

Tax Incremental Financing

November 18, 2020

Finance committee meeting

Tax Increment Financing

- ▶ This presentation format is based on a consultant study originally done in 2009. This analysis was updated by Camoin Associates on February 8, 2015 based on the Ocean View-Natural Gas TIF District fiscal analysis

Property Value & Fiscal Formulas

- ▶ Property valuation impacts the \$ amount municipalities receive in:
 - ▶ State aid for education
 - ▶ Municipal revenue sharing
 - ▶ County taxes
- ▶ Formulas for these programs are based in part on property valuation with the premise that the higher the amount of property valuation, the wealthier the community and, therefore, the less it should receive from the state and the more it should pay to the county
- ▶ An increase in property valuation results in less state aid for education, less municipal revenue sharing, and more county taxes paid.

Fiscal Formulas Explained

- ▶ **State Aid For Education Impacts**
 - ▶ Based on the state essential programs and services funding model in which a statewide mil rate is applied to a district's state valuation to determine the amount of local property taxes to be raised for education - the higher the valuation, the more that needs 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 \$ received
- ▶ **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

Fiscal Formulas: Falmouth Example

Numbers are based on the February 8, 2015 Camoin Associates Analysis of the Ocean View TIF

- ▶ An average increase of \$47 million in property valuation over the life of a TIF district results in:
 - ▶ Average loss of \$380,700 in state aid to education
 - ▶ Average loss of \$14,664 in state municipal revenue sharing
 - ▶ Average increase of \$51,253 in the Cumberland County Tax Assessment
 - ▶ Average annual total negative fiscal impact = \$446,616
- ▶ \$47 Million in valuation over the life of the Ocean View TIF would move an average of \$675,328 from the General Fund to the TIF District.
- ▶ Factoring in the negative fiscal impacts, the Town realizes an average of only \$228,712 in revenues or 34%.

TIF SUMMARY

- ▶ Tax Increment Financing allows municipalities to “shelter” increases in valuation resulting from economic development for up to 30 years.
- ▶ This allows the municipalities to avoid losses due to the state and county fiscal formulas
- ▶ However, Revenues from “sheltered” valuation under the TIF program cannot be used for General Fund purposes.
 - ▶ Must be used for specified purposes (mostly capital or infrastructure related purposes) in a TIF development plan.
 - ▶ These are determined at the time the TIF agreement is developed and approved.

Town of Falmouth
TIF Summary
 FY2020 Activity

TIF District	June 2019	April 2019	FY2020 Tax Revenue	State Grant	DOT/PWD Contribution	FY2020 Expenditures				June 2020 Fund Balance
	Fund Balance	Captured Valuation				Developer Refund	Debt Service	Project Expenditures	Total Expenditures	
Route One South	1,194,978	71,471,600	1,205,726			-	761,413	257,164	1,018,577	1,382,127
Route One North	3,713,243	32,318,400	545,211			45,944	-	92,269	138,213	4,120,241
West Falmouth Crossing	7,357,977	56,397,800	962,142		2,088,922	316,160	451,933	5,742,157	6,510,250	3,898,791
Oceanview/Natural Gas	318,625	38,790,000	654,387	3,000		-	-	525,917	525,917	450,095
Total TIF Captured Value	12,584,823	198,977,800	3,367,467	3,000	2,088,922	362,104	1,213,346	6,617,507	8,192,957	9,851,255

