinances. INEXPEDIENT TO LEGISLATE

Rep. Betsey L. Patten for Municipal and County Government: This bill would set up a traditional village pattern for local communities to adopt in their regulations to try to lessen the growth and impact of sprawl. The committee realizes that the local land use boards already have the ability to enact any innovative zoning regulations, which may or may not include a traditional village pattern. The issue of developing land in a manner that causes "sprawl" is being studied in the statutory study committee created by House Bill 288, Chapter 23:3, Laws of 1999. Therefore, the full committee felt that this specific bill was premature and wanted to let the full statutory committee do its work and will be looking forward to the report they will file in November of 2000. Vote 14-0.

HB 226-L, establishing municipality bond payment schedules and percentages. OUGHT TO PASS WITH AMENDMENT

Rep. Gerard L. St. Cyr for Municipal and County Government: The sponsors of this bill originally asked to change the bond payment schedule from 2 percent (current law) to 10 percent intervals to pay off Tax Increment Financing (TIF) projects. Their argument was that considerable savings could be realized in interest if the bond could be retired earlier. The Department of Revenue Administration was concerned that this could create problems of back-loading, especially if some community leaders decided to hold off payments until the last few years, possibly leaving the community in financial difficulty. The Department was also concerned that some of our smaller towns may not have access to financial officers or expertise to guide them as some of the larger communities do. The Committee was satisfied with a compromise of 5 percent increments worked out with the sponsors and the Department of Revenue Administration. Vote 13-2.

HB 285, providing that equalized value of property in small towns be calculated as a multi-year average. INEXPEDIENT TO LEGISLATE

Rep. Linda T. Foster for Municipal and County Government: This bill would allow towns with populations of less than 5000 to calculate their annual valuation by taking the average of equalized values over a 3-year period. Testimony from the Department of Revenue Administration expressed many concerns with this proposal. The Committee's major concerns were (1) population is not an appropriate measure to determine the need for using sales over a multi-year period, (2) the legislation conflicts with the different methods of assessment contained in HB 117 as it relates to the statewide education property tax, and (3) the Department of Revenue Administration now has the flexibility to use previous years sales in its calculations already. This bill would limit that flexibility. For those reasons, the committee unanimously concluded that the proposed legislation is not warranted. Vote 14-0.

HB 391, establishing a village plan alternative in zoning and land use planning laws. INEXPEDIENT TO LEGISLATE

Rep. Robert W. Brundige for Municipal and County Government: This bill is premature due to the statutory committee currently studying the total issue of sprawl (HB 288, Chapter 23:3, Laws of 1999), along with several other committees studying this issue of unplanned growth. Reports are due in November 2000. Vote 14-0.

HB 446-L, subjecting certain land in the town of Newport to local land use regulations. REFER FOR INTERIM STUDY

Betsy Patten

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division

HB 226

Possible scenarios as written

Year	% of Total Bonding	Cumulative Payback	% of Total Bonding	Cumulative Payback	% of Total Bonding	Cumulative Payback
1	0	0	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0
4	0	0	0	0	0	0
5	1	1	1	1	1	1
6	1	2	1	2	1	2
7	1	3	1	3	1	3
8	1	4	1	4	1	4
9	1	5	1	5	1	5
10	1	6	1	6	1	6
11	1	7	2	8	1	7
12	1	8	2	10	1	8
13	1	9	2	12	1	9
14	1	10	2	14	1	10
15	1	11	2	16	1	11
16	5	16	2	18	1	12
17	6	22	3	21	1	13
18	6	28	3	24	1	14
19	6	34	3	27	1	15
20	6	40	3	30	1	16
21	6	46	7	37	2	18
22	6	52	7	44	2	20
23	6	58	7	51	10	30
24	6	64	7	58	10	40
25	6	70	7	65	10	50
26	6	76	7	72	10	60
27	6	82	7	79	10	70
28	6	88	7	86	10	80
29	6	94	7	93	10	90
30	6	100	7	100	10	100

