

TIF 101

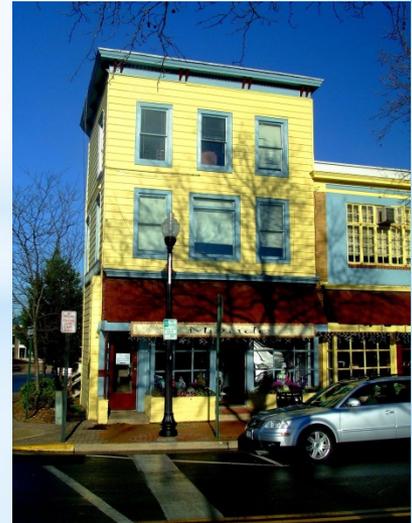
Overview on TIFs and Bowdoinham's
Pipeline TIF

Tonight We will

- * Describe what a TIF is
- * Look at how a TIF works
- * Look at Bowdoinham's Pipeline TIF
- * Consider the pros and cons of extending it

What is a TIF?

- * TIF stands for Tax Increment Financing
- * It is structured so that towns can encourage economic development activity
- * Its primary purpose was to help towns in poorer parts of the state to revive their economies



What is in it for the Business?

- * It can support the development of infrastructure that might benefit the business i.e. wastewater, internet, sidewalks
- * It allows for marketing the community to encourage more people to come to town
- * It can support community events which bring people to town
- * It can support workshops and training to support business development
- * There are other aspects to this that are more complicated and don't apply to Bowdoinham

* How Does it Work?

- * When a business locates to a town or improves its property, the value of that property goes up.
- * The business now owes additional property taxes on this improved asset
- * A town can decide to take the added taxes and “shelter” them in a TIF fund for up to 30 years
- * The town’s plan for their TIF fund has to meet Maine State standards and approved activities

Illustration

Description

- * The town defines the TIF district boundary i.e. "the waterfront."
- * The original assessed value is set and the taxes on that continue to go to the town's general fund. Example: \$50,000 is the assessed value
- * Private investment/improvements happen and the value goes up. Example: now worth \$250,000.
- * There is now \$200,000 of additional value. The taxes on that portion of the property's taxes can go into the TIF or the General Fund

Why would a Town Do a TIF?

- * To encourage a business to locate to their town or to improve their current facilities in the town;
- * To shelter the new assessed value from the municipality's state valuation
- * To focus town resources on needed economic development projects

Tax Shift Benefit

It shelters the new assessed value from a town's state valuation.

This valuation impacts:

1. State education subsidies
2. County taxes
3. State revenue sharing subsidies
4. Local education contributions to the school district

What happens if the town doesn't do a TIF?

- * The improvements on the property raise the town's total assessed value
- * The County now gets to assess and collect more money from the town
- * The School District gets to assess and collect more money from the town
- * The State gets to give less money to the town in revenue sharing since it has a higher valuation
- * The town does get more money for its general fund which it can use on anything the town needs or for tax relief

Summary

- * If you TIF, you get more money with some restrictions
- * If you don't TIF, you get less money with no restrictions

What Projects will a TIF Fund?

- * Community marketing
- * Support for natural resource based businesses i.e. agriculture
- * Technical assistance and networking to expand the markets for craftspeople and artists
- * Development of recreation-based business opportunities;
- * Support services for existing businesses
- * Promotion of the town through town events
- * And so much more

What is the Pipeline TIF?

- * When the gas pipeline went in, Bowdoinham set up a TIF District and was approved for its TIF plan for 20 years;
- * This TIF will expire in 2020.
- * We could extend it for a final 10 years
- * The money we get each year is approximately \$70,000 to \$75,000 depending on the mill rate

What it Funds

- * The Town Newsletter
- * Part of the budget for the Town Planning /Economic Development Office
- * Town events i.e. Celebrate Bowdoinham
- * The Summer Concert series
- * Special projects i.e. the Welcome Signs

What would happen if we don't extend?

- * Instead of getting approximately \$75,000 per year into the TIF fund we would get approximately \$17,775 into the general fund.
- * The \$17,775 could be used for anything that normally falls into the general fund purview
- * The town shows the percentage of your taxes that go to the town. This year it is 23.7%. The rest support the schools and County.

Questions?

(We'll try our best to answer)