

# Tax Increment Financing

**BOWDOINHAM**  
ON BEAUTIFUL MERRYMEETING BAY

**MCEDD**

**March 11, 2014**

MCEDD

# Midcoast Economic Development District



Regional Planning and Implementation

Direct business services

Direct municipal services

# Tonight's Agenda

- 'TIF 101'
- Draft 'CMP/Riverfront' TIF District and Development Program
- Select Board Input & Direction
- Next Steps

# Tax Increment Financing

Tax Increment Financing (TIF) is a public economic development financing program, funded by the property taxes on the incremental new value generated by a development project

# How Does TIF Work?

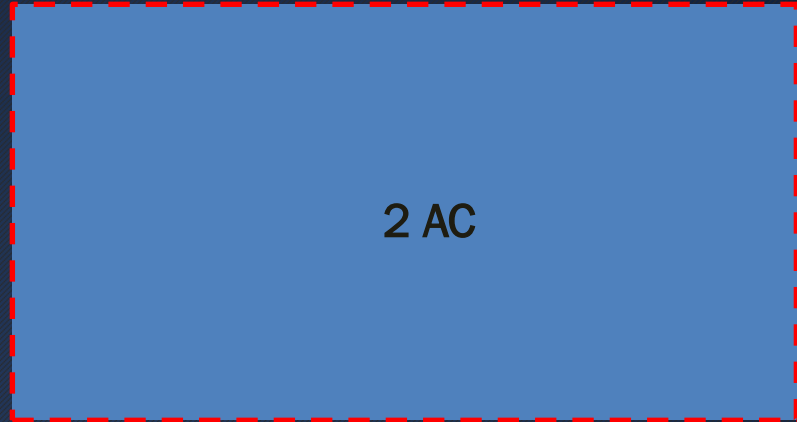
- Through a local public process, a municipality designates a specific geographic area as a TIF district
- The value of the taxable property already within the district is 'frozen' at time of district establishment – this is called the Original Assessed Value (OAV)
- The TIF applies only to the new value in the District, to be generated by private investment – this is called the Increased Assessed Value (IAV)

# HOW DOES TIF WORK?

All or a portion of the Increased Assessed Value generated by private investment in the district is 'captured' – and the taxes on the 'Captured Assessed Value' (CAV) funds a municipally adopted development program for up to 30 years

# Establishing the TIF District

## DEFINING THE TIF DISTRICT BOUNDARY



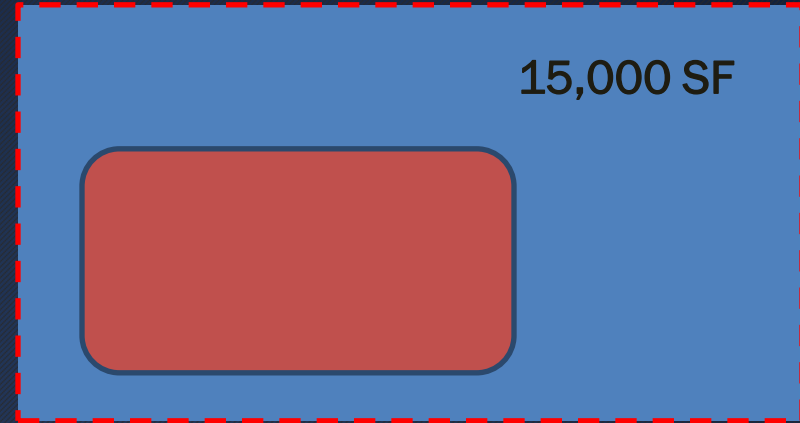
## SETTING THE OAV



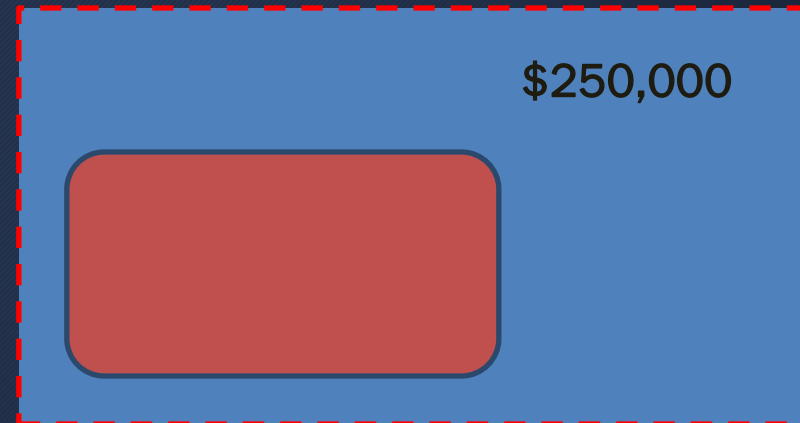
Taxes on \$50,000 original assessed value will continue to go to General Fund for the life of the District

