

Municipal Tax Increment Financing



Municipal TIF Basics

Maine Department of
Economic and Community Development
59 State House Station
Augusta, Maine 04333

What Municipal TIF Is

- ◆ A local economic development project financing program, using real & personal property taxes
- ◆ Municipality = unorganized territory

How It Works

- ◆ The municipality designates a specific geographic area as a Municipal Development Tax Increment Financing District
 - Municipal legislative body designates district
 - Local public process
- ◆ This “freezes” the value of taxable property within the district (the original assessed value or “OAV”)
- ◆ Municipality adopts a development program describing authorized uses of revenue
- ◆ DECD commissioner reviews and approves based upon statutory compliance

Establishing OAV

The Original Assessed Value is the assessed value of a development district as of March 31st of the prior tax year

TIF application received by 03/01/2010

- use valuation as of 03/31/2009
- tax year 04/01/2008 – 03/31/2009

TIF application received 04/01/2010 to 03/01/2011

- use valuation as of 03/31/2010
- tax year 04/01/2009 – 03/31/2010

How It Works . . .

- ◆ TIF then applies to new value in the district
- ◆ Some or all of the new value in the TIF is “sheltered” (excluded) from State Valuation

TIF Example (mil rate 20)

Vacant Land

Original Assessed Value: $\$100,000 \times .02 = - \$2,000$ in Taxes

Vacant Land

Building

Building: $\$300,000 \times .02 = - \$6,000$ in new (Increment) Taxes

TIF Revenues

- ◆ Tax revenues generated from new value are used to implement development program
 - Municipality designates the percentage of increased value being “captured”
 - Percentage can range from 1% – 100%

Tax Year	Total Tax \$	TIF %	General Fund	CEA 50%	ED activities 50%
2010	8,000	100	2000	3000	3000
2011	10,000	100	2000	4000	4000
2012	10,000	100	2000	4000	4000

Designation Process

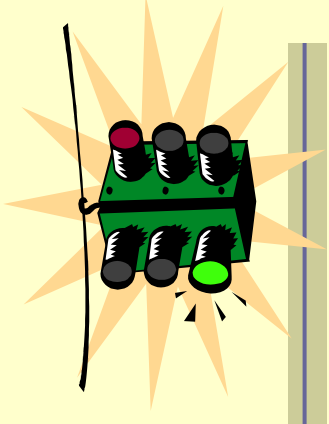
- Notice of public hearing in newspaper of general circulation ten days before the public hearing
- Public hearing held and duly recorded
- Majority vote of municipal legislative body necessary to designate a TIF district and Development Program
- Approved application forwarded to DECD
Commissioner reviews for statutory compliance
- Maine Revenue Services notified of DECD approval

Authorized TIF Revenue Uses

- ◆ Tier I - Costs within the district
- ◆ Tier II - Costs outside but directly related to or made necessary by the district
- ◆ Tier III - Costs within the municipality

Tier I - Authorized Project Costs

WITHIN THE DISTRICT

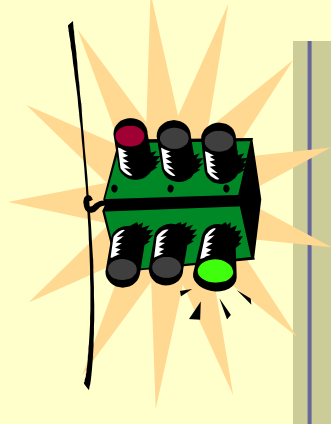


- Capital costs, including:
 - Construction, improvements and site work
 - Demolition, repair and remodeling
 - Acquisition of equipment

- Financing costs, including:
 - Premiums paid for early redemption of obligations
 - Interest paid to holders of evidences of indebtedness issued to pay for project costs

Tier I - Authorized Project Costs...

WITHIN THE DISTRICT

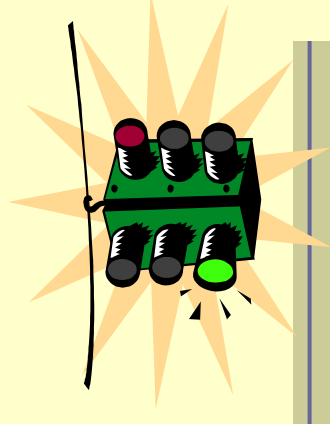


- Professional Services, including:
 - Licensing and architectural
 - Planning, engineering and legal

- Other costs, including:
 - Reasonable administrative expenses
 - Relocation expenses
 - Organizational costs to establish district, like impact studies, and public information

Tier II - Authorized Project Costs...

OUTSIDE THE DISTRICT

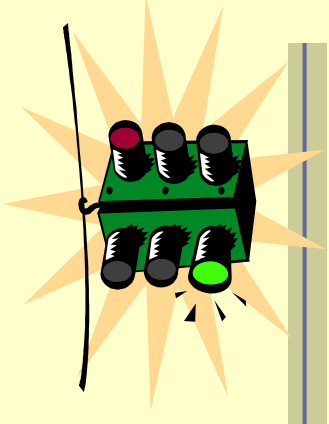


DIRECTLY RELATED TO OR MADE NECESSARY BY IT

- Infrastructure improvements, including:
 - Sewage or water treatment plants
 - Sewer, water and electrical lines
 - Street amenities and fire station improvements

- Other improvements, including:
 - Public safety
 - Adverse impact mitigation

Tier III - Authorized Project Costs...
WITHIN THE MUNICIPALITY



- Economic Development Programs
- Environmental Improvement Plans
- Permanent Revolving Funds
- Employment Training (<20%)
- Quality Child Care
- Arts district activities
- Transit activities
- Recreational trails

Funding Mechanisms...



- Municipal Bonds
 - Municipality establishes a Development Sinking Fund for debt service requirements
- Credit Enhancement Agreement (CEA)
 - TIF revenues placed in a Project Cost Account for direct payment to company for authorized project costs
- Municipal Economic Development
 - TIF revenues placed in a Project Cost Account for direct payment by town for authorized project costs

TIF District Limitations

Geography

District has boundaries and limits:

single: 2% of area

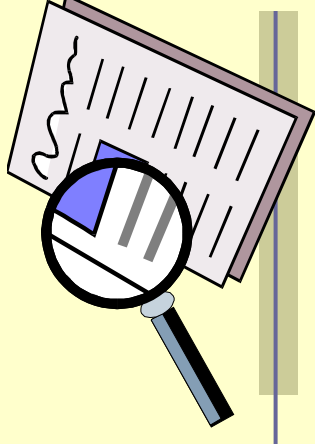
all: 5% of area

all: 5% of value



Policy

Notes...



- Project costs should, where ever possible, be contained within the TIF district, even if this means extending the district (e.g., to include surrounding roads)
- Any project costs not actually within the district must be clearly related to it (physically or operationally), or constitute a bona fide economic development purpose