

Tax Increment Financing

February 7, 2024— Gardiner City Council Presentation

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Agenda

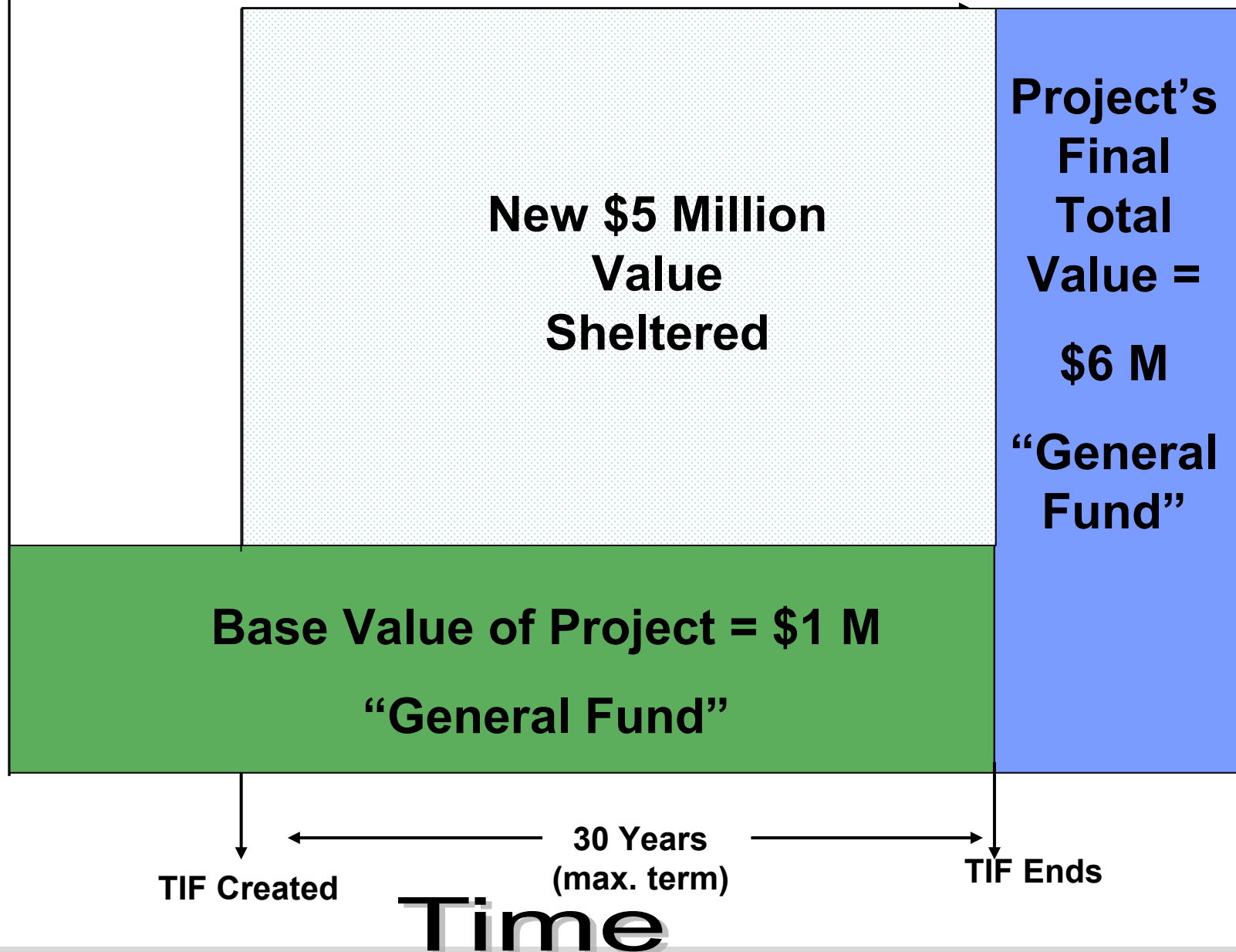
1. What is a TIF District and How do they Work?
2. Credit Enhancement Agreements
3. Types of TIF Districts
4. How Can TIF Revenues be Spent?
5. Tax Shift Benefit
6. City of Gardiner and TIFs

1. What is a TIF District?

- Economic Development Tool that allows municipality to capture new property tax value
- Geographic boundary
- Original Assessed Value
- Development Program
- Applications reviewed for statutory compliance by:
 - Maine Department of Economic and Community Development, or
 - Maine State Housing Authority

How TIFs Work (Illustrative Purposes Only)

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Potential Benefits of TIFs

- Assist in achieving economic development goals of comprehensive plan, or other planning/vision documents.
- Attract new investment (i.e., tax dollars), jobs, improve local economy.
- Accomplish significant infrastructure projects.
- Tax shift benefit.

