

# Tax Increment Financing

Town of North Yarmouth Economic Development and Sustainability Committee

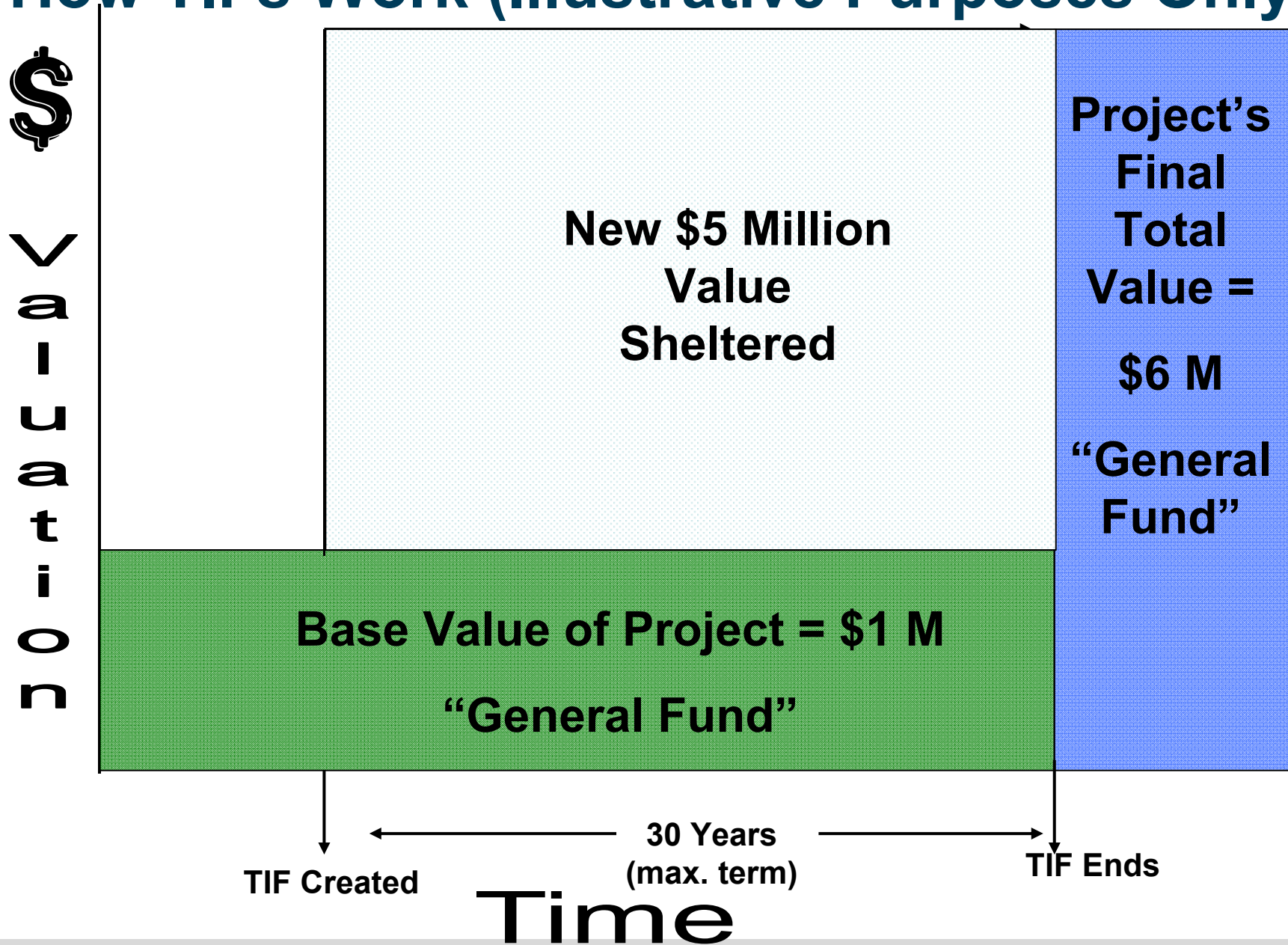
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# Tax Increment Financing (TIF) District Overview

