

TIF 101

A Guide to Tax Increment Finance Districts

The Maine Legislature established the municipal tax increment financing (“TIF”) program as an economic development tool to be used by municipalities to provide new or continued employment opportunities, improve and broaden its tax base, and improve the general economy of the State.

WHAT IS A “TIF”?

A TIF is a flexible finance tool used by municipalities to leverage new property taxes generated by a specific project(s) 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 for up to 30 years.

WHAT IS THE FISCAL BENEFIT OF HAVING TIFS?

The Town’s budget is funded primarily through property taxes. Property taxes are dependent upon the valuation of all real property in town. Property values impact:

- the amount of money the Town receives from the state for education,
- the amount of money the Town receives as its share in state income and sales tax, known as municipal revenue sharing, and
- the amount of money the Town pays in taxes to fund Cumberland County government and services.

The higher the amount of property valuation, the less the Town receives from the State of Maine. An increase in property valuation results in:

- Less state aid for education,
- Less municipal revenue sharing dollars, and
- More county taxes paid.

As a result, according to a 2021 study by Camoin 310, Falmouth loses about 59% of all new taxes generated through new development.

However, property located in TIF Districts are NOT included in a Town’s overall property valuation. TIFs allow Falmouth to keep 100% of property

taxes raised from properties in TIF districts. TIFs allows Falmouth to invest in and maintain infrastructure, leaving money in the General Fund for other important services, and thus minimizing the impact to the tax rate.

EVERY NEW TAX DOLLAR WITHOUT TIFS



58.82% Lost Revenue:

- School Aid
- Revenue Sharing
- County Tax

Source: Camoin 310 Associates, March 2021

WHAT CAN TIF FUNDS BE USED FOR?

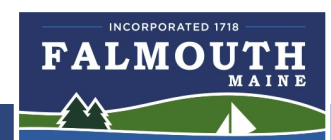
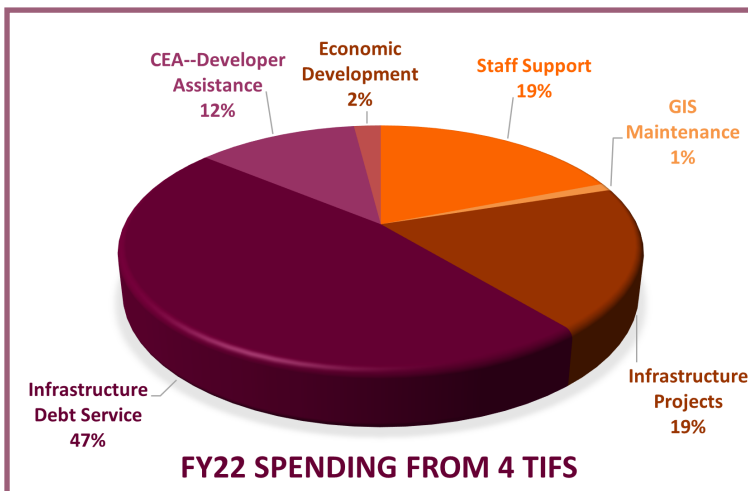
Towns can only pay eligible expenses with TIF funds, such as:

- Specific road and utility work,
- Bonds issued by the Town as part of a large infrastructure project (such as Route 1, Route 100),
- Staff expenses overseeing TIF projects,
- Economic development activities, and
- Credit Enhancement Agreements (“CEAs” are payments to investing businesses)

TIF funds CANNOT be used for schools, libraries, or general Town government expenses.

HOW MANY TIFS CAN A TOWN ESTABLISH?

The State of Maine sets thresholds for the establishments of TIFs, including the following: The maximum town acreage allowed is 5% of the town’s total acreage. In addition, TIFs can only make up 5% of the town’s total valuation. Currently, in Falmouth, TIFs make up 3.8% of town acreage and only 2% of the town’s valuation.

