

District Improvement Financing (DIF) Template

Instructions Memo

This *DIF Template* has been created as part of the suite of resources to help communities understand and use DIF effectively. It is structured to gather and present the information required by the DIF Statute¹ to be included in each of the four components of DIF, including the Development District, Invested Revenue Development District, Development Program, and Invested Revenue District Development Program. Customizing this template and completing all of the questions and tables in the *DIF Template* should result in a document that can be incorporated into or appended to local legislation, according to the municipality's regular legislative practices.

This *DIF Template* includes sections that explain to the reader how DIF works as well as the statutory requirements and definitions. These are not intended to be edited by the user.

It also includes steps, such as the formation of a DIF Advisory Committee, that are not required by the DIF Statute but that reflect good practices or tactics that have been used successfully by other towns or cities.

Finally, there are certain types of information, such as plans for housing, that are required by the DIF Statute if they are to be undertaken. If no such activities are planned, that language is unnecessary. These sections are clearly marked; the default is to state that no such activities will be undertaken, rather than to delete references to that requirement.

Municipalities are encouraged to review the *District Improvement Financing (DIF) Guide* before beginning to use *DIF Template*.

The *DIF Guide* provides more detailed descriptions of how District Improvement Financing works, along with examples of how other communities have used DIF as well as tips for evaluation and implementation of the tool.

Other resources on DIF such as case studies and online webinars are also available on the MassDevelopment website.

This *DIF Template Instructions Memo* details how to use the document, which should be customized by each municipality.

¹ Mass. Gen. Laws Ch. 40 Q, referred to as the "DIF Statute" here and in the *DIF Template*

DIF Template Instructions

Purpose of the DIF Template

The *DIF Template* will allow communities to create a document that satisfies the requirements of the DIF Statute, conveys basic information about DIF and how it works, and clearly shows the reader how the community expects to use this economic development tool to achieve important goals.

The *DIF Template* includes four types of content:

- 1) Statutorily mandated elements that are required for any community using DIF, for each of the four component parts, including the Development District, Invested Revenue District, Development Program, and Invested Revenue Development Program.
- 2) Statutorily mandated information that is relevant only to some communities or Development Programs; for this information, the user is cued to select from two or more choices of text.
- 3) Elements that are not mandated, but which are recommended as best practices based on the experiences of communities using DIF. These are described in more detail in the *DIF Guide* and called out in the individual section instructions below.
- 4) Descriptive and explanatory information to help the reader understand how DIF works. While it is advisable for municipal staff responsible for creating a DIF to read the *DIF Guide* and access other materials at www.MassDevelopment.com, the *DIF Template* is designed to provide enough information for a variety of readers, from Town Meeting members to business owners, to understand the tool and what the community plans to accomplish.

It is understood that not all non-mandatory elements will be needed or relevant in every instance where DIF is proposed. It is up to each community to determine, with its development partner(s), if applicable, what level of analysis and documentation will be required to secure public approval, and to establish a strong foundation for DIF implementation.

Municipalities should not be constrained by this *DIF Template*. Depending on the community, the stakeholders, and the use of the tool, maps, descriptions, narrative, or history may be added or referenced.

Using the Template Document - Overview

This document is in MS Word format, which will allow for basic administrative changes such as customizing the name of the town or city, as well as substantive inputs such as narrative about project goals and expectations, property and parcel characteristics, and proposed uses of DIF Revenues in a capital plan. The document will lengthen as narrative information and data is added, and there is no limit to the number of pages, length of text, or size of tables. Footers and page numbers will update automatically, and very long documents may be included in an Appendix or Attachment as needed.

The document includes a Table of Contents that will not update automatically and should be updated by the user according to MS Word help instructions.

Information that must come from each community to customize the document for use in establishing a DIF District and Development Program is clearly identified with highlighted, bracketed text.