- 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

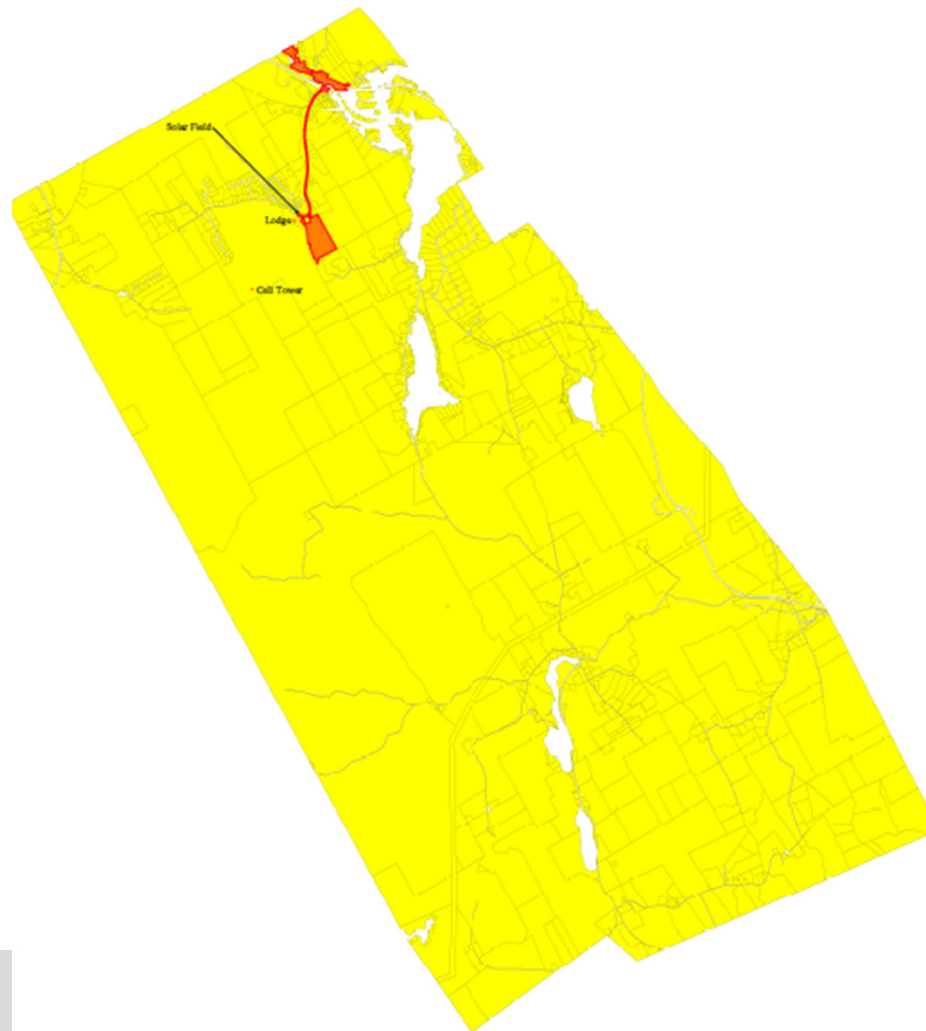
- Credit Enhancement Agreements
- Municipal Bonds
- setting aside TIF Revenues

