

Town Council Workshop Meeting

Minutes

February 17, 2015

The meeting was called to order at 7:01 pm.

Roll Call

Councilors Anderson, Mahoney, Goldberg, Farber, King and Hemphill were present and answering roll call.

Councilor McBrady arrived late.

Item 1 Discussion of proposed designation of certain Municipal Development and Ocean View/ Natural Gas Tax Increment Financing District and a related Development Program.

Councilor Anderson understood that the plan is to capture the increased valuation in a certain area of town for the next 30 years and, instead of that money going into the general fund, it will go into a separate bucket and will have to be spent on certain things. It seemed to him that they are giving preliminary approval to those projects that go into that bucket. While some of the projects that are proposed that are no-brainers, there are others that the Council hasn't had time to review. He felt they should be cautious about adding those newer projects to the mix. Some of the projects proposed for OceanView are planned for private property, which he felt was unusual. He pointed out that the Route 1 TIF benefitted many residents and businesses; the OceanView TIF benefits one business, which has local competitors. He felt the goal of TIFs was to promote economic development. Some of the projects on the list are not related to economic development. He asked when the starting date of the TIF would be, and the impact on the mil rate and the budget. If the starting date is April of this year, it will have an impact on the mil rate in this year. He wasn't sure that was a good idea.

Councilor King wondered why OceanView was included in the TIF; what would happen if Summit radically changed their investment in Falmouth; would OceanView or Summit financially benefit from the TIF; and she asked for three reasons why a community wouldn't do a TIF.

Councilor Mahoney said the TIF seems to be funded 80% by OceanView and 20% by the natural gas project, but the percentage of projects in the list doesn't match that split. He asked if the project list is permanent or flexible. He asked what the purpose of the TIF is.

Councilor Hemphill asked how confident they are about the installation of the natural gas pipeline. He wondered about changes and debates on projects in the list.

Councilor McBrady wondered why they would combine the two areas into one TIF, instead of having two separate TIFs. Most of the money is coming from OceanView, but the projects are spread out all over town. He understood why the TIF is a good thing, but he was concerned about the Town not being able to spend the money where it needs to.

Councilor King wondered if they could do a TIF at a lower percentage, so that not all of the increase in valuation is captured.

Jim Saffian, Pierce Atwood, explained that there are two sides to a TIF. The first is an economic benefit: the Town loses 65% of every dollar in valuation to state and county taxes, etc. Sheltering that value into a TIF keeps it in the Town. He was the one who suggested combining the two into one TIF district; this

allows them to draw one single district and make it easier for projects to qualify. Projects that are funded by TIF must be within the district, or related to activity within the district.

Councilor King said the greater value from OceanView would allow them to do a project that was not on the OceanView campus. Mr. Saffian said that is correct, especially the road improvements which will track the gas pipeline. Drawing the boundary around OceanView would make those improvements harder to justify.

Town Manager Nathan Poore clarified that nothing in the development plan proposes to spend money on private property, with the exception of the Middle Road sidewalk, which might meander onto private property but would be a public easement and publically maintained. Projects proposed for the OceanView area would include public infrastructure improvements such as sidewalks.

Chair Farber said the increase in real estate value is being driven by OceanView, but calling it an OceanView TIF is a misnomer.

Theo Holtwijk, Director of Long-range Planning, said they have been calling it the OceanView/Natural Gas TIF because the value being captured is being generated by those two entities. He demonstrated that the total acreage includes the parcels in the OceanView section, plus the road network; these together would make up the district. The road network is 66 miles; they would be capturing a 40 foot wide swath along all those roads.

Mr. Poore said that they projected \$9 million in valuation at the build out of the natural gas line; that is about a third of what Summit said it would be when it was at full build out. He felt that was a conservative estimate. If Summit pulls back on their project, the areas where the most development is based will still be built out.

Councilor Mahoney asked if there would be a geographic limitation on eligible projects if the TIF only included OceanView.

