De-MysTIFying
Tax Increment Financing (TIFs)

An overview of Tax Increment Financing in Saco

Presentation to Saco City Council
March 3, 2020

Planning and Development Department
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Agenda

- Understanding TIFs
- Saco’s TIF Districts
- Next Steps
Understanding TIFs
What is Tax Increment Financing?

- A great tool to catalyze economic development
- Allows municipalities to “shelter” increases in valuation (up to 30 years), avoid losses due to state and county fiscal formulas
- TIF revenue can fund infrastructure enhancements related to/required for project development (public or private) and/or project costs
- A comprehensive development program can fund many municipal projects to enhance the economic development climate
- Development program needs to meet statutory requirements and local process
What is a TIF District?

- Geographic boundary is defined (project specific or area-wide)
- Original Assessed Value (OAV)
- Development Program is created and managed locally
- Applications reviewed for statutory compliance by:
  - State of Maine Department of Economic and Community Development (DECD)
  - Maine State Housing Authority
Special Types of TIF Districts

- Downtown TIFs
- Transit-Oriented TIFs
- Omnibus TIFs
- Affordable Housing TIFs
Benefits of TIFs

▪ Assist in achieving economic development goals of comprehensive plan, or other planning/vision plans

▪ Attract new investment (i.e. tax dollars), jobs, improve local economy

▪ Accomplish significant infrastructure projects

▪ Tax shift benefits
General Fund vs. TIF District Revenue

- Municipality determines % of new valuation, and therefore associated revenues, to shelter within a TIF (up to 100%). What is not sheltered accrues to General Fund.
- Sheltered revenues can be used to support municipal expenditures in support of or made necessary by economic development, and/or;
- Can be used to ‘incentivize” private investment by a business and/or developer – Credit Enhancement Agreement (CEA)
  - Through Credit Enhancement Agreement – Municipality determines % to be shared and can be any amount between 0% and 100% of all TIF revenues
Revenue distribution for every tax dollar

49% State/County government
State Aid to Education: 42%
County Taxes: 2%
State Revenue Sharing: 5%

51% City of Saco
Tax Shift Benefits

- TIFs shelter new assessed value from a municipality’s state valuation
- The “state valuation” = equalized assessed value in municipality
- The valuation of each municipality impacts:
  - State education subsidies
  - County taxes
  - State revenue sharing subsidies
  - Local education contributions to the school district
Tax Shifts – Keeping It Local

▪ **State Aid For Education Impacts**
  ▪ Based on the State of Maine Essential Programs and Services funding model.
  ▪ Statewide mil rate is applied to a district’s state valuation to determine local property taxes for education.
  ▪ The higher the valuation, the more funds that need to be raised locally.

▪ **Municipal Revenue Sharing Received by a Municipality**
  ▪ Based on population, taxes raised, and state valuation – the higher the valuation, the less $ of Revenue Sharing received by a municipality.

▪ **County Taxes Paid by a Municipality**
  ▪ Based on the municipality’s % share of the County’s state valuation – the higher the share of valuation, the higher the County Tax.
TIF tax sheltering (illustrative example)

Base Value of Project = $1M to General Fund

Additional Value of Project = $5M Sheltered in TIF District

Total Value of Project = $6M to General Fund

TIF in effect (up to 30 years)

TIF Created

TIF Ends

Time (years)

Valuation ($)

TIF tax sheltering (illustrative example)
Use of TIF program in Maine (as of 2.27.2020)

- 376 TIF districts in the State of Maine
- 313 of these TIF Districts have the ability to, or have at least one Credit Enhancement Agreement (CEA)
- Special types of TIF districts
Saco’s TIF Districts
Ten TIF Districts in Saco