Current Law Year	% of Total Bonding	Cumulative Payback	Compromise suggested earlier (same %) Year	% of Total Bonding	Cumulative Payback	Compromise suggested earlier (5%) Year	% of Total Bonding	Cumulative Payback
1	3	3	1	0	0	1	0	0
2	3	6	2	0	0	2	0	0
3	3	9	3	0	0	3	0	0
4	3	12	4	0	0	4	0	0
5	3	15	5	3	3	5	1	1
6	3	18	6	3	6	6	1	2
7	3	21	7	3	9	7	1	3
8	3	24	8	3	12	8	1	4
9	3	27	9	3	15	9	1	5
10	3	30	10	3	18	10	1	6
11	3	33	11	3	21	11	1	7
12	3	36	12	3	24	12	1	8
13	3	39	13	3	27	13	1	9
14	3	42	14	3	30	14	1	10
15	3	45	15	3	33	15	1	11
16	3	48	16	3	36	16	5	16
17	3	51	17	4	40	17	6	22
18	3	54	18	4	44	18	6	28
19	3	57	19	4	48	19	6	34
20	3	60	20	4	52	20	6	40
21	3	63	21	4	56	21	6	46
22	3	66	22	4	60	22	6	52
23	3	69	23	5	65	23	6	58
24	3	72	24	5	70	24	6	64
25	3	75	25	5	75	25	6	70
26	5	80	26	5	80	26	6	76
27	5	85	27	5	85	27	6	82
28	5	90	28	5	90	28	6	88
29	5	95	29	5	95	29	6	94
30	5	100	30	5	100	30	6	100

City of Concord, New Hampshire

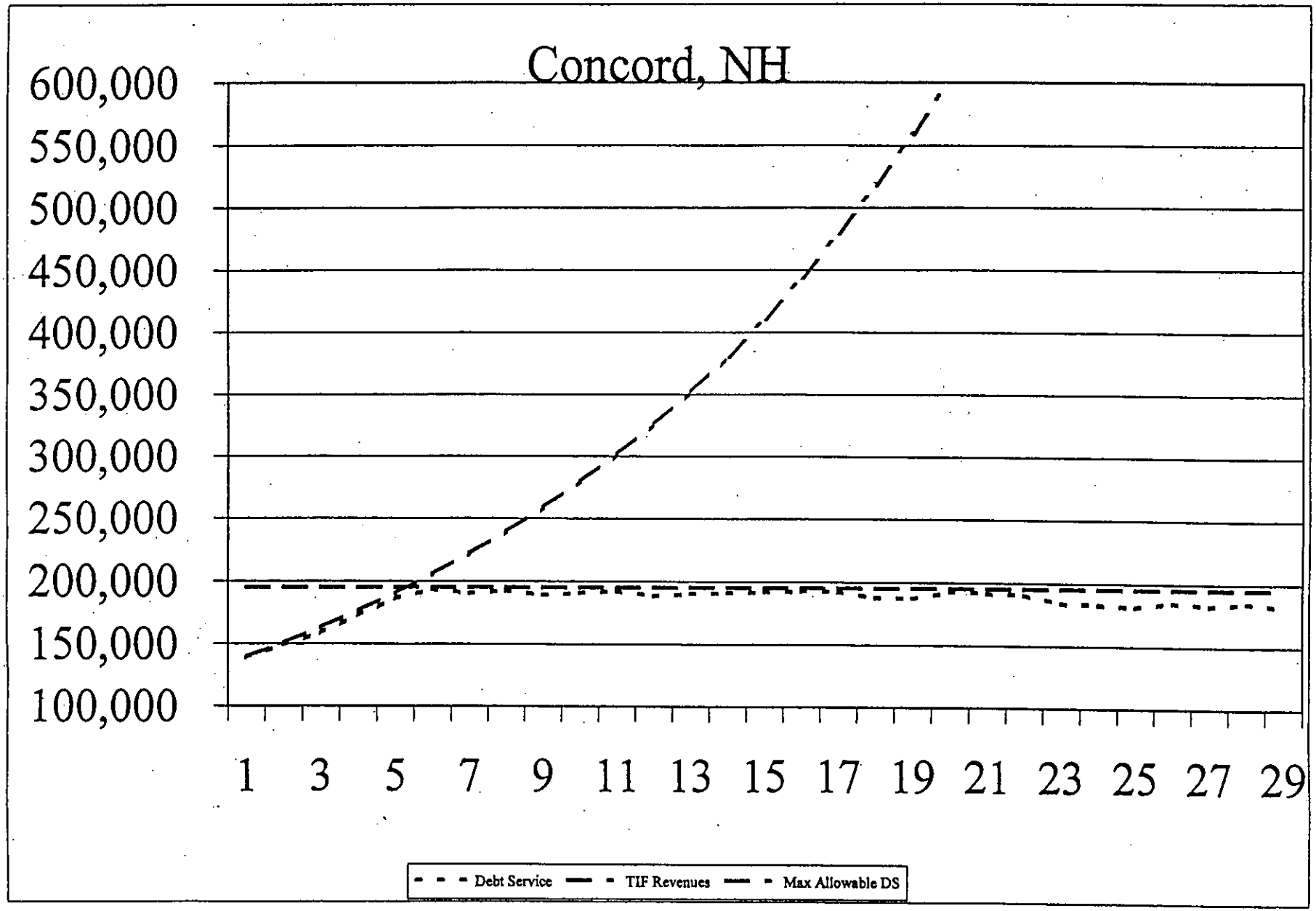
Tax Increment Financing District
Scenario R1