Mr. Poore said it is a gray area. He discussed with Councilor Mahoney where funds might be able to reach from an OceanView-only TIF. Councilor Mahoney was concerned that the value they can expect from Summit is hard to pinpoint, while value from OceanView is more certain. \$12 million of the proposed TIF is for general road maintenance. He supported the proposed projects, but wondered what happens if the natural gas value doesn't come through.

Mr. Saffian said that, even without the natural gas project, they could still have a TIF that impacted a large area outside it. 25% of the TIF area must be suitable for commercial purposes. Including the roads adds to the base acreage of commercially usable space in the TIF.

Councilor Goldberg asked what could kill a TIF, other than the term expiring.

Mr. Saffian said they will capture some percentage of the increase in value over the base every year. If in a given year there is no increase value captured, the historical money is still there and eligible to be spent under the TIF until its expiration.

Councilor Goldberg asked if they can unravel the TIF. Mr. Saffian said every year the assessor will report to the state how much value was captured. They can un-shelter funds in any given year when they send the report. He said they are not obligated to pursue any of the approved projects but they can't institute new projects.

Councilor Anderson was concerned that so much money will be put into the TIF that they won't know how to spend it. He felt the TIF would limit their discretion on how they could spend these funds over a long time period. If they can't spend the money they will either get penalized or will spend the money on a project that they wouldn't otherwise have done.

Councilor Mahoney asked for clarification that the project list that is approved by the state is the only projects they can spend the money on, whether it can be amended, and if that process is difficult.

Mr. Saffian said those are the only projects but the list can be amended and the process is similar to this one. This district is unusual due to the amount of value that would be captured.

Councilor Mahoney wondered if they could unravel the TIF if at some point they reached a level of funding that they felt was enough.

Mr. Saffian said they could amend the TIF to reduce the percentage of value they shelter each year. On an annual basis, they can review how much they want to shelter and return the difference to the general fund. If that were to happen, the funds moved to the general fund would be subject to the 65% that goes to the State and County.

Councilor Anderson asked about the penalty associated with taking money out of the TIF.

Mr. Saffian said there is no formal audit or enforcement review; it is an honor system. There is no clear mechanism to unravel a district or to impose a penalty on prior sheltered value. In that case they would have to work directly with the DECD.

Councilor Goldberg said when the Route 1 TIF was drafted in 2000, they didn't know the details of the project, or the timeline of it. He felt it was the same here.

Councilor Anderson felt there was a fairly specific project list, but he agreed that the details hadn't been worked out. He felt they are somewhat committing to these projects.

Councilor Goldberg clarified that they are not committing as to when they are going to do them.

Mr. Holtwijk said a project list was put together in 2000. Some of the elements were in the TIF plan, but the total infrastructure plan that combined all the elements, as well as the term, was different. It was in keeping with the 2000 plan. He explained that, even though the plan states "2015: Depot Road" it is not automatic. The Council would still have to vote on each project.

Chair Farber asked how many times the Route 1 TIF was amended.

Mr. Holtwijk said it was amended twice: the term and project list were amended. Route 1 North has been amended twice, term and project list, and West Falmouth has been amended once as well.

Councilor Goldberg said there are some projects that they will have to do, some that would improve their lives, and some that would be nice to have. He wondered why they wouldn't save for those projects with pre-tax dollars. Most of these are things they will have to do.

Mr. Holtwijk asked if there are any projects on the list that the Council doesn't want to do; those should be removed from the list. Low priority items can remain on the list and they can determine when to do them.

Mr. Poore discussed the proposed project list and gave some updates.

Councilor Anderson thought wastewater improvements are typically funded by ratepayers and not by TIF funds. He wondered why those were included in the list.

Mr. Holtwijk said West Falmouth Crossing paid up front to put the sewer in and the Town, through a tax credit enhancement deal in the TIF, is paying the developer back for those improvements. They also paid for some improvements in Clearwater's wastewater thorough the Route 1 South district. The statute clearly states that wastewater is an eligible project. The improvements to the pump stations are in direct response to the increase in flows from OceanView.