- Industrial Park Road Omnibus (TIF #1)
- 77 Industrial Park Road Omnibus – AMD 2 (TIF #5)
- Spring Hill Omnibus Municipal – AMD 2 (TIF #7)
- 34 Spring Hill Road Municipal – AMD 2 (TIF #8)
- Park North Omnibus Municipal – AMD 2 (TIF #9)
- General Dynamics
- Saco Island Building No. 4 Municipal (TIF #12)
- Mill Brook Omnibus Municipal – AMD 2 (TIF #14)
- Downtown Omnibus – AMD 1 (TIF #15)
- Ready Seafood Co. (TIF #16)
Saco’s TIF Districts

- Approximately 1,435 total acres, of which about 828 are in the downtown district
- Wide variety of development programs
- Credit Enhancement Agreements
- Many projects and resources have been funded over the years
- First community in State of Maine to use the TIF program
Saco’s TIF Districts: Acreage Cap

- Per 30-A M.R.S.A. §5223 (3)(C), a municipality’s acreage within a TIF District is capped at 5%. No more than 2% of City’s acreage may be in one district.

- Downtown Development and Transit-Oriented TIF Districts are exempt from this calculation.

<table>
<thead>
<tr>
<th>TIF Acreage Caps*</th>
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<tbody>
<tr>
<td>Total Municipal Acreage:</td>
<td>24,640</td>
</tr>
<tr>
<td>Existing Acreage in TIF Districts which count toward land percentage cap:</td>
<td>607.46</td>
</tr>
<tr>
<td>Acreage in Downtown District:</td>
<td>827.51</td>
</tr>
<tr>
<td>Total Acreage in Municipal TIFs:</td>
<td>1,434.97</td>
</tr>
<tr>
<td>Acreage Percentage toward Cap:</td>
<td>2.47%</td>
</tr>
</tbody>
</table>

*Source: Downtown (TIF #15) Development Program
Saco’s TIF Districts: Valuation Cap

- Per 30-A M.R.S.A. §5223 (3)(C), a municipality's valuation within a TIF District is capped at 5%. No more than 2% of City's valuation may be in one district.
- Downtown Development and Transit-Oriented TIF Districts are exempt from this valuation cap.

<table>
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<th>TIF Valuation Caps*</th>
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<tbody>
<tr>
<td>Total Taxable Municipal Valuation:</td>
<td>$2,042,312,592</td>
</tr>
<tr>
<td>Total Taxable OAV of Existing Municipal TIF Districts:</td>
<td>$20,417,000</td>
</tr>
<tr>
<td>OAV of Downtown TIF District:</td>
<td>$457,352,238</td>
</tr>
<tr>
<td>Valuation Percentage toward Cap:</td>
<td>00.99%</td>
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</table>

*Source: Downtown (TIF #15) Development Program; valuation as of April 1, 2018
Strategic Action Taken in 2019

- Integrated TIF use with core objectives: tax base growth, job growth, workforce development, economic diversification, place making, community and downtown development
- Went beyond the use of TIFs for business incentives – shifted focus to funding for public infrastructure and projects to support economic development (long-term)
- Extended some TIF Districts to 30 years
- Potential boundary expansions of current TIF Districts (where it makes sense to do so)
Expanded Downtown Development Program

Within District/Municipality

- Streetscape Improvements
- Design, construction, installation of 3-phase power & Broadband/4G LTE costs
- Reimbursement agreements with developers/companies
- Waterway seawall
- Waterway dredging
- Marina infrastructure construction along Saco River

Within Municipality

- Economic development agencies (Saco Main Street & Chamber) operations & program funding
- Bus shelters and transportation amenities
- GIS mapping (maintenance & upgrades)
- Workforce skill development/training costs
- Environmental improvement costs
- General economic development, including prorated salaries and portions of salaries for positions that work on TIFs
Expanded Downtown Program Development Cont’d.

