

Tax Increment Financing

Town of North Yarmouth Economic Development and Sustainability Committee

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Municipal and Governmental Services

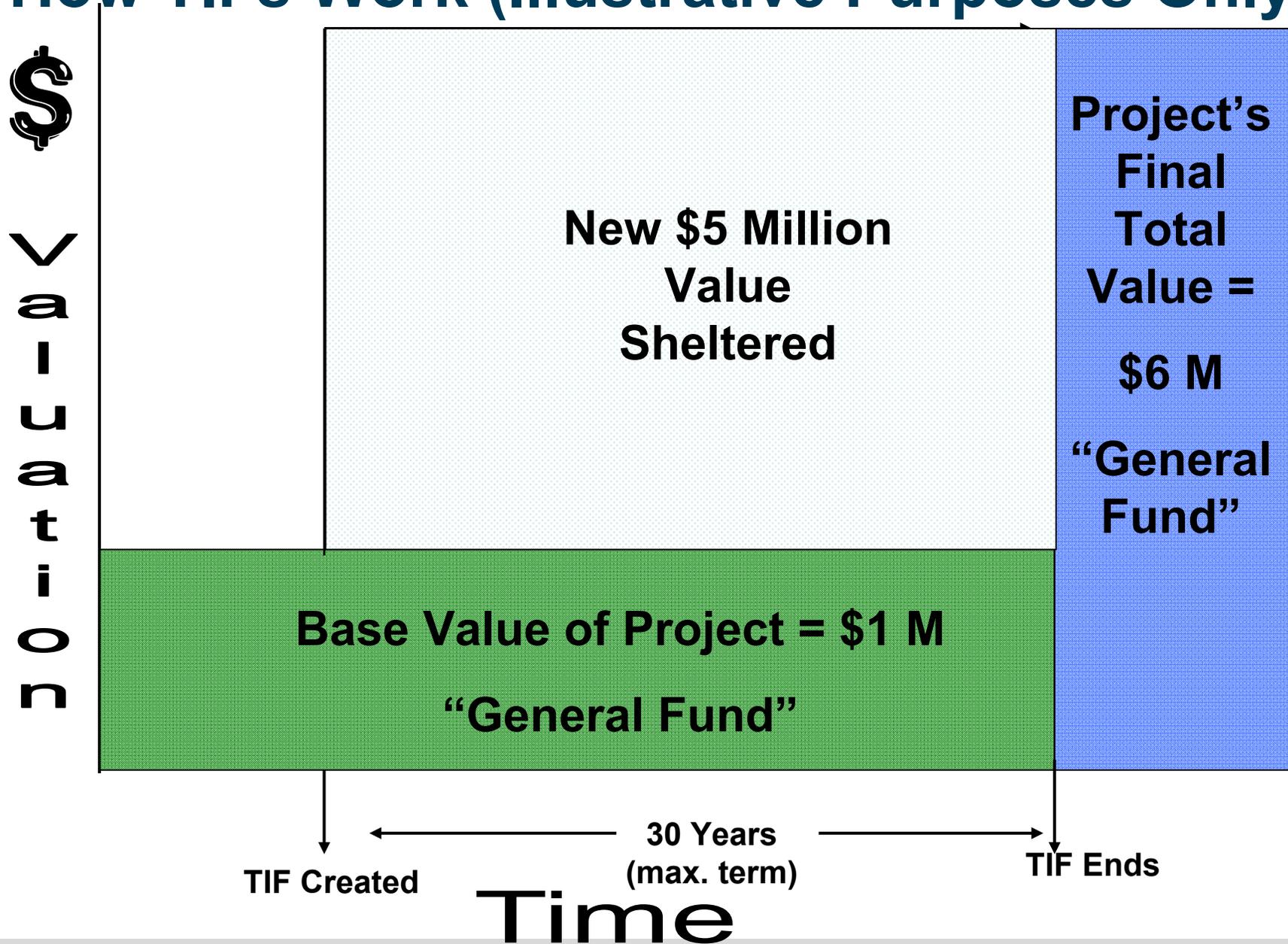
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Tax Increment Financing (TIF) District Overview

- Local economic development and affordable housing development program that allows the municipality to “capture” new property tax value.

How TIFs Work (Illustrative Purposes Only)



The TIF District

- Municipality creates a boundary around a specific geographic area.
- Taxable value within the TIF District is “frozen” as of the prior March 31 (i.e., the prior tax year). This is referred to as the Original Assessed Value (“OAV”).
- Municipality adopts a Development Program describing the percentage of taxes paid on the Increased Assessed Value to be set aside on TIF Revenues, authorized uses of TIF Revenues, among other things.

Possible Benefits to the Municipality

- assist in achieving goals of comprehensive plan, or other planning or vision documents, in a municipality.
- attract new investment (i.e., tax dollars).
- accomplish significant infrastructure projects.
- tax shift benefit.

Tax Shift Benefits

- TIFs shelter new value from a municipality's "State Valuation."
- a municipality's State Valuation affects important area of municipal finance, such as:
 1. State Education Subsidy
 2. County Taxes
 3. State Revenue Sharing Subsidy
 4. Local Education Contribution to SAD 51
- as a community's State Valuation increases, it will receive less in subsidies and be required to pay more county taxes and often a larger local education contribution.