Instructions for the Template Document – Steps Outlined by Section

Introduction

The Introduction first describes the uses of Development Districts and Development Programs, the statutory authority of municipalities to enter into them, and key provisions that must be satisfied. It then sets forth the steps taken to authorize the DIF District and Development Program.

a. About District Improvement Financing

This section is intended to be general content to inform readers about District Improvement Financing as well as the statutorily defined definitions.

b. About the [Name of District] Development Program

This section should briefly describe the municipality, the area where the DIF District will be formed, and the goals of the DIF Development Program, such as funding infrastructure improvements, etc. to encourage new or expanding businesses. Include, if applicable, information about a private business or developer whose plans have catalyzed the creation of the DIF.

This section should be 1-3 short paragraphs; details of the projects and plans will be included later in the document.

c. Description of the Approval Process and Legislative Actions

This section should describe the steps taken to adopt the legislation enacting DIF.

The DIF Statute states that “any city or town by vote of its town meeting, town council or city council with the approval of the mayor where required by law may designate development districts within the boundaries of the city or town...”² but it does not set forth specific language or the form of the legislation that is required.

The DIF Statute also does not specify public hearings, committee meetings, or other processes through which a municipality might seek public and legislative input prior to a vote on legislation. Each municipality will adopt its DIF according to its local legislative and approval process. The *DIF Template* requests that the preparer describe the steps taken, including review by boards or committees, public meetings or hearings, review and adoption by the legislative body and, where applicable, approval by the municipality’s executive, such as a Mayor.

The *DIF Template* includes sample activities for a town and for a city.

d. [Name of District] Development District and Program Information Summary

This section consists of a table that includes information from throughout the Template report. Complete this table as the applicable information is confirmed. A blank table is included as an example.

² Mass. Gen. Laws Ch. 40Q §2(a)

Part I: The Development District

Part I describes the Development District boundaries, including the boundaries of the Invested Revenue District, which are assumed to be the same as for the Development District. It provides information about the parcels to be included.³

a. Description of the Development District

This lists the elements of Part I and explains briefly what they are. Customization of names is required but no other information.

b. Statement of Findings

The DIF Statute requires that a municipality make a specific affirmation of the purpose of the DIF. In order to establish a Development District, "The city or town shall find that the designation of the development district is consistent with the requirements of this section and will further the public purpose of encouraging increased residential, industrial and commercial activity in the commonwealth." The affirmation is included here using the statutory language.

c. Base Date for Assessment of Parcels

This section states the Base Date for assessed values. The Base Date will always be the January 1 immediately preceding the legislation that enacts DIF.

d. Parcel Information

This section includes a table that summarizes the parcels that will be included in the DIF District and Invested Revenue District (IRD), by current use type. A blank sample table is included with suggested categories. The municipality should amend this table as necessary.

e. The [Name of District] District Improvement Financing and Other Special Districts

This section begins with explanatory language about special districts. The blank table should include calculations of the percentage of the area of the municipality that is included in all DIF Districts, existing or proposed.

Part II: The [Name of District] Development Program

Part II presents the proposed Development Program which is being created to implement the development goals within the DIF District. It presents a general description of the DIF projects, the operation and maintenance plan, and the financial plan. Some language or statement of intentions are required and some

³ A DIF District, the Invested Revenue District, the Development Program, and the Invested Revenue District Development Program may be adopted separately. If this is undertaken, the *DIF Template* will need to be expanded and adapted to reflect a multi-step legislative process.

are best practices. For example, the use of a DIF Advisory Committee is a good practice but not required, while comparing tax revenues with and without the use of DIF is a statutory requirement. The *DIF Guide* is a resource for understanding what is required and what is a best practice.

a. Statement of Means and Objectives

This section states what the municipality plans to accomplish with DIF. There are four activities listed that demonstrate how DIF will promote economic development. These are intended to be general enough for use by most municipalities, although they can also be modified as necessary and tailored to the individual municipality.