Within/Outside District & Within Municipality

- Trail connections & improvements
- Storm water & drainage improvements
- Sewer infrastructure
- Energy & gas transmission
- Prorated costs of Harbormaster’s Office
- Piers, floats, tourist boater amenities
- Marina infrastructure

Within/Outside District

- Prorated municipal equip. costs
- Sidewalk rehabilitation/extension, parking improvements, lighting, crosswalks, central parking facility
- Underground utilities
- Road & intersection improvements
- Pro-rated costs of public safety building & public safety equipment/infrastructure related to development within District
- Capital costs of improvements
Industrial Park Road Omnibus *(TIF#1)*

**Development Program**

- **OAV:** $5,169,200  
- **Acreage:** 33.07  
- **Term:** 20 years, from July 1, 2008 to June 30, 2028  
- **Development Program:** land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.*  
- **CEA:** Peoples Choice Credit Union: Payments made to company to offset costs of traffic improvements, capped at $100,000  
- **Funded Projects to date:** Street and site improvements along Industrial Park Road; workforce development, Saco gateway and wayfinding; Industrial Park sidewalks, road general obligation bond (pro-rated); earmarked for fire station land acquisition.
Development Program

- **OAV:** $62,400
- **Current Valuation (FY20):**
- **Acreage:** 10
- **Term:** 30 years - July 1, 1998 – June 30, 2028
- **CEA with First Light:** 40% of captured assessed value for four years
- **Development Program:** land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.*
- **Funded Projects:** Funds applied to City’s economic development program for a variety of programs, including acquisition of industrial park land; business attraction, retention, expansion
Development Program

- **OAV:** $8,956,900
- **Acreage:** 135
- **Term:** 30 years, from July 1, 2002 to June 30, 2032
- **Program Highlights:** Land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.*
- Costs for traffic mitigation fund for Rte. 1 improvements
- **Funded Projects:** contributions to road improvements, traffic signal, sidewalks, Shuttlebus, road to new business park lots/public works building, sewer bond
Development Program

- **OAV:** $167,500
- **Acreage:** 6.86
- **Term:** 30 years, from July 1, 2009 to June 30, 2039
- **CEA:** Currently, with White Rabbit LLC, limited to incremental taxes from new actual value, capped at $125,000
- **Program Highlights:** Funds costs associated with CEA White Rabbit; land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.
- **Funded Projects:** business attraction and marketing.
Park North Omnibus Municipal– AMD 2

Development Program

- **OAV**: $4,940,000
- **Acreage**: 323.48
- **Term**: 30 years, from July 1, 2008 to June 30, 2038
- **CEA**: Park North Development LLC, first $200,000 of incremental value paid to company; follows 70% company and 30% City for next 30 years, until end of TIF District. Used to incentive mixed-use development and construct sewer extension. The cap is the direct cost of sewer extension and debt service.

**Program Highlights**: Land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.

**Funded Projects**: Developer is expanding sewer infrastructure and road improvements
General Dynamics

Development Program

- **OAV:** $5,900
- **Acreage:** .11
- **Term:** 6 years, from July 1, 2014 to June 30, 2020
- **CEA:** General Dynamics, capped at $100,000

**Program Highlights:** Reimbursements to developer capped at $100,000 total, based solely on .11-acre section of property

**Funded Projects:** Incentivized General Dynamics to expand facility in Saco
Saco Island Building No. 4 Municipal Development Program

- **OAV:** $280,000
- **Acreage:** 5.04
- **Term:** 30 years, from July 1, 2015 to June 30, 2045
- **CEA:** Chinburg Properties; 80% to company in years 1 through 8; 60% in years 9 through 30, capped at $5 million
- **Program Highlights:** May support costs associated with transit service, traffic signals, road improvements, sewer upgrades, Chamber of Commerce, PACTS sign project, Multi-modal train platform, and economic development programming for the City and regional entities
- **Project Funded:** Incentivized redevelopment of mill building into apartment housing for the City and region, Chamber of Commerce dues
Mill Brook Omnibus Municipal – AMD 2 (TIF#14)