Bonds Dated: March 1, 1999
LT Interest Rate: 5.00%
Yearly TIF increase: 8.00%

Fiscal Year	TIF Bond Issue			Tax Increment Revenues	Coverage Ratio
	Principal	Interest	Total P&I*		
1	0.00	139,250.00	139,250.00	140,000.00	1.01
2	10,000.00	139,250.00	149,250.00	151,200.00	1.01
3	20,000.00	138,750.00	158,750.00	163,296.00	1.03
4	35,000.00	137,750.00	172,750.00	176,359.68	1.02
5	50,000.00	136,000.00	186,000.00	190,468.45	1.02
6	60,000.00	133,500.00	193,500.00	205,705.93	1.06
7	60,000.00	130,500.00	190,500.00	222,162.41	1.17
8	65,000.00	127,500.00	192,500.00	239,935.40	1.25
9	65,000.00	124,250.00	189,250.00	259,130.23	1.37
10	70,000.00	121,000.00	191,000.00	279,860.65	1.47
11	75,000.00	117,500.00	192,500.00	302,249.50	1.57
12	75,000.00	113,750.00	188,750.00	326,429.46	1.73
13	80,000.00	110,000.00	190,000.00	352,543.82	1.86
14	85,000.00	106,000.00	191,000.00	380,747.32	1.99
15	90,000.00	101,750.00	191,750.00	411,207.11	2.14
16	95,000.00	97,250.00	192,250.00	444,103.68	2.31
17	100,000.00	92,500.00	192,500.00	479,631.97	2.49
18	100,000.00	87,500.00	187,500.00	518,002.53	2.76
19	105,000.00	82,500.00	187,500.00	559,442.73	2.98
20	115,000.00	77,250.00	192,250.00	604,198.15	3.14
21	120,000.00	71,500.00	191,500.00	652,534.00	3.41
22	125,000.00	65,500.00	190,500.00	704,736.72	3.70
23	125,000.00	59,250.00	184,250.00	761,115.66	4.13
24	130,000.00	53,000.00	183,000.00	822,004.91	4.49
25	135,000.00	46,500.00	181,500.00	887,765.30	4.89
26	145,000.00	39,750.00	184,750.00	958,786.53	5.19
27	150,000.00	32,500.00	182,500.00	1,035,489.45	5.67
28	160,000.00	25,000.00	185,000.00	1,118,328.61	6.05
29	165,000.00	17,000.00	182,000.00	1,207,794.89	6.64
30	175,000.00	8,750.00	183,750.00	1,304,418.49	7.10
Total	2,785,000.00	2,732,500.00	5,517,500.00		

* Under current legislation, total debt service cannot increase by more than 2% of par from any preceding year.

First Year DS:	139,250.00
2% of Par:	55,700.00
Max. Allowed:	194,950.00


Concord, NH
600,000
550,000
500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
Debt Service
TIF Revenues
Max Allowable DS

Committee Report

Date: March 8, 2000 Time: 8:40 a.m.

The Senate Committee on Banks held its hearing in Room 103 LOB, Concord, New Hampshire.

BILL NO.: HB 226 TITLE: establishing municipality bond payment schedules and percentages.

Members of the Committee present:

Senator Fraser
Senator Fernald
Senator Klemm
Senator Krueger
Senator Wheeler

Those appearing in favor:

Name and Address	Representing
See Attached.	

Those appearing in opposition:

Name and Address	Representing
See Attached.	

REPORT OF THE COMMITTEE:

- ☐ Ought to Pass
- ☒ Ought to Pass w/ Amendment
- ☐ Inexpedient to Legislate
- ☐ Rereferred
- ☐ Interim Study
- ☐ Continued Hearing
- ☐ Postponed Hearing

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date: {Type FLOOR DATE}

THE COMMITTEE ON Banks

to which was referred House Bill 226-L

AN ACT establishing municipality bond payment schedules and percentages.

VOTE: 4-0

AMENDMENT DOC # 2000-4171s

Having considered the same, report the same with the following amendment and recommend that the bill: **AS AMENDED OUGHT TO PASS.**

Senator Arthur P. Klemm, Jr.
For the Committee