Criteria and Program Limits

At least 25% of area must be blighted, need of rehabilitation, redevelopment or conservation, or suitable for commercial or arts district uses

Acreage Cap

- Single district cannot exceed 2% and total area of all districts cannot exceed 5% of total acreage;
- Exclusions include Downtown, Transit-Oriented, and Community Wind Power TIFs

Value Cap

- 5% of total municipal valuation
- Exclusions above also apply to value cap as well as single tax payer/high valuation districts

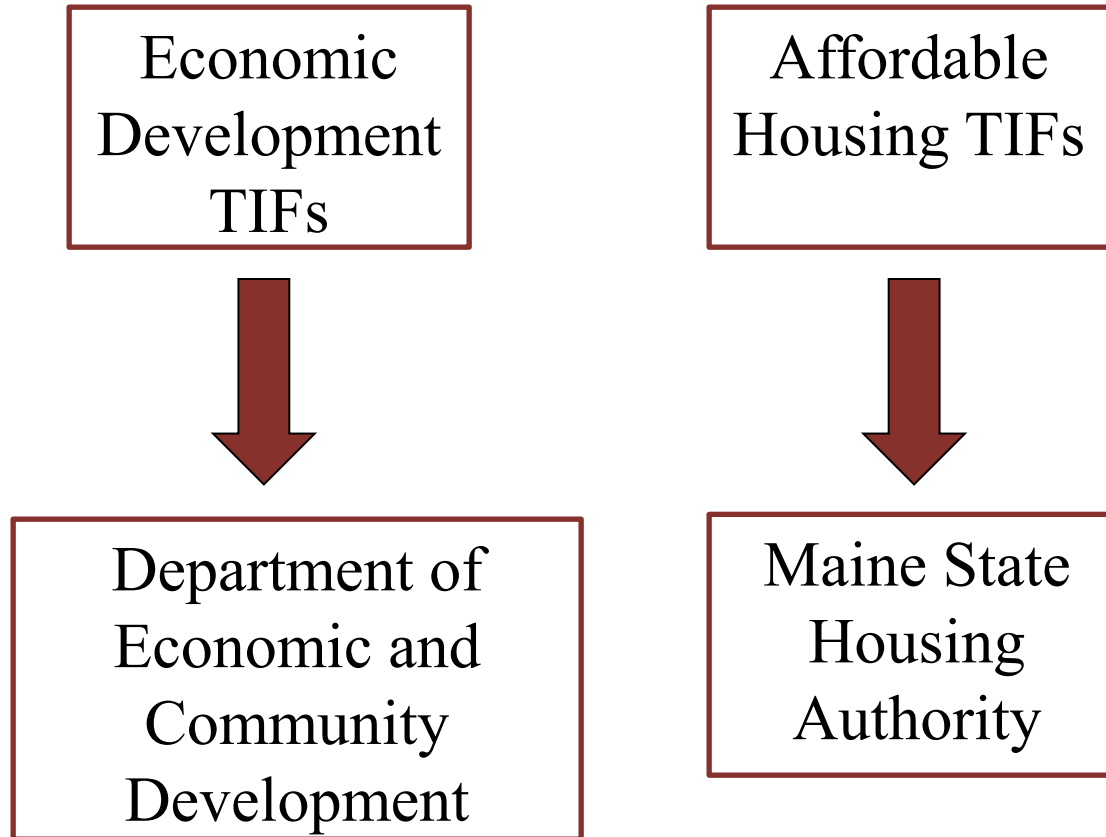
Term Limits

- TIF Districts have max term of 30 years

2. Credit Enhancement Agreements

- Some TIFs include a Credit Enhancement Agreement (CEA) whereby a developer or business receives a property tax reimbursement out of the TIF revenues.
- Approximately 400 active TIF districts in Maine.
- Approximately 59% include at least one CEA.

3. Types of TIF Districts



Economic Development TIF Districts

- **Downtown TIF**

"Downtown" means the traditional central business district of a community that has served as the center of socioeconomic interaction in the community, characterized by a cohesive core of commercial and mixed-use buildings, often interspersed with civic, religious and residential buildings and public spaces, that are typically arranged along a main street and intersecting side streets and served by public infrastructure.

Requires "Downtown Redevelopment Plan"

- **Transit-Oriented TIF**

"Transit" means transportation systems in which people are conveyed by means other than their own vehicles, including, but not limited to, bus systems, street cars, light rail and other rail systems.

- **Omnibus TIF**

Allows municipality to measure the increment of individual parcels within a District separately