# TIF Policy – An Option

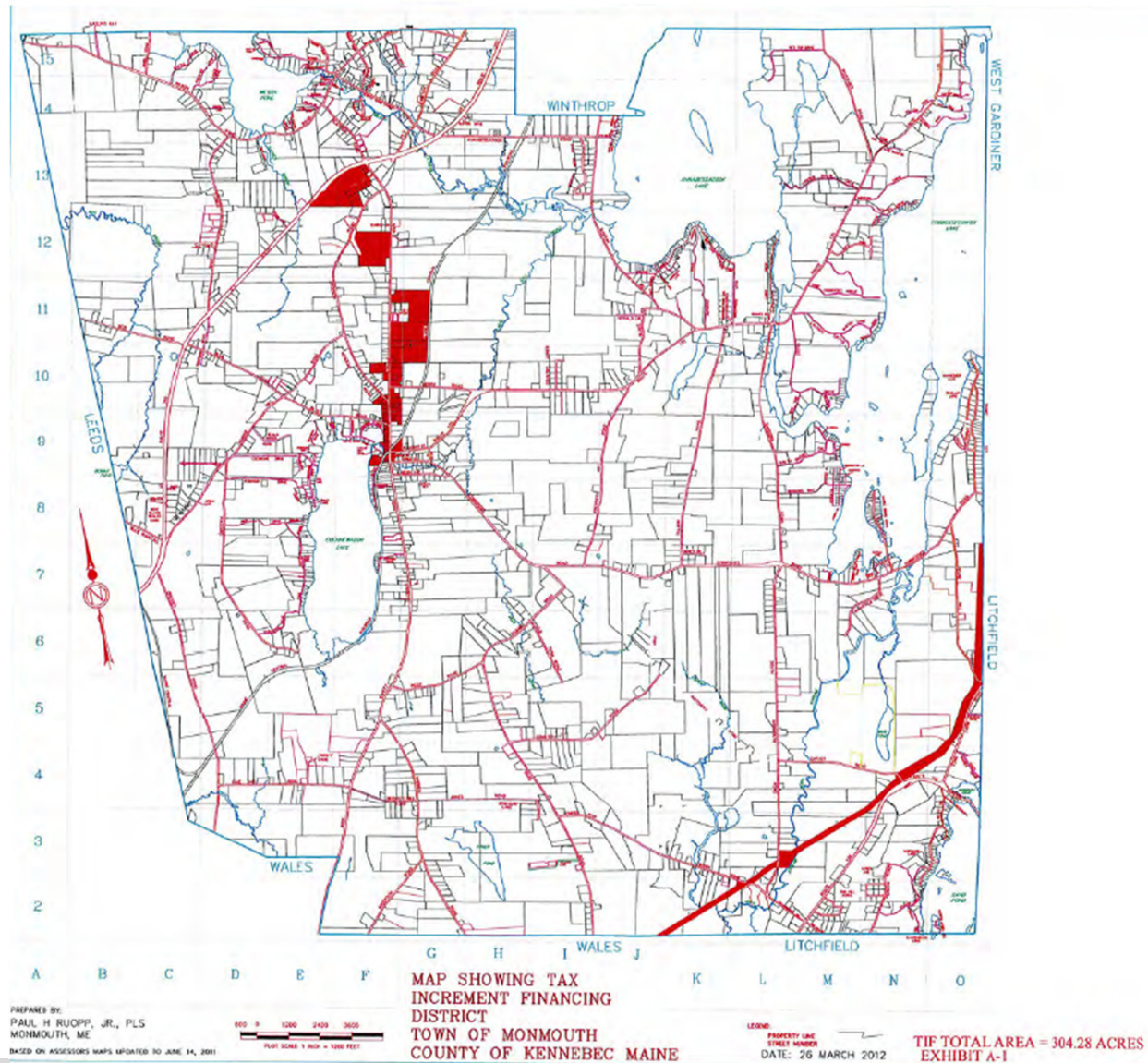
- some municipalities have TIF policy documents, but it is not a requirement.
- TIF Policies can create some procedural guidelines for the Board of Selectmen
- TIF Policies can list factors for the Select Board to consider when determining the merit of a particular TIF District Proposal
- Fee Reimbursement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

