

**CITY OF WORCESTER
TAX INCREMENT FINANCING POLICY**

IT IS THE POLICY of the City of Worcester to consider the utilization of tax increment financing to support existing businesses and pursue new private investment that will:

- 1) Create permanent, full-time, livable-wage jobs for Worcester residents
- 2) Promote economic diversity
- 3) Increase the City of Worcester’s commercial and industrial base
- 4) Increase property values and tax revenue
- 5) Eliminate blight and/or redevelop an underutilized property
- 6) Directly or indirectly spur additional, unsubsidized private development in Worcester
- 7) Benefit the long-term economic development goals of the City of Worcester

Background and Concept

The Economic Development Incentive Program (EDIP) is a successful tool to increase the city’s tax base and produce new tax revenue by attracting new businesses to Worcester and encouraging existing companies to expand in the city. The Program is a three-way partnership between the state, the City, and the participating job-creating business that can provide 1) real estate property tax exemptions, 2) personal property tax exemptions, and 3) investment tax credits to businesses locating to or expanding in the city. The Program provides the financial tools and incentives necessary to stimulate development in tandem with other local support programs, which strengthen the City’s ability to expand its industry base and create permanent, full-time jobs for Worcester residents.

The City Administration’s use of the EDIP is a key component of Worcester’s overall economic development agenda and mission. The Program is utilized to increase commercial property values, retain existing Worcester businesses interested in expanding its operations; attract new business and private development to the city, and reduce the financial risk to ensure projects move forward and are successful.

Local Guidelines

The City of Worcester requires that all applicants seeking a Tax Increment Financing Plan adhere to the following mandatory local guidelines:

- 1) The application must be submitted to the City of Worcester prior to the commencement of the project.
- 2) The project will create permanent, full-time livable wage jobs for Worcester residents. It is the goal of the City of Worcester for these positions to provide wages according to the following schedule:

In Years 2016 & 2017 – 125% above the state minimum wage (calculated as the minimum wage as of January 1st in the year of the approved TIF plan multiplied by 1.25)

In Year 2018 and subsequent years – \$15.00 per hour or 125% above the state minimum wage, whichever is greater.

- 3) The applicant agrees that 100% of the newly created positions will be made available to residents of Worcester. The City of Worcester reserves the right to also require that certain applicants ensure a percentage of the permanent full-time jobs to be created are filled by Worcester residents., with a goal that the breakdown of Worcester residents is 10% minority, 5% women and 15% low-moderate income individuals.
- 4) The applicant, its contractors, subcontractors and lessees, if applicable, will insure non-discrimination in all their respective employment decisions. The applicant, its contractors, subcontractors and lessees, if applicable, will insure without regard to race, color, religious creed, national origin, age, sex, gender identity & expression, sexual orientation, genetic information, ancestry, military service, source of information, or disability in the areas of hiring, promotion, demotion, transfer, recruitment, layoff, termination, rate of compensation, in-service or apprenticeship training programs, and all other terms and conditions of employment as it pertains to the applicant, its contractors, subcontractors and lessees, if applicable.
- 5) The applicant must provide documentation of adherence to the Immigration and Nationality Act.
- 6) The applicant must provide documentation demonstrating it has a Criminal Offender Record Information (CORI) Policy that matches the City of Worcester’s CORI Policy.
- 7) The project will be beneficial to a "Blighted Open Area", "Decadent Area", or a "Substandard Area" as defined in 402 CMR 2.03.
- 8) The project must meet all local and State permitting, licensing and regulatory requirements.
- 9) The project will generate an increase in property tax revenue.
- 10) The applicant must demonstrate that the Tax Increment Financing Plan is necessary to either off-set the cost of the project, retain and expand its operations in Worcester, or locate its operations to Worcester.
- 11) Upon the request of the City Administration, the applicant must provide a project pro forma which demonstrates the financial need for tax increment financing and/or a written statement from the lender or principal funding provider noting the importance and basis therein of tax increment financing to the overall financial package assembled to finance the project.