# Establishing the TIF District

## PRIVATE INVESTMENT OCCURS



## CALCULATING THE IAV



$$\$250,000 - \$50,000 \text{ OAV} = \$200,000 \text{ IAV}$$

All or some of the IAV is 'captured'  
to fund municipal development  
program



# Why is TIF Used?

To stimulate private sector investment and job creation

- Credit Enhancement Agreements
- Municipal Investments

# HOW IS TIF USED?

## Costs of improvements within District

New construction, redevelopment, financing costs, professional services, administrative costs

## Costs of improvements outside, but related to, District

Municipal infrastructure, public safety improvements, mitigation of district impact

# HOW IS TIF USED?

## Costs related to economic development (town-wide)

- ED programs and/or events developed by the municipality, including marketing
- Environmental improvement projects
- Establishment of RLF's
- Skills development and training
- Child care programs & facilities
- Trail improvements – “significant economic development potential”

# Unauthorized Costs

Facilities predominantly used for the general conduct of government or for public recreational purposes

- Town halls
- Courthouses, jails
- Police stations
- Recreation centers
- Athletic fields

**A secondary benefit  
to using TIF**

To 'shelter' against adjustments to State subsidies and County taxes based on a municipality's total valuation

A municipality's total Equalized Assessed Value (as of April 1) is used to compute:

- General Purpose Aid to Education (subsidy)
- State Revenue Sharing (subsidy)
- County Taxes (expense)

# Subsidy/Tax adjustments

- State subsidies change inversely to value; County taxes change directly - as total value increases, the municipality will realize a decrease in Education and Revenue Sharing subsidies, and an increase in County tax obligations
- Therefore, new tax revenues resulting from a development project are reduced through loss of subsidies and increased county tax

# How does 'sheltering' work?

- TIF allows the municipality to 'shelter' new value in a district from the computation of its state subsidies and county taxes.
- The 'sheltering' allows the municipality to retain all or a portion of those new tax revenues that would otherwise have gone to covering the cost of reduced subsidies or higher county taxes.
- Use of revenues captured and retained through TIF shelter is restricted and must be spent for approved economic development activities

**DRAFT**  
**‘CMP/Riverfront’ Tax  
Increment Financing  
District and Development  
Program**

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# CMP Maine Reliability Project

## CMP Brown's Point Road Upgrade – 2013/2014

- Rebuilding 2.2 miles of transmission lines
- 'Double circuit towers' – pair of new structures to be built
- Project partially complete by 4/1/2014; fully complete by 4/1/2015
- \$10-15MM of new assessed value anticipated; opportunity for TIF?