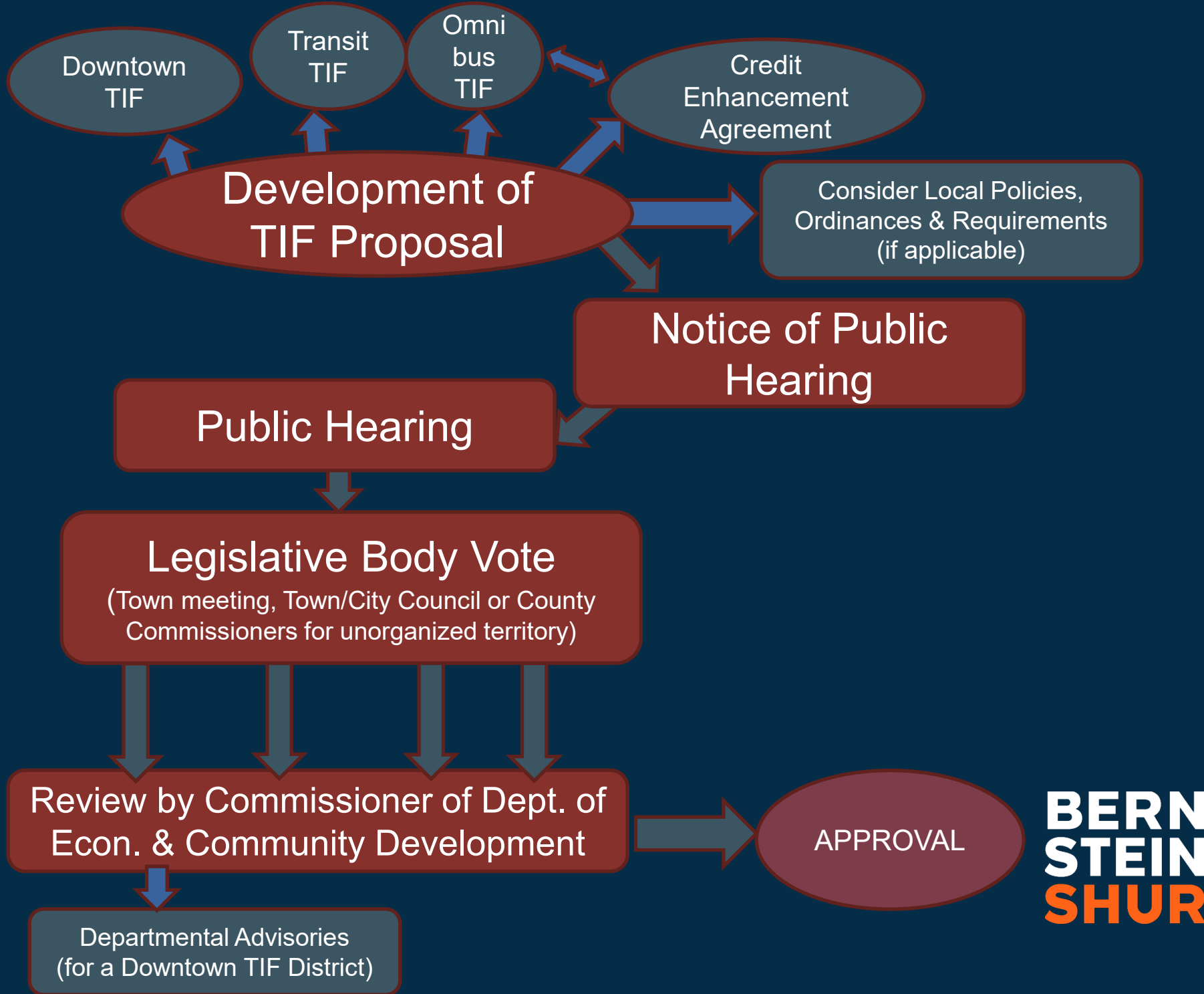
Affordable Housing TIF Districts

- Qualified Allocation Plan for Federal Low Income Housing Tax Credits - Maine State Housing Authority

- Affordable Housing:

A decent, safe, sanitary dwelling, apartment or other living accommodation for a household whose income does not exceed 120% of the median income for the area as defined by the United States Department of Housing and Urban Development.

Note: Most of the presentation relates to economic development TIFs



4. How Can TIF Revenues Be Spent?

Authorized “Project Costs” for Economic Development TIFs:

1. Project costs inside the TIF district
2. Project costs outside the TIF district, but “directly related to or made necessary by” the TIF district
3. Project costs unrelated to location of TIF district

Unauthorized “Project Costs”

Buildings or facilities used for the general conduct of government or for public recreational purposes

- Jails
- Recreation centers
- Athletic centers
- Swimming Pools

Funding “Project Costs”

Credit enhancement agreements

Municipal bonds

Setting aside TIF revenues

5. Tax Shift Benefit

- TIFs shelter new assessed value from a municipality's state valuation.
- The "state valuation" = equalized total assessed value in a municipality.
- The state valuation impacts:
 - state education subsidies,
 - county taxes,
 - state revenue sharing subsidies

Lost Revenue in Every New Tax Dollar



68% Lost Revenue

- 31% State Aid to Education
- 20 % Municipal Revenue Sharing
- 13% Additional Local Education Budget
- 4% County Taxes

32% Available to City

6. City of Gardiner and TIFs

1. Central Maine Crossing (with a CEA)
2. Libby Hill Area Wide (2 CEAs)
3. *EJ Prescott*
4. *Harpers*
5. *Pine State*
6. *Associated Grocers*
7. Downtown (2 CEAs)
8. Developers Collaborative Affordable Housing TIF

TIF Guidelines and Application Process

- Municipalities can create their own local policies, procedures and guidelines to provide context, standards and standard procedures for the local approval process.
- An application form is also helpful to give potential applicants for credit enhancement agreements a way to initiate the process for consideration.

Thank You!

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