b. Duration of the Development Program

This states the length of the program, including the years and the beginning and end dates. As discussed in the *DIF Guide*, a Development Program may be no longer than 30 years, but it may begin either at the date of adoption or at a later time called “project stabilization.” The DIF Statute does not define project stabilization and provides no guidance. The *DIF Guide* therefore includes as a good practice that a municipality set the project stabilization date as the first date of the first fiscal year in which DIF Revenues may be captured.

c. Projects to be Implemented

This section presents the public and private facilities that are expected to be constructed with DIF Revenues as well as the planning studies to be undertaken. The projects, costs, and funding sources are expected estimates and final costs are likely to be different, either lower or higher than these estimates. Inclusion of these estimates in the report does not represent an appropriation or legal commitment to spend these amounts on these projects.

i. Public Facilities to be Constructed

This section includes all public projects and studies that will be paid for with DIF Revenues. Projects do not need to be described in detail, but brief narrative helps the reader understand how the projects support the community’s goals. Additional documents such as engineering reports can be attached if available. Sample tables are included and can be amended to include the timeframe for start and completion, for example. There is a blank sample table included as an example that should be modified depending on what “Project Types” are applicable.

ii. Private Facilities to be Constructed and Use of Private Property

If a private entity has publicly indicated its plans to invest as a result of the DIF Development Program, information about the plans and the amount of the investment should be presented. Otherwise, leave the table in place and enter “none” or similar language. Projects do not need to be described in detail, but brief narrative helps the reader understand how the projects support the community’s goals. Additional documents such as engineering reports can be attached if available. Sample tables are included and can be amended to include the timeframe for start and completion, for example.

The DIF Statute allows certain activities on private property to be funded through the DIF, such as private sidewalks. These would be listed in the table as shown, or “none” or similar language should be entered.

iii. Plans for Relocation of Displaced Persons

If residents will be displaced as a result of the projects funded through DIF Revenues, this should be described in this section. If not, note that no residents will be displaced as a result of the Development Program.

iv. Plans for Housing

If housing is proposed to be built with public funds, this should be described in this section. If not, note that no housing will be built with public funds under the Development Program.

v. Proposed Regulations and Facilities to Improve Transportation

If transportation regulations are proposed, this should be described in this section. If transportation projects are to be constructed, please reference specific projects.

d. Operation and Management of the DIF District and Development Program

The DIF Statute requires that a Development Program include a plan for ongoing management after project completion, but does not state what should be included. The statute allows designation of a body or organization to manage the DIF. Because this is a good practice, this section identifies the expertise and persons who should serve on an advisory and management team. Elected representatives may be included. Existing committees or boards may be designated, as may outside organizations. See the *DIF Guide* for a discussion of what an advisory committee may do.

An example DIF Advisory Committee (DAC) and reporting structure is included below as an example.

Exhibit A: Example DAC

Expertise	Title/Position
Economic Development	Economic Development Director
Property Assessment	Director, Assessor’s Office
Finance, Treasury and Accounting	Director of Finance
Planning, Zoning, and Code Enforcement	Director of Planning and Community Development
Public Works	Director of Public Works

e. Financial Plan

Financial plan elements are presented in detail in the *DIF Guide Section V. Put it Together*. This should be reviewed before preparing the specific elements described below.

The narrative here should describe the sources and uses of funds generally with details in tables. If grants have already been awarded, note that in the narrative. If there is a plan to apply for grants,

describing the intention and goals can help the reader understand that the community is pursuing multiple funding sources, even if not all will be awarded.

Typically, DIF Revenues will not be collected until after public investments have at least begun, so public spending may require gap financing from borrowing or from internal sources that would then be reimbursed. This should be described. Sample language can be adapted for each community.

1. Capital Plan

The sample table should be amended to reflect the community's plans, including adding or deleting columns depending on expected sources of capital. Dollar amounts may be entered if they are known or "Yes/No/To Be Determined"

2. Statement of the Retention of Tax Increment Revenue as DIF Revenues

Enter the expected schedule of tax increment to be captured for each year of the DIF. This schedule may be amended through the local legislative process. Remember that excess revenues may be transferred to the General Fund.