Credit Enhancement Agreements

- some TIF Districts include a Credit Enhancement Agreement (“CEA”), which is when a developer or business receives a property tax reimbursement. **Approximately half of all TIF Districts in Maine do not include a CEA.**

Authorized Project Costs

30-A M.R.S.A. Sec. 5225 and 5249

- project costs inside of the TIF District.
- project costs outside of the TIF District, but “directly related to or made necessary by” the TIF District.
- for non-affordable housing development district only: project costs unrelated to the location of the TIF District. Examples:
 - costs of economic development programs
 - environmental improvements
 - employment training within the municipality

TIF Criteria & Program Limits

- 25% of the area needs to be blighted, in need of rehabilitation, redevelopment, or conservation, or suitable for commercial or art district uses
- acreage cap
- value cap
- term limits (30 years)

Types of TIF Districts

- Downtown TIF District (Topsham, Yarmouth-currently under DECD review)
- Transit-Oriented District (South Portland, Orono)
- Affordable Housing TIF District (Bath, Sanford, Scarborough)
- Arts District (Greenwood)

Procedure for Creating a TIF District

- public notice
- public hearing
- vote by legislative body
 - designation of the TIF District
 - Development Program for the District
- approval by the Commissioner of the Department of Economic and Community Development or Maine State Housing Authority
- if the District has a CEA, that contract is executed

Funding Project Costs

- Credit Enhancement Agreements
- Municipal Bonds
- setting aside TIF Revenues

TIF Policy – An Option

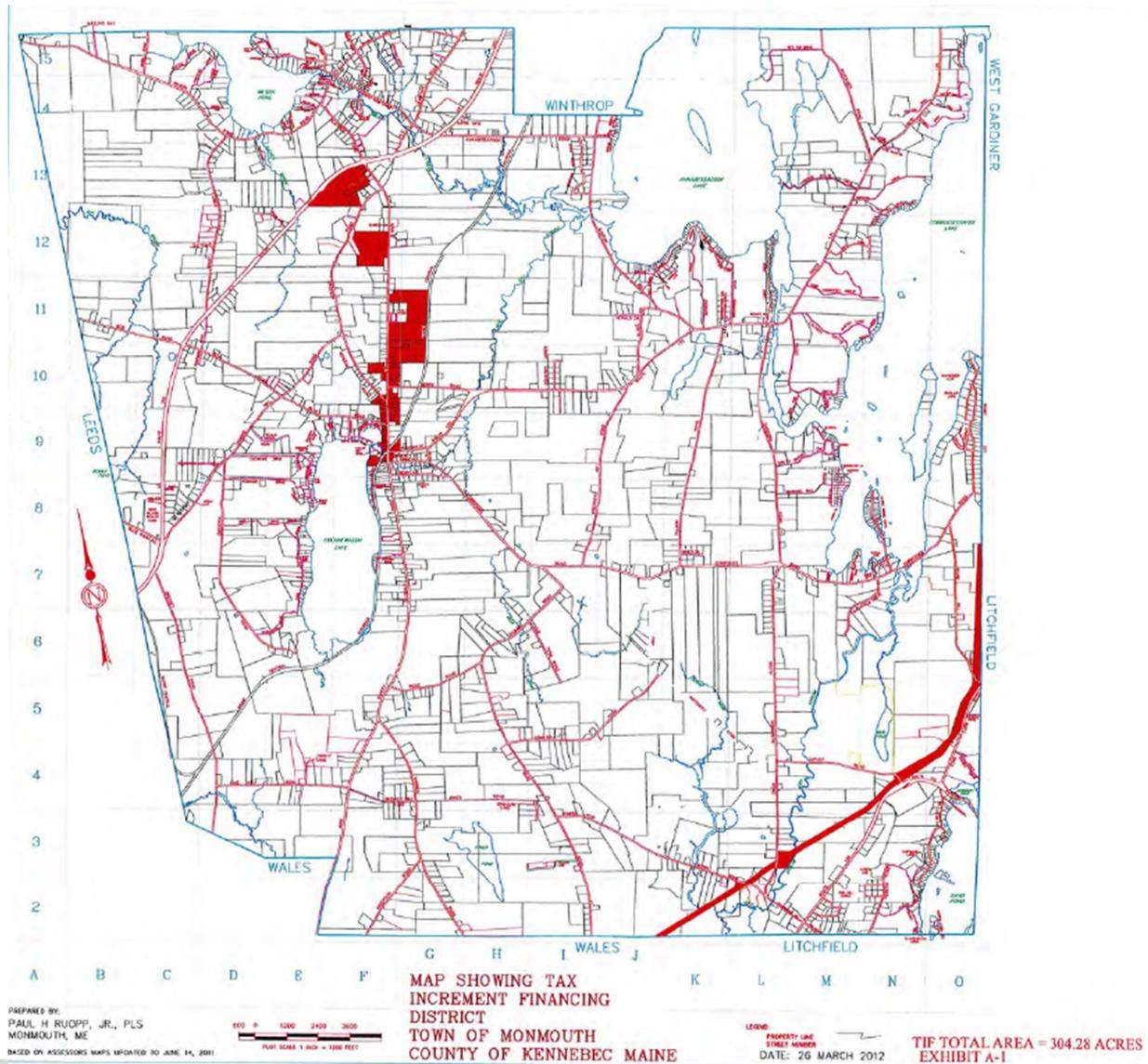
- some municipalities have TIF policy documents, but it is not a requirement.
- TIF Policies can create some procedural guidelines for the Board of Selectmen
- TIF Policies can list factors for the Select Board to consider when determining the merit of a particular TIF District Proposal
- Fee Reimbursement Agreements for CEA Applicants