- 12) The applicant must demonstrate evidence of the required financing to complete the proposed project.
- 13) If the property for which certification is sought is leased, copies of leases with all tenants seeking certification must be submitted to demonstrate that the tax benefits will be passed through to the tenant in the form of a favorable lease.
- 14) The applicant must use its best efforts to purchase supplies, materials, and services from suppliers and vendors located in Worcester. These best efforts will include requesting proposals from Worcester suppliers and vendors, giving preference to Worcester suppliers and vendors that are both qualified and competitive; and allowing Worcester suppliers and vendors the opportunity to match or better lower prices provided by qualified non-Worcester suppliers and vendors. The City of Worcester will provide the applicant with a list of Worcester suppliers and vendors from which to request proposals.
- 15) The applicant must use its best efforts to hire a minimum of 50% of its contractors and sub-contractors from qualified local (within thirty miles of the project address) companies. These best efforts will include advertising the work locally; giving preference to local contractors and sub-contractors that are both qualified and competitive; and allowing qualified local contractors and sub-contractors the opportunity to match or better lower prices provided by qualified, non-local contractors and sub-contractors. The applicant will also require its contractors and sub-contractors to use best efforts to achieve a workforce in each trade that is 50% Worcester residents, 38% people of color, and 10% women.
- 16) The applicant must affirm that it will not unlawfully misclassify workers as self-employed or as independent contractors and certify compliance with applicable state and federal employment laws and regulations, including but not limited to minimum wages, unemployment insurance, workers' compensation, child labor, and the Massachusetts Health Care Reform Law, Chapter 58 of the Acts of 2006, as amended.
- 17) The applicant must affirm that it will not knowingly employ developers, subcontractors, or other third parties that unlawfully misclassify workers as self-employed or as independent contractors, or that fail to comply with applicable state and federal employment laws and regulations, including but not limited to minimum wages, unemployment insurance workers' compensation, child labor, and the Massachusetts Health Care Reform Law, Chapter 58 of the Acts of 2006, as amended.
- 18) The applicant and all contractors and sub-contractors will comply with the Wage Theft Prevention ordinance as described in Section 39 of the Revised Ordinances of the City of Worcester. A copy of the ordinance will be provided to the applicant prior to project approval.

- 19) The applicant must ensure that all contractors and sub-contractors comply with the health care laws of Massachusetts, and the applicant must not hire any contractors or sub-contractors that are on the Commonwealth of Massachusetts debarment lists.
- 20) The applicant must ensure that all contractors and sub-contractors have not within the past three years been found in violation of any law applicable to its contracting business, including, but not limited to, licensing laws, tax laws, prompt payment laws, wage and hour laws, prevailing wage laws, environmental laws, or others.
- 21) The applicant must ensure that all contractors and sub-contractors maintain appropriate industrial accident insurance sufficient to provide coverage for all the employees on the project in accordance with G.L. c.152 and provide documentary proof of such coverage to the Commissioner of Inspectional Services to be maintained in Inspectional Services as a public record.
- 22) The applicant must provide the City of Worcester with a list of contractors and sub-contractors that will be given the opportunity to bid on the project construction. Said list must be provided to the City of Worcester as part of the applicant's application for tax relief.
- 23) The applicant must submit to the City monthly certified payroll documentation for all contractors and sub-contractors. The documentation must include each employee's name, address, identifying number, gender and race.
- 24) The applicant and its tenants, if applicable, must work with the City Manager's Workforce Development Division ("Workforce Development Division"), the Program Director of the Worcester Jobs Fund, other local employment agencies, and community/neighborhood organizations as identified to outline the job profiles of those positions to be created in order to secure positions at the project address for Worcester residents. The applicant and its tenants, if applicable, must also agree to make all commercially reasonable efforts to maintain and add to the level of jobs at the project address as long as the TIF Plan is effective.
- 25) During the duration of the Tax Increment Financing Plan, the applicant and its tenants, if applicable, must work with the Workforce Development Division, the Program Director of the Worcester Jobs Fund, other local employment agencies, and community/neighborhood organizations as identified to further this local hiring objective.
- 26) If the applicant decides to sell the property or business during the Tax Increment Financing Plan or to otherwise transfer control of the property or business and/or its operation, the applicant must give the City of Worcester as much notice as is practicable.
- 27) The applicant must ensure that regardless of future ownership the property will remain taxable or pay a tax equivalent payment for the life of the Tax Increment Financing Plan, unless the property is repossessed or foreclosed upon by a mortgagee.

28) The applicant should demonstrate additional economic benefits to the Worcester community, such as the employment of youth interns or support for local initiatives.

Approval Process

Preliminary intake will be handled by the City's Business and Community Development Division (BCDD). The initial contact with BCDD staff will involve a meeting to familiarize the City with the proposed project. Once it is determined by BCDD staff that the project will increase the assessed value and create jobs, and thus may qualify for Certified Project designation, the applicant is required to submit a letter of intent to the Assistant Chief Development Officer for the BCDD prior to commencement of the project. The letter should include a brief description of the project and demonstrate that the Tax Increment Financing Plan is necessary to either off-set the cost of the project, retain and expand the business' operations in Worcester, or locate its operations to Worcester.