If the municipality will capture the same percentage of tax increment for the term of the DIF, only one row in the table is needed. If the municipality expects to alter that percentage, show each year, or group years as shown in the sample table. The municipality may also prepare a formula, as described in the DIF Statute.

3. Tax Increment and DIF Revenue Flow of Funds

This is explanatory information for the reader.

4. Impact on Taxing Jurisdictions

DIF will not usually affect other taxing jurisdictions, but each municipality should review and confirm this, amending the language in this section as needed.

5. Estimates of Tax Revenues

The DIF Statute requires that each municipality present estimates of the tax revenues expected to be derived from the Invested Revenue District (IRD), compared with a projection of tax revenues expected if not for the new private investment anticipated as a result of the public investment in the DIF projects. A sample table format satisfying that requirement is presented in the DIF Template. Each municipality can create its own table and make the calculations. Headers may be amended or footnotes added to customize it to a community's needs.

Appendices

Activities Authorized within a DIF District

This appendix reproduces for the reader statutory language about what a municipality may undertake within a DIF District.

Legislative Action

This is an optional appendix. It can include either the form of legislation or a copy of actual legislation, such as a warrant article or order. Examples of legislative actions taken by other communities that have established a DIF can be found at www.MassDevelopment.com. This appendix may be deleted if desired, but the user may need to renumber remaining appendices.

Map of the DIF District and Parcel Summary

The DIF Statute does not specify the method a municipality must use to identify the DIF District and IRD, only that the districts be designated. Therefore, this *DIF Template* suggests a map of the DIF District. A list of parcels is also used.

Because some DIFs include hundreds of parcels, a summary is assumed to be presented here, with a sample table format shown. If the DIF District and IRD are not coterminous, the parcel list and the map should make clear the distinctions between the districts. More than one list or map may be used.

Assessor's Certification

The DIF Statute requires certifications from an Assessor, but does not specify a format to make the required certifications of the area of the DIF or assessed value, either with the establishment of the DIF or annually. Including the initial certifications in the document is a good practice, but not required.

Sample certifications are included based on formats already used. Certifications must be dated *on or after* the date of the legislation.

The Assessor must certify that the total area of all DIF Districts in a community does not exceed 25% of the area of the community. Because area does not change, the Assessor should be able to make this certification at the time of the adoption of the DIF District. There is therefore one letter.

Certification of assessed values may not be possible depending on the date of adoption:

- If DIF is adopted after final assessed values as of the Base Date are available, the Assessor can certify on the same date legislation is adopted, or immediately after. "Sample Certification of Assessed Value #1" can be used. Each Assessor should review the certification and revise if desired.
- If DIF is adopted before final assessed values as of the Base Date are available, the Assessor cannot certify the values. However, legislators will likely expect to see at least estimated values. "Sample Certification of Assessed Value #2" includes additional language explaining that final values are not available and that estimates are used. When final assessed values as of the Base Date are available the Assessor must certify them. At this point, form #1 may now be used, in this form or amended as desired.

Existing Economic Development Strategy Information

This is an optional appendix. If there are existing strategies, vision statements, other documents or websites that will help a reader understand the community's goals and why DIF is anticipated to benefit the community, attach or reference them here. This appendix may be deleted if desired, but the user may need to renumber remaining appendices.

Attachments

It is anticipated that a municipality will need to attach a list of parcels rather than insert a table in Appendix C. The DIF Statute does not specify the information to be included. A sample table is included as Attachment 1 of the *DIF Template* based on lists used by communities that have already established a DIF. Headers, notes, or other information may be revised, but it is recommended that enough information be presented to enable the reader to see clearly which parcels are in the DIF District and IRD. If parcels are also in another special district or are subject to a Tax Increment Financing agreement, this information should be included.

Additional information, studies, or material supporting or explain the DIF may also be attached at the community's discretion.