Councilor McBrady asked how the project list was generated. He wondered if they are approving all of it if they approve it. He also asked why they would do a reach back with OceanView.

Mr. Poore said they don't have to do a reach back. If there is \$7 million in added valuation they are using that to help them set the mil rate for this fiscal year. If they reach back, they would be \$100,000 in the hole in June 2015. They could leave it alone, but they will lose that value if they don't reach back. That might be \$2 million over the 30 years. If they are moving projects from the CIP into the TIF, they could grab the extra money in the street reserve account CIP to balance the budget. This way, they won't leave the \$2 million on the table.

Councilor King wondered if not doing the reach back would impact the base value. OceanView has put a lot of value into the property already; if they wait until year two the base value will be higher. Mr. Poore said that was correct.

Councilor Anderson explained that doing the TIF removes taxes from the general fund and will increase the mil rate. He was concerned that this might be too much of a good thing.

Councilor Goldberg left the meeting.

Mr. Poore said if they are true to this they will reduce the CIP budget which would reduce the mil rate. Leaving the value would reduce the mil rate but not by as much.

The Council discussed the project list.

Councilor McBrady didn't feel the tunnel under the railway was economic development and he wondered how the list was generated.

Councilor Mahoney felt that future councils would review the list and make decisions on whether or not to do a particular project. He felt there was a lot of flexibility here.

Councilor Anderson felt that 75% of the projects on the list were high quality, but the remaining 25% were questionable. He wondered if it would be a good idea to capture less than 100% of the valuation and remove some of the controversial projects. He pointed out that they could amend the list to add more projects in the future.

Councilor King felt that additional projects might come up in the future, and the list will change. She wondered how implementing the TIF would impact the mil rate over the next couple years. She wondered how they would choose what percentage to capture.

Chair Farber felt they could look at capturing less than 100%. She felt the project list needed a more solid foundation.

Mr. Saffian said the Town can determine the percentage they want to capture based on their goals for the projects and general fund/mil rate support. There are no criteria; it is a balancing act.

Councilor Mahoney suggested two lists: one of projects they will definitely need to do, and the other of projects that will be nice to do.

Chair Farber pointed out that the limit of acreage that can be included in a TIF is 2%, with a global limit over the whole town of 5%. This TIF is shown at 1.8%.

Mr. Poore agreed that they are getting close to the limit. If Summit didn't expand everywhere they could amend the TIF to withdraw that acreage.

Chair Farber pointed out that they could reduce the acreage of the TIF instead of reducing the amount captured. Mr. Poore said that would strip some of the flexibility of the projects.

Chair Farber wondered if this would preclude them from doing another project if they are so close to the limit.

Mr. Holtwijk said no, they could amend any of the existing TIF s to make sure they didn't exceed the 5% cap. They would have to go to the state to approve that TIF anyway; they could bring an amendment to an

existing TIF at the same time. When one of the existing TIF s expires, that acreage will be removed from the books. It makes financial sense to stagger the TIF s so they don't expire all at the same time. With this TIF they will be at 4.8%.

Councilor McBrady wondered how much acreage would be included in the reach back. Mr. Poore said it would be mostly the Blueberry Commons parcel.

Mr. Saffian pointed out that 19 acres comes to 0.10%. The acreage is being used up mostly by including the roads. Freeing up acreage would be more productive by pulling out roads rather than OceanView acreage.

The Council expressed interest in seeing a reduced list, based on a smaller scope. They discussed the projects that they wanted to pull out onto a secondary list.

Councilor Mahoney left the meeting.

Adjourn

Councilor Anderson moved to adjourn; Councilor Hemphill seconded. Motion carried 5-0.

Meeting adjourned at 9:07 pm.

Respectfully submitted,

Melissa Tryon
Recording Secretary