

Proposed OceanView-Natural Gas Tax Increment Financing District

Town Council

February 23, 2015

Presentation

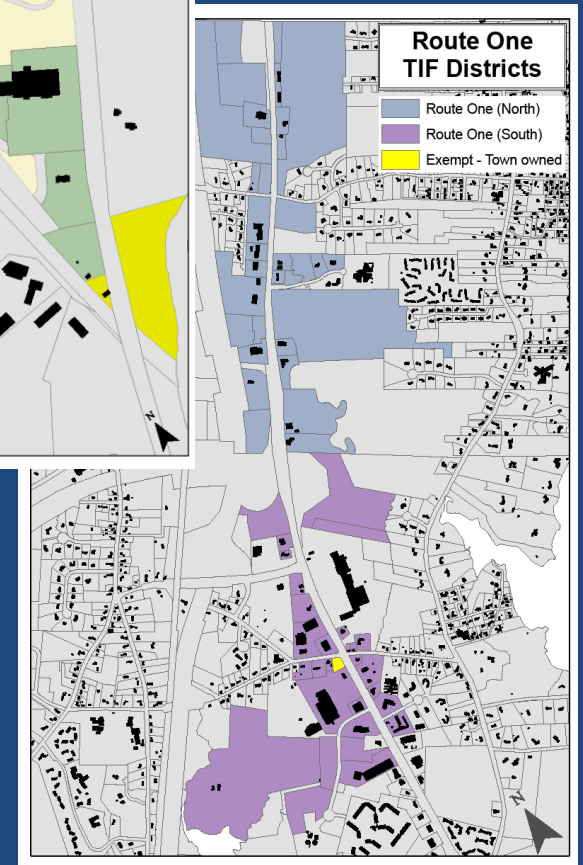
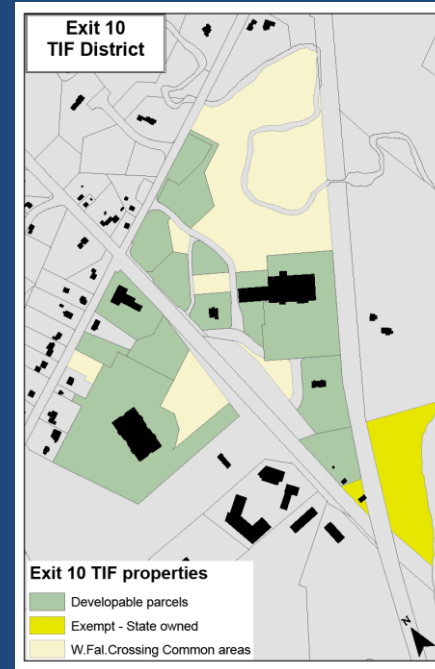
1. What is Tax Increment Financing (TIF)?
2. What area will be included?
3. What is the fiscal benefit for Falmouth?
4. How are the TIF funds proposed to be expended?
5. What is the impact on the mil rate?
6. Who approves this TIF?

1. What is Tax Increment Financing ?

- TIF is a “flexible finance tool used by municipalities to leverage new property taxes generated by a specific project or projects within a defined geographic district.”
- Any portion of the new taxes may be used to finance public or private projects for a defined period of time up to 30 years.
- TIF is a program designed to “assist municipalities in encouraging industrial, commercial, transit-oriented, or arts district development, increasing or retaining employment opportunities, and broadening tax bases.”

Three Existing TIF districts

- West Falmouth Crossing
 - 25 years (expires 2024)
 - \$744,646 (2015 taxes)
- Route 1 North
 - 23 years (expires 2023)
 - \$363,543 (2015 taxes)
- Route 1 South
 - 30 years (expires 2030)
 - \$919,673 (2015)



Negative Fiscal Impact if no TIF

- New valuation, if not sheltered, has negative fiscal impact:
 - Loss in state aid to education,
 - Loss in state municipal revenue sharing,
 - Increase in the Cumberland County Tax Assessment
- Analysis shows that out of every \$3 of new taxes, \$2 are lost to the fiscal impact
 - By example, without the 3 existing TIF Districts, Falmouth could have only kept \$689,473 for general fund expenses of \$2,202,862 of taxes in FY 2015 – a potential loss of \$1,338,389.