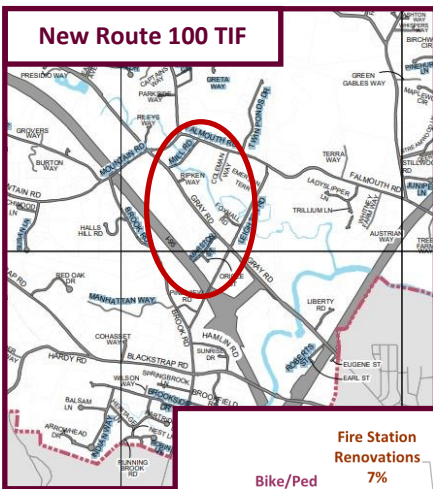
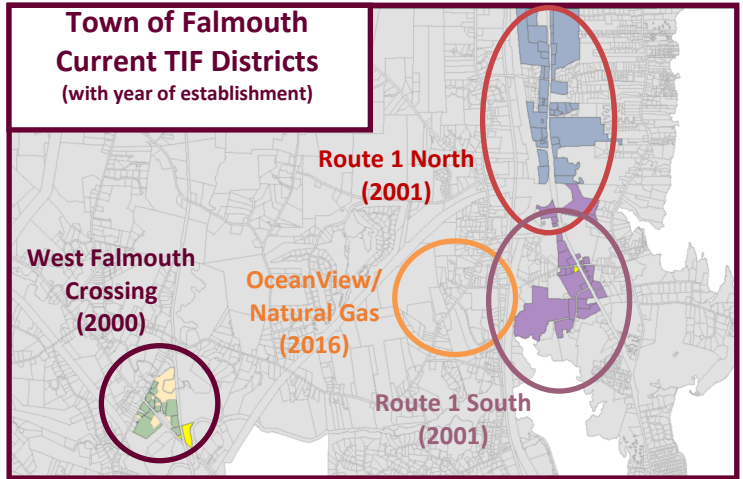


FALMOUTH'S TIFS

Falmouth has 4 established TIF Districts (see map at right). Over the next several years, these TIFs will expire. Town staff have proposed a "TIF Restructuring Plan" to be implemented over the next several years to maintain the current level of TIF funds to help pay for maintenance of existing Town infrastructure.

FALMOUTH'S TIF RESTRUCTURING PLAN

As each of these TIFs approaches its expiration date, Falmouth requires a plan to maintain the current level of revenue these TIFs generate in order to keep up with maintenance of roads, infrastructure, and minimize tax rate impacts to residents. To do this, the Town has extended the term of the Route 1 North TIF District to 30 years. Looking ahead, the Town will monitor future development for additional new smaller, smarter, structured TIF districts.



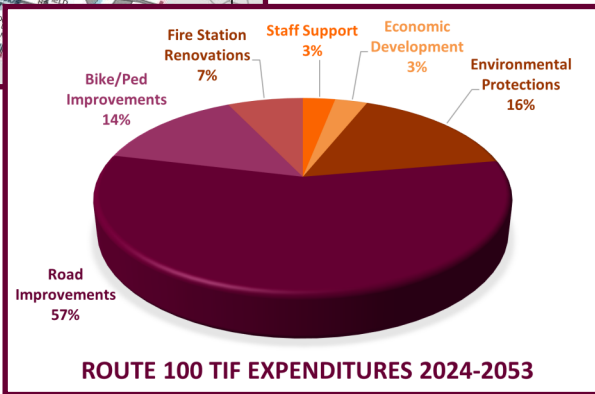
NEW ROUTE 100 TIF

At its March 14 meeting, the Town Council approved the establishment of a new 30-year TIF District on Route 100, encompassing 45 acres and capturing existing developments including Homestead Farms.

DO TIFS IN RESIDENTIAL AREAS TAKE MONEY AWAY FROM SCHOOLS?

It is true that funds raised from TIF districts cannot be allocated to schools. However, items paid for by TIFs would otherwise be paid from the General Fund. Every dollar spent from the General Fund to build and maintain roads and utilities is also money that cannot be spent on our schools. Using 100% of TIF dollars to pay for these costly items actually lowers the overall tax rate for residents. The chart below demonstrates the benefit of the Route 100 TIF.

Revenues from this new TIF will replace some of the revenues of the West Falmouth Crossing TIF and Route 1 North and South TIFs when they expire.



**Route 100 TIF
Projected Revenue
\$21.5M**



**No Route 100 TIF
Projected Revenue
\$8.8M**



- 100% Remains in Falmouth
- Spend on proposed slate of projects
- Relieve General Fund and Tax Rate impact
- Annual budget oversight by Town Council

- 58.82% to State & County
- Spend on any Town project
- General Fund and Tax Rate impact if service level is maintained
- Annual budget oversight by Town Council

Source: 2021 Camoin 310 Study of 58.82% fiscal shift

DO TIFS BENEFIT DEVELOPERS?

Sometimes TIFs can provide incentives, known as "Credit Enhancement Agreements" (CEAs), to investing businesses. Since 2000, Falmouth has offered just two CEAs. The first supported wastewater infrastructure expansion into West Falmouth. The second provided property tax relief in exchange for excise taxes in excess of the amount of tax relief. In both cases, the CEAs proved mutually beneficial to Falmouth and the businesses involved. No CEA benefits to developers are included in the new Route 100 TIF.

WHERE CAN I LEARN MORE?

A presentation on TIFs and the new Route 100 TIF was given at the March 14, 2022 Town Council meeting. Find the presentation and associated documents at:

<https://play.champds.com/falmouthme/event/2364> or contact Theo Holtwijk at 207-699-5340 or tholtwijk@falmouthme.org