# TIF Opportunity?

## Main Considerations

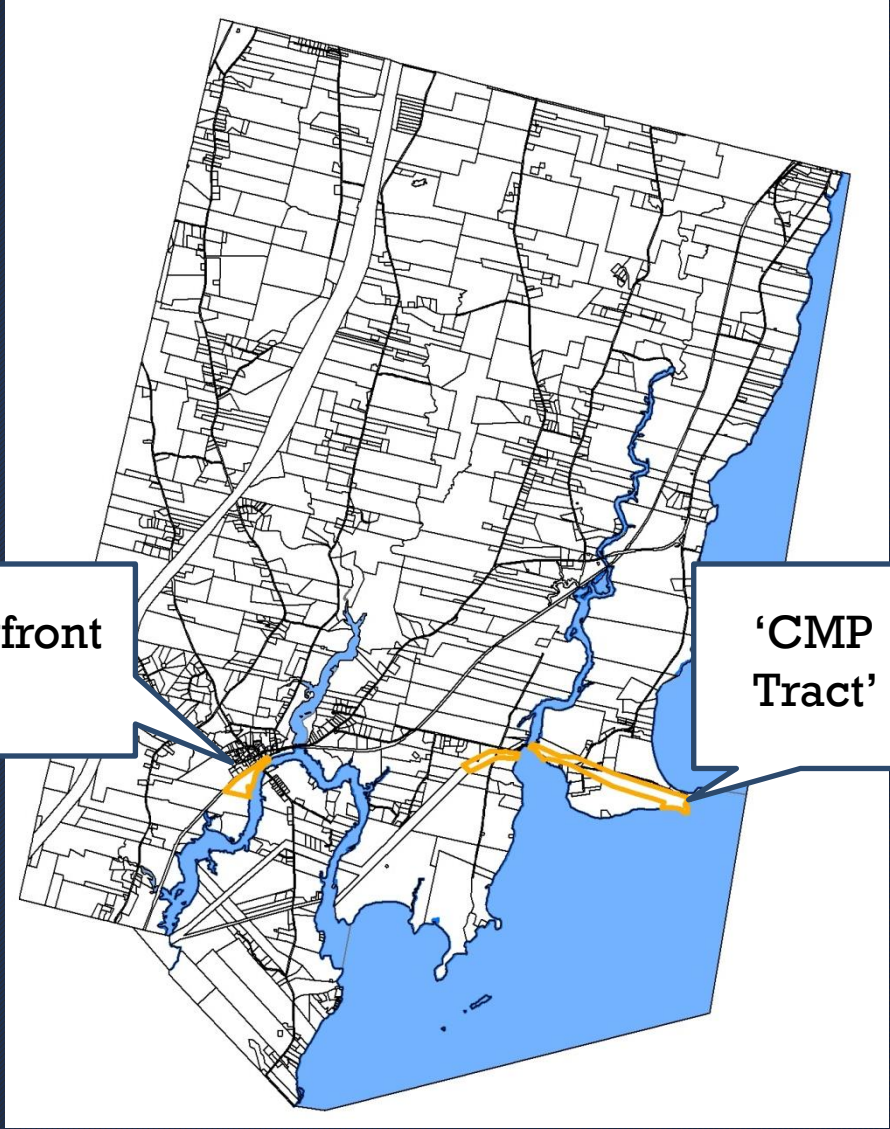
- Capture some or all of increased assessed value resulting from CMP investment to fund municipal economic development program?
- 20 year program due to expected depreciation of project value
- CMP would receive no benefit from designation of TIF district and adoption of development program

# TIF Opportunity?

Process to date – June, 2013 through February, 2014

- MCEDD engaged
- Consultations with staff
- Meetings with CDAC and others (businesses, residents)
- Consultation with Maine DECD
- With staff, CDAC and others, developed a flexible menu of eligible economic development projects

# Proposed TIF District



'Riverfront Tract'

'CMP Tract'

# Proposed Development Program

## Municipal Capital Investments; Riverfront

- Village wastewater disposal system (study/design) - \$25,000
- Redevelopment of Public Works site for commercial use - \$75,000
- Public restrooms at Waterfront Park - \$160,000

# Proposed Development Program

## Municipal Capital Investments/Matching Funds; Town-wide

- Merrymeeting Trail design, construction, maintenance, local match - \$1,000,000
- Local match to federal, state, and foundation grants for economic development purposes - \$1,500,000

# Proposed Development Program

## Municipal Program Investments; Town-wide

- Annual ECD operating costs - \$20,000/yr.
- Economic development events \$15,000/yr.
- Economic development marketing - \$5,000/yr.
- Business workshops and training programs - \$1,000/yr.