Example: Greenwood TIF

Map of the Town of Greenwood
with
Location of the TIF District



Example: Monmouth TIF



Example: Topsham Downtown TIF

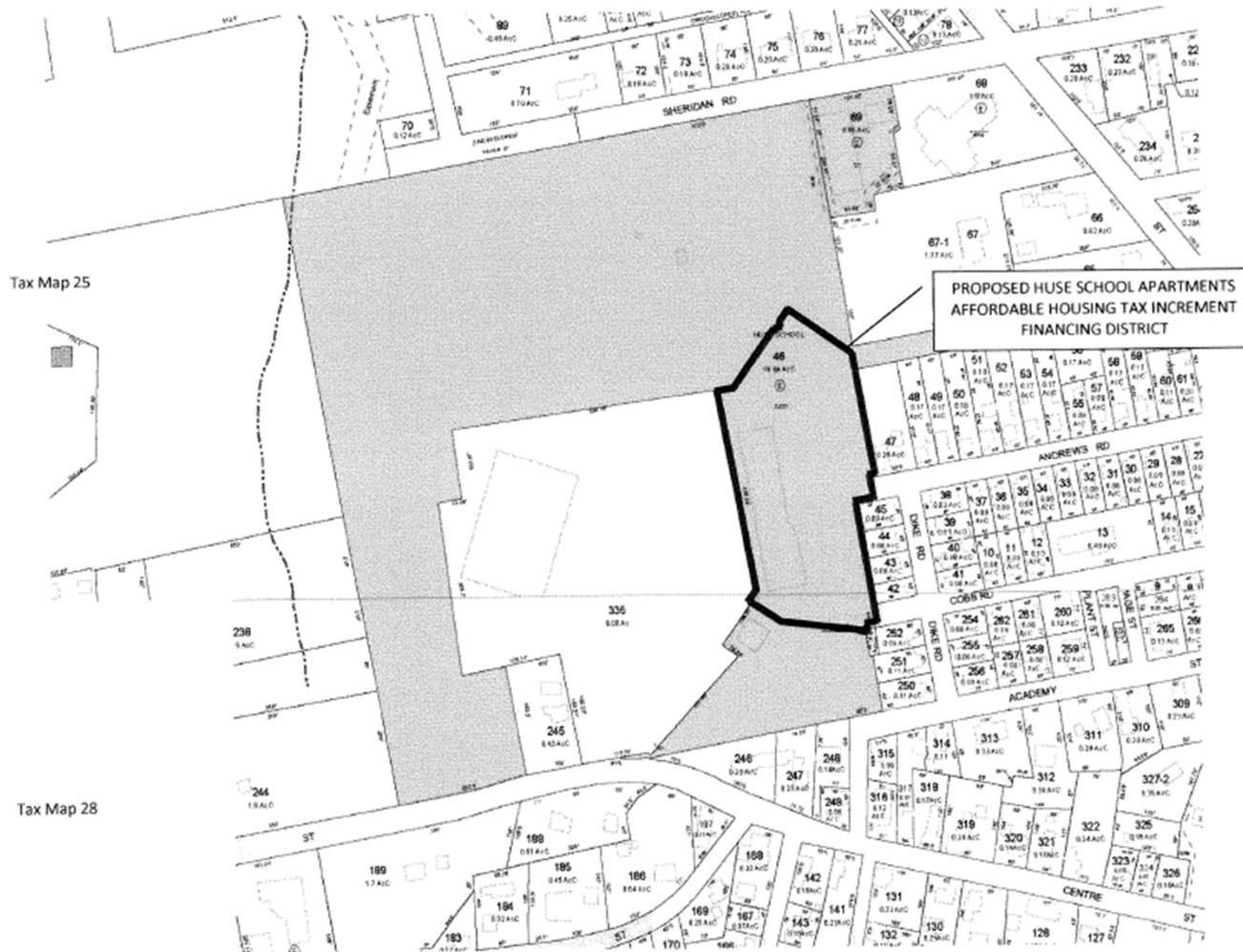


 Tax Increment Financing District

**DOWNTOWN & TRANSIT-ORIENTED
MUNICIPAL DEVELOPMENT
AND OMNIBUS TAX INCREMENT FINANCING DISTRICT**

BERNSTEIN SHUR

Example: Huse School AHTIF, Bath



Thank You!

Questions or comments?