Eligible Expenses

- State permits the sheltering of new values from this negative fiscal impact by having Town place new taxes in a separate fund.
- TIF funds can only be spent for designated improvements:
 1. Improvements made within district
 2. Improvements made outside district, but are directly related to or are made necessary by the establishment or operation of the district
 3. Costs related to economic development, environmental improvements, fisheries and wildlife or marine resources projects, recreational trails, or employment training within the municipality

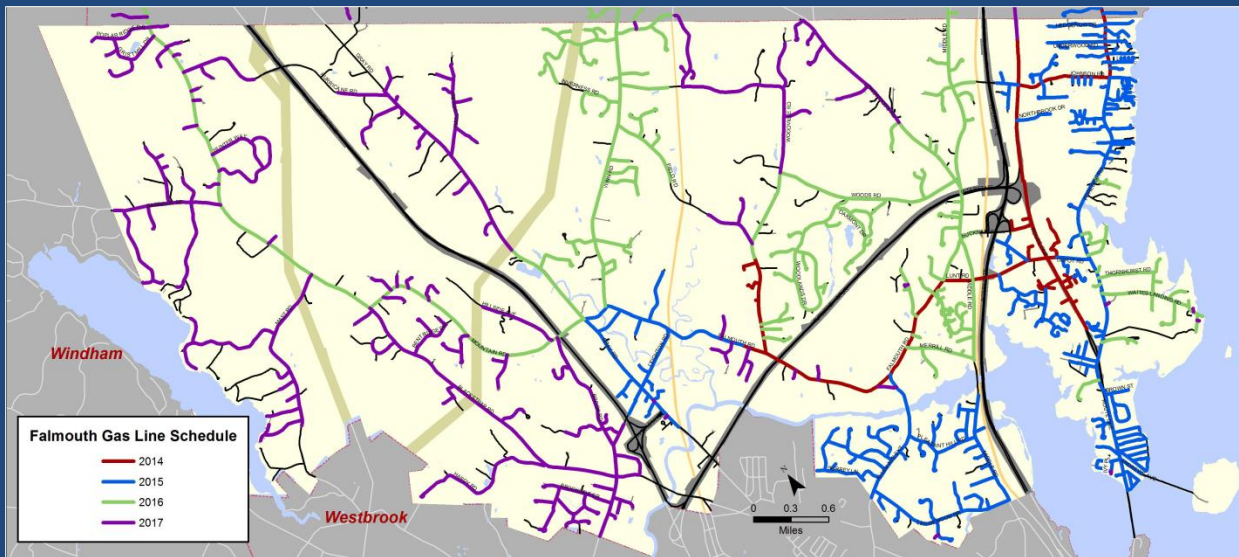
TIF Options

1. Retain all new taxes in TIF and spend on eligible projects, or
2. Retain 1/3 of all new taxes and spend where Council decides, or
3. Do a mix of both

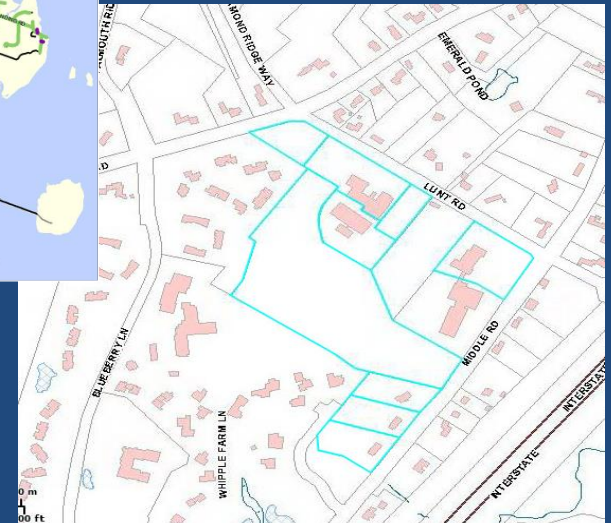
Proposed new TIF District

Note: revised data

- 62 miles of public streets with gas lines
- 30 acres of OceanView development



= 311 acre district



Updated data

Posted material:

- Street miles: 66.39 miles
- Gas pipe line area: 64.38 acres
- Total gas/street area: 320.42 acres
- TIF District area: 355.23 acres
- Economic area threshold: 26.53%
- Individ. area cap: 1.86%
- Overall area cap: 4.28%
- Total TIF base values: \$55,351,300
- Overall value cap: 2.34%

Current proposal:

- Street miles: 62.29 miles
- Gas pipe line area: 49.08 acres
- Total gas/street area: 275.95 area
- TIF District area: 310.76 acres
- Economic area threshold: 25.41%
- Individ. area cap: 1.63%
- Overall area cap: 3.99%
- Total TIF base values: \$53,058,900
- Overall value cap: 2.28%

What is the Fiscal Benefit?

Estimated new assessed values in the district:

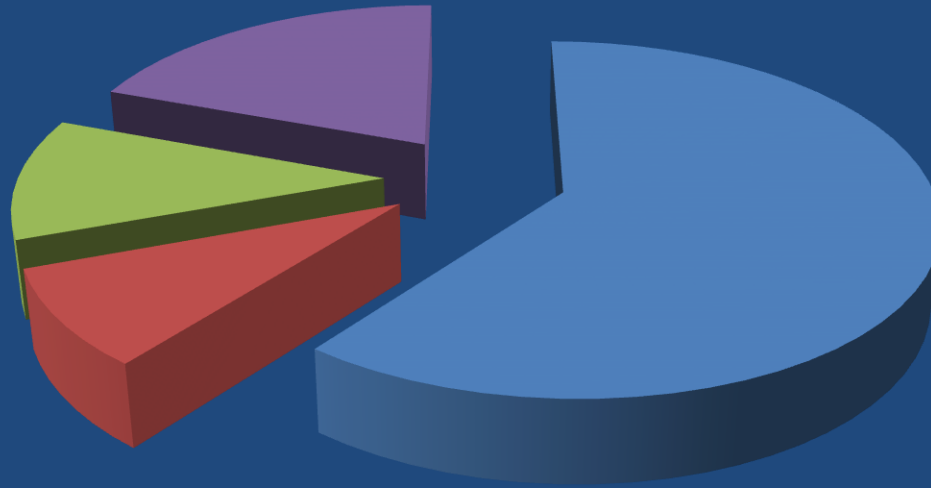
- OceanView: \$41M
- Natural Gas: \$9M

Estimated captured taxes at 100% over 30 years (2044): \$19,807,610

- If no TIF:
 - estimated net fiscal benefit: \$ 6,932,664
 - Loss \$12,874,946



How are TIF funds proposed to be expended?



Annual street project allocation: \$12,000,000 (61%)

List of specific street and capital projects: \$1,746,800 (9%)

Staff used for TIF admin and overall economic development:
\$2,223,335 (11%)

Surplus/Other projects: \$3,837,475 (19%)

Two TIF scenarios

Scenario 1: Tiered Capture

- Captured values:
 - Year 1: 0%
 - Year 2-15: 100%
 - Year 16-25: 75%
 - Year 26-30: 50%
- Revenues: \$16.2M
- Expenses: \$16M
- Projects:
 - 13 “Base Package” projects that are either part of the Town’s current Capital Improvement Plan (CIP) or operational budget
- Not captured: Net \$1.3M (to general fund or apply to mill rate)
- Total captured + not captured: \$17.3M

Scenario 2: 100% Capture

- Captured values:
 - Year 1: 0%
 - Year 2-30: 100%
- Revenues: \$19.8M
- Expenses: \$19.8M
- Projects:
 - 13 “Base Package” projects
 - \$3.8M available for other eligible projects:
 - List A: Economic Development Initiatives
 - List B: Infrastructure Improvements in Other Commercial Areas
 - List C: Bicycle and Pedestrian and Multi-Modal Improvements

Base Package (\$16.0M)

1	Lunt Road Improvements	\$	132,000
2	Blueberry Lane Improvements	\$	165,000
3	Middle Road Sidewalk 1	\$	220,000
4	Falmouth Corners Intersection Improvements	\$	605,000
5	Depot Road Repaving	\$	19,800
6	Middle Road Sidewalk 2	\$	132,000
7	Merrill Road Sidewalk	\$	132,000
8	Allen Avenue Extension Repaving	\$	159,500
9	Falmouth Road Repaving	\$	181,500
10	Town-wide Road Improvements	\$	12,000,000
11	TIF District Preparation	\$	45,000
12	TIF District Ongoing Administration	\$	145,000
13	Economic Development Programs	\$	2,033,335

List A: Economic Development Initiatives (\$4.1M)

14	Gigabit Broadband Expansion	\$	500,000
15	Revolving Loan Fund	\$	250,000
16	Sewer Inflow/Infiltration Removal	\$	250,000
17	Middle Road Wastewater Improvements	\$	220,000
18	Stormwater Quality	\$	1,000,000
19	Energy Efficiency Coordination	\$	870,000
20	Economic Development Projects	\$	500,000
21	Public Safety Improvements	\$	500,000

List B: Infrastructure Improvements in Other Commercial Areas (\$ TBD)

22	Route 100
23	Route 1 S side streets
24	Route 1 N

List C: Bicycle-Pedestrian and Multi-Modal Improvements (\$3.7M)

25	Pan Am Rail Tunnel	\$	753,500
26	Overall Bike-Ped Improvements	\$	2,400,000
27	Lunt Road-I-295 Pedestrian Improvements	\$	495,000
28	Transit Infrastructure	\$	100,000

What is the impact on the mil rate?

	Projects that fit into both the new TIF, CIP and Operating Budget - Impact on mil rate	Amount through 30yrs
Expense	Annual street project allocation	\$ 12,000,000
	List of specific street and capital project	\$ 1,746,800
	Staff used for TIF admin and overall economic development	\$ 2,223,335
		\$ 15,970,135
Revenue	TIF	\$ 19,807,610
	No TIF (with 65% reduction in revenue because there is no shelter)	\$ 6,932,664
Surplus/(Deficit)	TIF	\$ 3,837,475
	No TIF	\$ (9,037,472)
Mil Rate Savings	TIF (average savings/yr)	0.2286
	TIF at 80.6% (average savings/yr)	0.2478
	No TIF (average savings/yr)	0.0992

Who approves this TIF?

- March 9: Council Public Hearing and Approval of Order
- March 10: Submission to Maine Department of Economic and Community Development (DECD)
- Review and Approval required by DECD Commissioner of