MEMORANDUM

To: Town Council

From: Theo Holtwijk, Director of Long-Range Planning

Date: December 31, 2019

Re: **Status of Route 1 North Tax Increment Financing District**

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Staff reviewed the status of the Route 1 North Tax Increment Financing District. This TIF is the recommended tool to finance the Route 1 North project. This approach is similar to the Route 1 South and Route 100 infrastructure projects.

If the cost of the project improvements (plus interest) on the Route 1 North can stay completely within the capacity of the Route 1 North TIF funds, it will have the advantage that the project will not have any impact on the tax rate. If the project costs exceed available funding within the TIF, the voters could authorize additional funding, but there would likely be an impact on the tax rate in this situation.

The other fiscal advantage of using TIF funds is that the amount spent using TIF funding will allow the Town to do three times as much work as the same amount of General Funds.

The status of the Route 1 North TIF funds is as follows:
- Current balance is about $3.7M.
- The fund is due to expire in FY 2022. At that time the fund is projected to have a balance of $4.8M.
- The term of this TIF can be extended with seven years to the maximum 30-year term, expiring in FY 2029.
- The projected balance in FY 2029 would be $7.5M. This amount takes into account continuation of other expenditures, such as eligible staff expenses.
- Issuing a bond at the time of construction will add interest costs to the project.
- Amending the development program and extending the term requires approval of the State of Maine.

Considering the projected available TIF funds and potential overall costs, staff advises that in the subsequent Preliminary Engineering phase the Town make it a priority to refine the anticipated project expenses as much as possible to remain within available TIF funds. In addition, there should be a substantial financial margin in the Route 1 North fund to address any unforeseen circumstances or other projects.