# Proposed Development Program

## Cost of Municipal Program

- \$3,580,000 if all projects were funded
- Municipal program is intended as menu of eligible activities, with recognition that all can't be funded with TIF funds from this project
- Intent is to provide flexibility for annual appropriation depending on priorities at given time



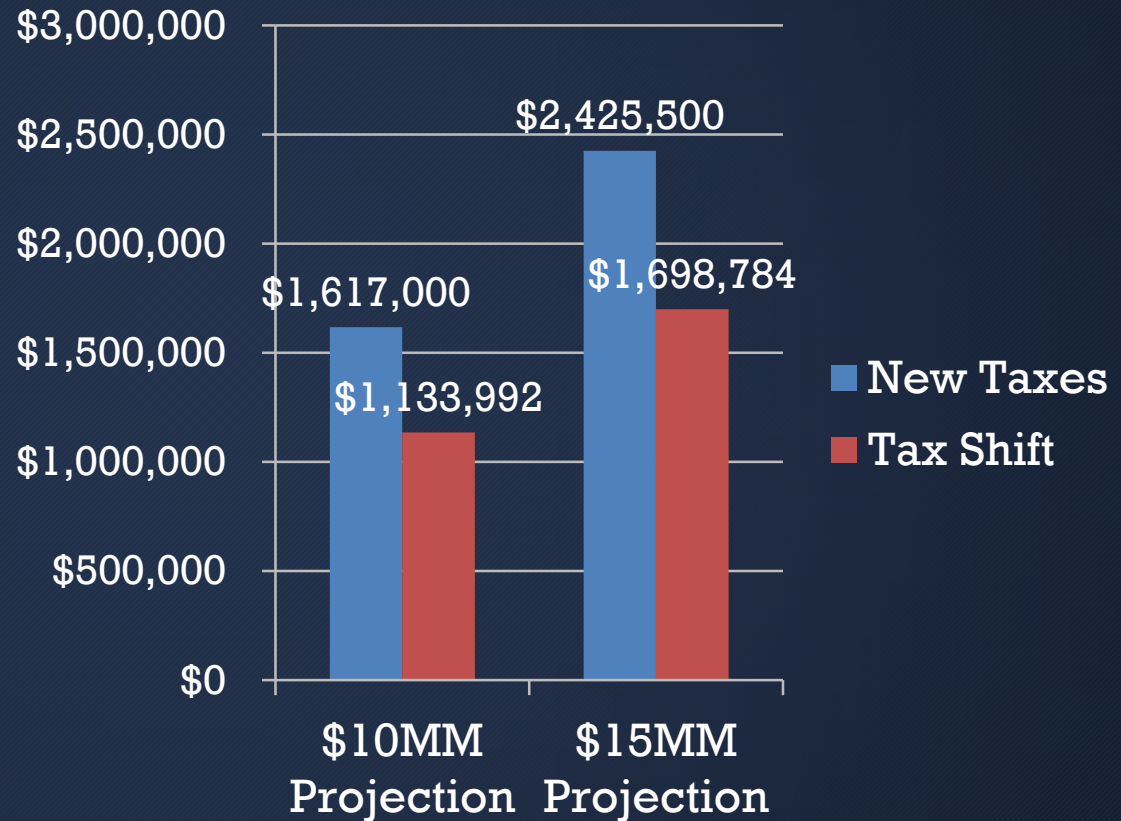
# Financial Projections

## Maine Reliability Project – Brown's Point Road

- \$10-15MM of new assessed value expected
- Project partially complete by 4/1/2014; fully complete by 4/1/2015
- According to CMP officials, assessed value will depreciate 5% annually
- Taxes on \$70,915 original assessed value will continue to go to the General Fund