Development Program

- **OAV:** $0
- **Acreage:** 60.04
- **Term:** 30 years, from July 1, 2015 to June 30, 2045
- **CEAs:**
  - Maine Molecular, 80% to company in years 1 through 10; 0% thereafter
  - Precision, Nikel Holdings, 60% to company for 9 years; 50% for 8 years, 30% for 9 years
  - FFC, up to 52% to company based upon number of employees
- **Program Highlights:** land acquisition, economic development, environmental improvements, grants, recreational trails, sewer, water, utilities, broadband, street improvements, economic development
- **Funded Projects:** none to date
Downtown Omnibus – AMD 1

Development Program

- **OAV:** $457,352,238

- **Acreage:** 757.8

- **Term:** 30 years, from July 1, 2017 to June 30, 2047

- **Grants:** Cutts Avenue (Economic Development Grant) - $612,000 (3 phase project, 2 phases completed)

- **CEAs:**
  - Baxter & Cutts (Quince) – 20 years, 60% to company for 15 years; 0 to company for 5 years. Cap of $225,000
  - Foresite Realty, LLC (Biddeford-Saco Dental Associates) – 14 years, 50% to company for 5 years, 45% for 5 years, 25% for 2 years, and 0 for 2 years.

- **Development Program:** land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.*

- **Funded Projects:** Funded two payments of economic development grant for Cutts Avenue project; Saco Main Street, Façade Improvement Grant Program, Downtown Grant Program.

(TIF#15)
Ready Seafood Co.  *(TIF#16)*

Development Program

- **OAV:** $258,700
- **Acreage:** 39.79
- **Term:** 30 years, from July 1, 2019 to June 30, 2049
- **CEA with Ready Seafood:** 70% for first 10 years, 60% for years 11-20, 0% for last 10.
- **Development Program:** land acquisition for business parks; sidewalks; road improvements; economic development; streetscapes; fund Downtown development program; sewer; energy generation; transit capital, bus shelters; plans; salaries; public safety building.
Next Steps
Your TIF Dollars at Work

$3,113,653

Budgeted in FY20 for multi-year projects
<table>
<thead>
<tr>
<th>TIF district</th>
<th>Amount</th>
<th>Projects to be funded</th>
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<tbody>
<tr>
<td>TIF #1</td>
<td>Industrial Park Road $840,000</td>
<td>Land acquisition, Saco gateway signage, workforce development programs, Industrial Park sidewalks, roads bond payment, zoning ordinance</td>
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<tr>
<td>TIF #5</td>
<td>77 Industrial Park Road $100,000</td>
<td>Business retention and expansion, business attraction, market analysis</td>
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<tr>
<td>TIF #7</td>
<td>Spring Hill Road $1,540,653</td>
<td>New business lots road construction (road shared with new Public Works site), site engineering, ShuttleBus Zoom, sewer bond payment</td>
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<tr>
<td>TIF district</td>
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<td>Projects to be funded</td>
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<tr>
<td>TIF #8</td>
<td>$30,000</td>
<td>Business attraction, marketing Saco</td>
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<td>TIF #9</td>
<td>$210,000</td>
<td>Flag Pond / US Route 1 signal, zoning ordinance revision coding, mapping and GIS</td>
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<tr>
<td>TIF #12</td>
<td>$10,000</td>
<td>Biddeford-Saco Chamber dues</td>
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<td>TIF #14</td>
<td>$0</td>
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<tr>
<td>TIF #15</td>
<td>$383,000</td>
<td>Cutts Ave housing grant, Saco Main Street, Façade Improvement Grant Program, Downtown Grant Program</td>
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<tr>
<td>TIF #16</td>
<td>$0</td>
<td>-</td>
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Strategic Next Steps

▪ Continue to evaluate, analyze and run projections
▪ Develop multi-year financial models for large-scale projects and bond debt
▪ Create a Transit-Oriented TIF District
Questions?