In addition to completing the standard Certified Project application form, upon request, applicants must also provide a project pro forma which demonstrates the financial need for tax increment financing and/or a written statement from the lender or principal funding provider noting the importance and basis therein of tax increment financing to the overall financial package assembled to finance the project. The applicant must also provide evidence of the required financing to complete the proposed project.

Upon receipt of a letter of intent, a meeting with the regional director of the Central Massachusetts Office of the Massachusetts Office of Business Development (MOBD) will be scheduled to familiarize MOBD with the project proponents. BCDD staff and the regional director of the Central Massachusetts Office of the MOBD will then review the project for both state and local eligibility criteria. If the applicant meets both local and state criteria, he or she will be asked to complete and submit a Certified Project application.

The City Manager will then submit the Certified Project application and accompanying EDIP documents to the City Council for approval. The City Council will refer the application to the Economic Development Committee for further review. The applicant will be required to meet with the Worcester Jobs Fund Committee to discuss the project and job profiles of those positions to be created at the project address. If the Economic Development Committee supports the item, it will then be placed before the full City Council for a final vote.

If the application is approved by the full City Council, BCDD staff will prepare the necessary TIF Agreements and TIF Plan and obtain the City Manager's and project proponent's signatures.

The approved applications, resolutions, TIF Agreement and TIF Plan will be forwarded to the Central Massachusetts office of the MOBD and to the State Economic Assistance Coordinating Council (EACC) for review and final approval.

Typical Schedule Of Events

ACTIVITY	PROJECTED TIMELINE
<ul style="list-style-type: none"> • Applicant submits a letter of intent 	Approximately 21 Days
<ul style="list-style-type: none"> • Applicant, City, and MOBD regional director meet to discuss the proposed project 	
<ul style="list-style-type: none"> • City and MOBD determine project eligibility 	
<ul style="list-style-type: none"> • Applicant submits a Certified Project application and other required documentation 	Applicant Driven
<ul style="list-style-type: none"> • The Certified Project application and accompanying EDIP documents are submitted to the City Council 	Approximately 14 Days From Receipt Of Complete Application
<ul style="list-style-type: none"> • Application is referred to the City Council’s Standing Committee on Economic Development Committee for review and recommendation 	Approximately 60 Days
<ul style="list-style-type: none"> • Applicant meets with the Worcester Jobs Fund Committee 	
<ul style="list-style-type: none"> • Applicant meets with the Economic Development Committee 	
<ul style="list-style-type: none"> • City Council receives Economic Development Committee’s recommendation and takes final vote to approve or deny application 	
<ul style="list-style-type: none"> • Final State approval 	
	Next Scheduled EACC Quarterly Meeting

Reporting Requirements

Per M.G.L. Chapter 23A and 402 CMR 2.00, active EDIP projects are required to submit an annual report to the commonwealth’s Economic Assistance Coordinating Council (EACC) and to the municipality in which the project located. The EACC reviews each project for compliance with job creation and retention, private investment goals and if applicable, investment tax credit utilization. The failure to submit the annual report to the EACC is grounds for project decertification which may result in the revocation and potential recapture of state tax benefits.

In addition to the EACC’s reporting requirements, the applicant must provide semi-annual reports to the City of Worcester during each year of the Tax Increment Financing Plan. Said reports, which will be forwarded to the applicant by the City of Worcester for its completion prior to each noted due date, shall include the following information:

- (a) full-time employment levels at the facility at the beginning and end of the reporting period
- (b) the specific number of Worcester residents employed full-time at the facility at the beginning and end of the reporting period, identifying women and minority employees, and their respective percentages of the total workforce
- (c) the names of low-moderate income Worcester residents hired during the pertinent reporting period and their percentage of the total workforce
- (d) the total project investment made as of the date of the report
- (e) the applicant’s financial contribution to the City of Worcester (i.e. property taxes, motor vehicle excise taxes, and water and sewer fees), for the fiscal year

(f) a description of any private investment made for the benefit of the community during the reporting period.

The failure to comply with the terms of the TIF Agreement, including a company's failure to retain its permanent, full-time job base as stated in the agreement, construct and complete the project as proposed, or reach at least 50% of its job creation goal as stated in the application, may result in the revocation and/or potential recapture of local tax benefits. The City of Worcester reserves the right to consider the revocation of a Tax Increment Financing Plan and/or potential recapture/reduction of local tax benefits on a case-by-case basis. If the City of Worcester chooses to reduce the percentage of a company's local tax benefits due to non-compliance with its job retention or creation goals, the percentage reduction amount will be proportionate to the company's current permanent, full-time employment levels.