# Financial Projections

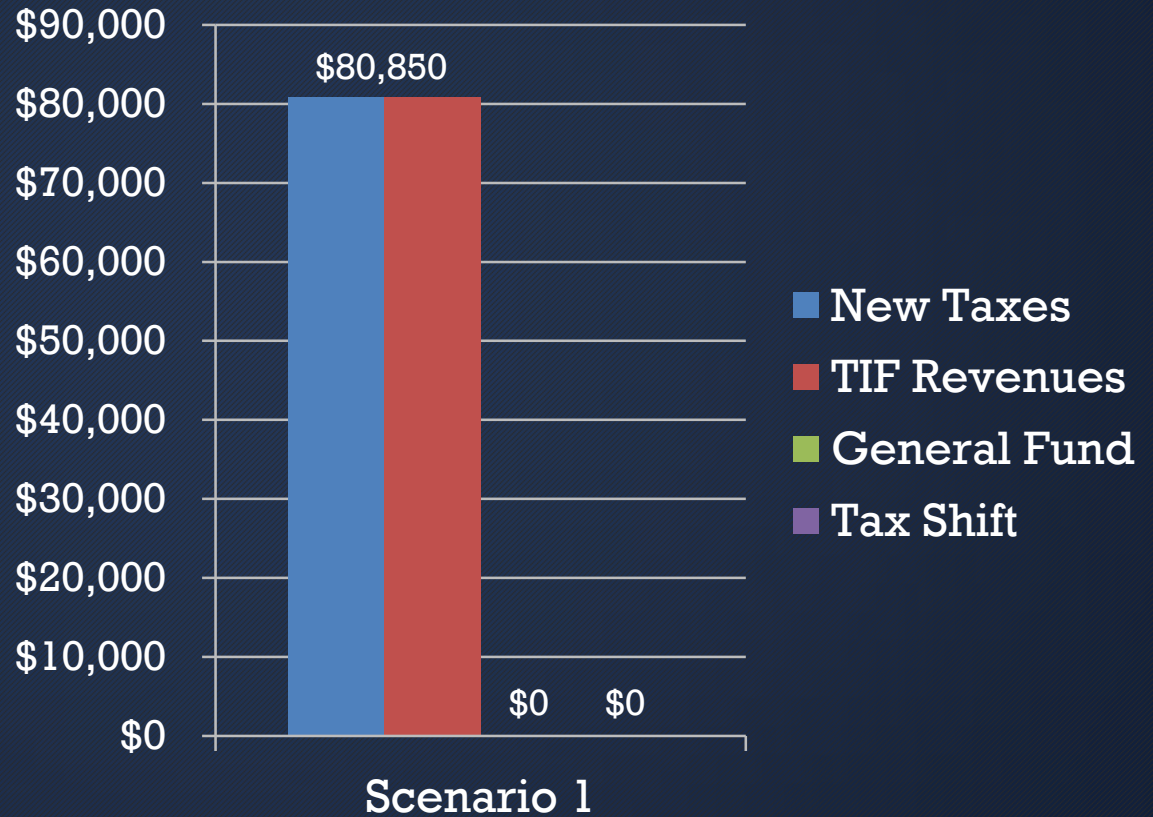
## New Tax Revenues – No TIF 20 Year Projection



Approximately 70% of new tax revenues would go to cover lost subsidies and increased county tax

# Financial Projections

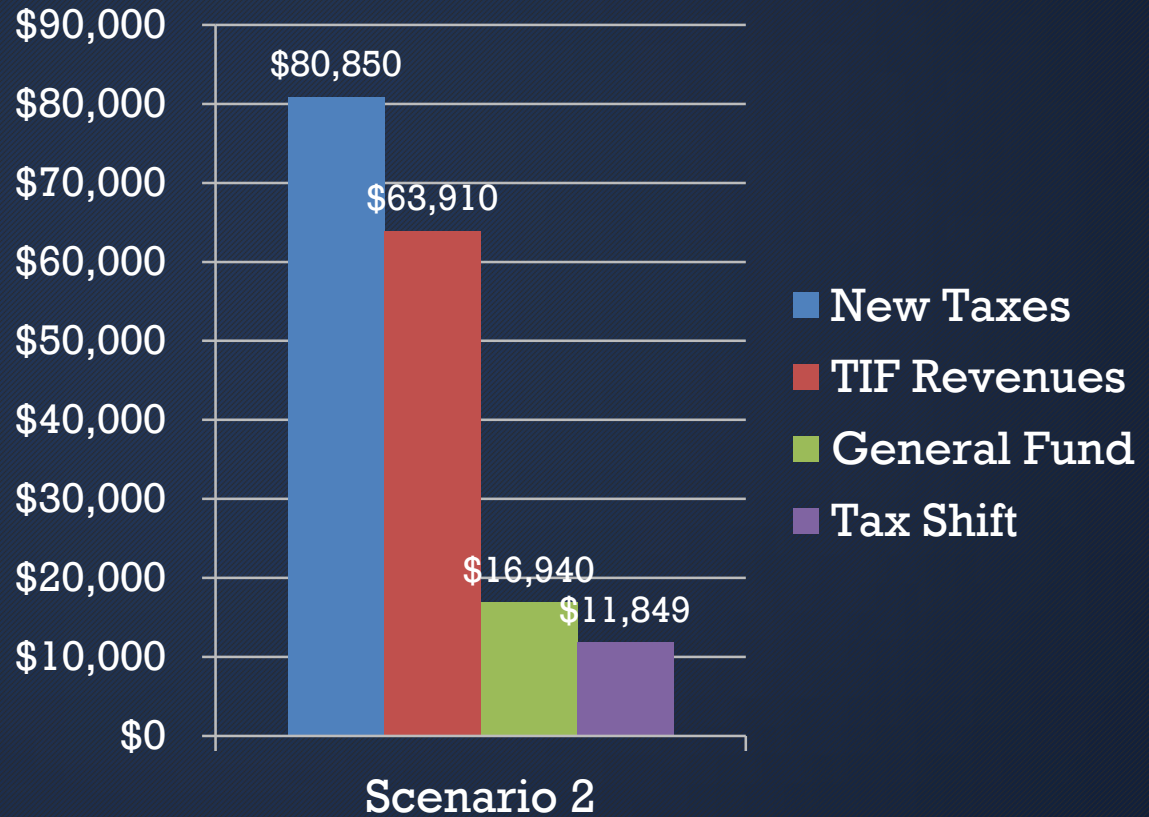
TIF Scenario 1 - \$10MM value, 100% capture, 20 yrs.