# Example: Greenwood TIF

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



# Example: Monmouth TIF





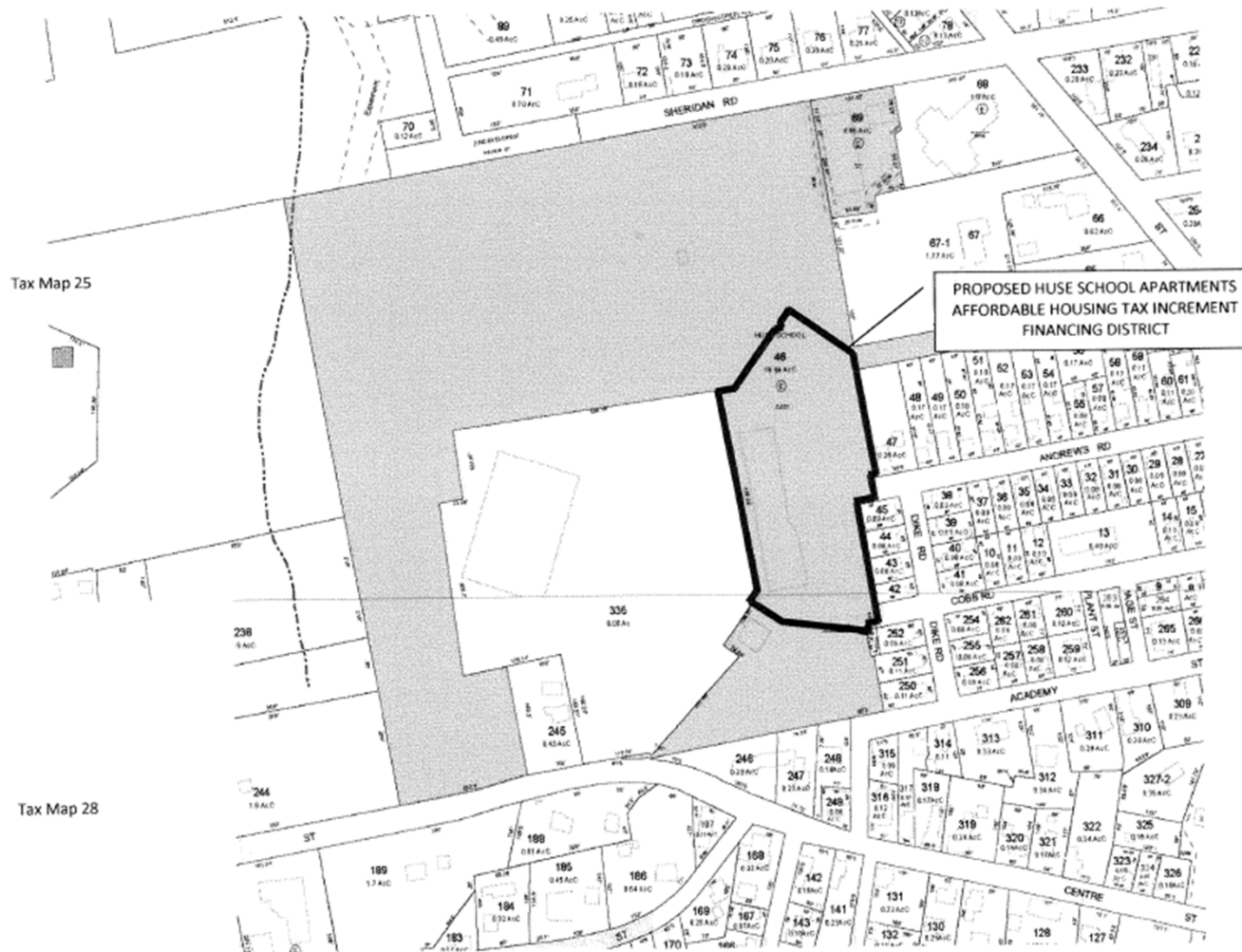
DOWNTOWN & TRANSIT-ORIENTED  
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# Example: Huse School AHTIF, Bath



# Thank You!

Questions or comments?