**TOWN OF FALMOUTH
FY2020 ACTUAL
TIF SPENDING SUMMARY**

ROUTE ONE SOUTH TIF

TIF Staff Time	\$ 97,757	Portion of the salaries (% allocated) of the following staff members: Town Manager (5%), Town Manager Exec Asst (5%), Community Development Director (5%), Planner (\$5%), Planning Intern (25%), Director of Long-Range Planning (15%), Finance Director (2.5%), Bookkeeper (2.5%), and Accountant (2.5%), Public Works Director (5%), Public Works Admin (5%), Town Engineer (10%), Sustainability Coordinator (10%), Part-time Communication Specialist (\$2,800).
GIS Maintenance	\$ 1,950	GIS digital, interactive mapping program that the Town uses for site location, zoning, land use, and project planning decision making. The Falmouth GIS is a key tool for economic development purposes as staff and developers using it can gauge site development potential and preliminary suitability of properties during site search efforts. The GIS serves other purposes as well, such as marketing the Town with potential investors.* **
District Operations	\$ 36,829	Street light, flag, banner and signage maintenance in Route One South District.
Costs of funding economic development	\$ 20,000	Very Merry Falmouth Event
Debt Service - Route 1 Infrastructure Project	\$ 761,413	Debt Service for Route One Infrastructure Improvements Bond
Bucknam Rd Repaving	\$ 100,629	Resurface Roadway (excluding bridge and intersection: DOT Project)/Fundy Rd Sidewalk
Total	\$ 1,018,578	

ROUTE ONE NORTH TIF

TIF Staff Time	\$ 91,181	Portion of the salaries (% allocated) of the following staff members: Town Manager (5%), Town Manager Exec Asst (5%), Community Development Director (5%), Planner (\$5%), Planning Intern (25%), Director of Long-Range Planning (15%), Finance Director (2.5%), Bookkeeper (2.5%), and Accountant (2.5%), Public Works Director (5%), Public Works Admin (5%), Town Engineer (10%) Part-time Communications Specialist (\$2,800).
Traffic Study	\$ 1,088	Route 88 Transportation Study
Northbrook Developer Refund 11	\$ 45,944	Credit enhancement payment for Northbrook/Addison Capital sub-district.
Total	\$138,213	

**TOWN OF FALMOUTH
FY2020 ACTUAL
TIF SPENDING SUMMARY**

WEST FALMOUTH CROSSING TIF		
TIF Staff Time	\$ 93,745	This budget includes a portion of the salaries (% allocated) of the following staff members: Town Manager (5%), Community Development Director (10%), Planning Intern (25%), Director of Long-Range Planning (15%), Accountant (2.5%), Finance Director (2.5%), Bookkeeper (2.5%), Town Engineer (5%), Town Manager Exec Asst (5%), Public Works Director (10%), Public Works Admin Asst (5%) and Part-time Communications Specialist (\$2,800).
District Operations	\$ 17,079	Prorated capital equipment
Debt Service - Route 100 Infrastructure Project	\$ 451,933	Route 100 Infrastructure Project
GIS Maintenance	\$ 3,750	The Falmouth GIS is a key tool for economic development purposes as developers using it can gauge preliminary suitability of properties during their site search. The GIS serves other purposes as well. For equity purposes, just ¼ of the cost for the annual GIS update for the entire Town (\$30,000) has been allocated to the West Falmouth Crossing, Route One North, and Route One South districts. That ¼ share has been further divided between the Route One North/South and West Falmouth Districts. This means that 75% of the maintenance expenses is paid with General Funds, and 12.5% is paid with West Falmouth Crossing TIF funds.
Route 100 Infrastructure Project	\$ 5,627,582	Route 100 Project spending.
Developer Refund	\$ 316,160	Credit enhancement payment to developer
Total	\$6,510,250	
OCEANVIEW/NATURAL GAS TIF		
TIF Staff Time	\$ 139,494	Project Mgt Engineer (50%), Econ Dev Director (20%), Susainability Coordinator (40%), Finance Staff (2.5%), Community Development Director (5%), Public Works Director (20%), Planning Intern (25%), Public Works Admin (\$5%), Town Engineer (\$10%), Town Manager (%5%), Executive Assistant (5%), Part-time Communications Specialist (\$2,800).
Economic Development Projects	\$ 6,415	Economic activities aimed at business retention and attraction, Annual Business Forum \$1,050
Wayfinding	\$ 557	
Town-wide Road Improvements	\$ 39,210	Middle Road Culvert Replacement
Town-wide Road Improvements	\$ 22,689	Underwood Road Drainage Improvements
Town-wide Road Improvements	\$ 66,214	Blueberry Lane Improvements and sidewalk/Lighting Improvements/ Fundy Road Sidewalk/Benches
Town-wide Road Improvements	\$ 251,337	Road improvements, incl. repaving and maintenance, on public streets per Town of Falmouth Street Schedule
Total	\$525,917	
Total TIF FY2020 Sepnding	\$8,192,957	

FY2020 TIF Spending