Annual average TIF revenues; no General Fund revenues, no Tax Shift

# Financial Projections

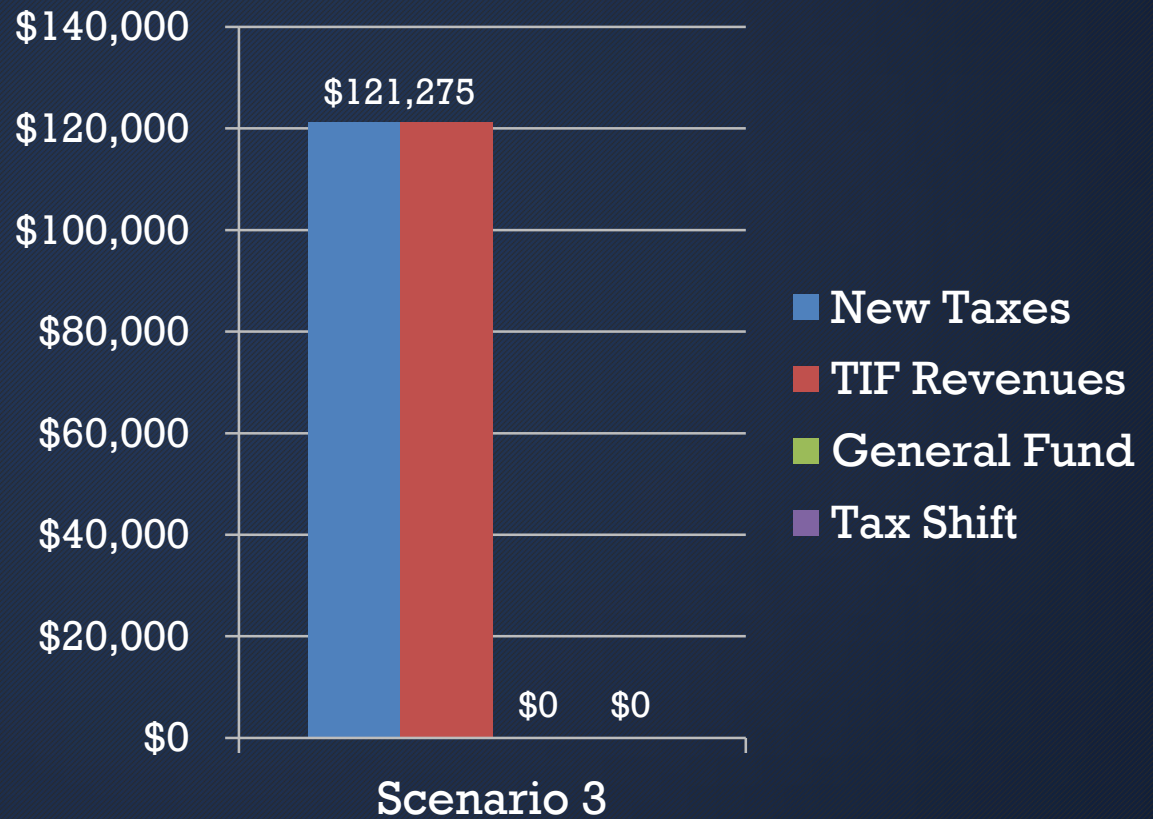
TIF Scenario 2 - \$10MM value, graduated capture, 20 yrs.



Graduated capture – 70% yrs. 1-5, 80% yrs. 6-10, 90% yrs. 11-15, 100% yrs. 16-20

# Financial Projections

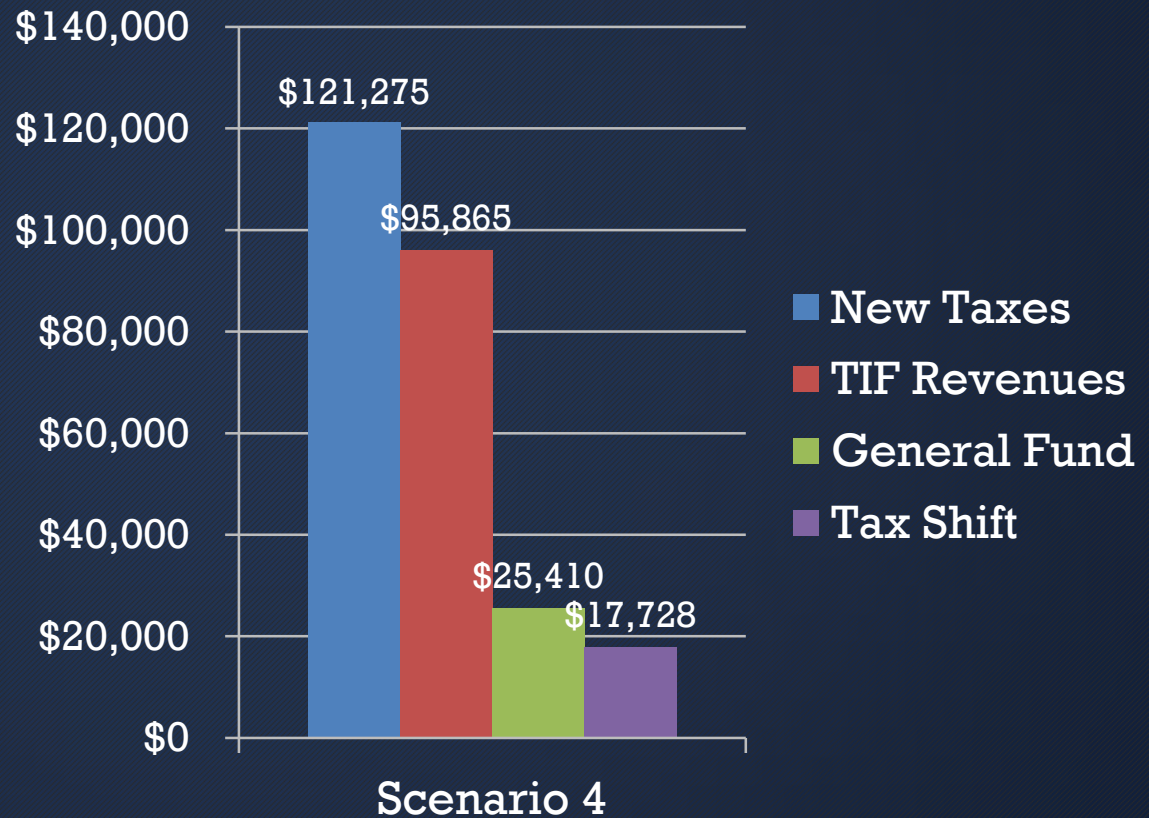
TIF Scenario 3 - \$15MM value, 100% capture, 20 yrs.



Annual average TIF revenues; no General Fund revenues, no Tax Shift

# Financial Projections

TIF Scenario 4 - \$15MM value, graduated capture, 20 yrs.



Graduated capture – 70% yrs. 1-5, 80% yrs. 6-10, 90% yrs. 11-15, 100% yrs. 16-20

# Discussion

## Next Steps

- Finalize draft of District and Development Program
- TIF Resolution
- Warrant Article
- Public Hearing (10 day notice)
- Town Meeting vote
- Submittal of application to State
- DECD approval