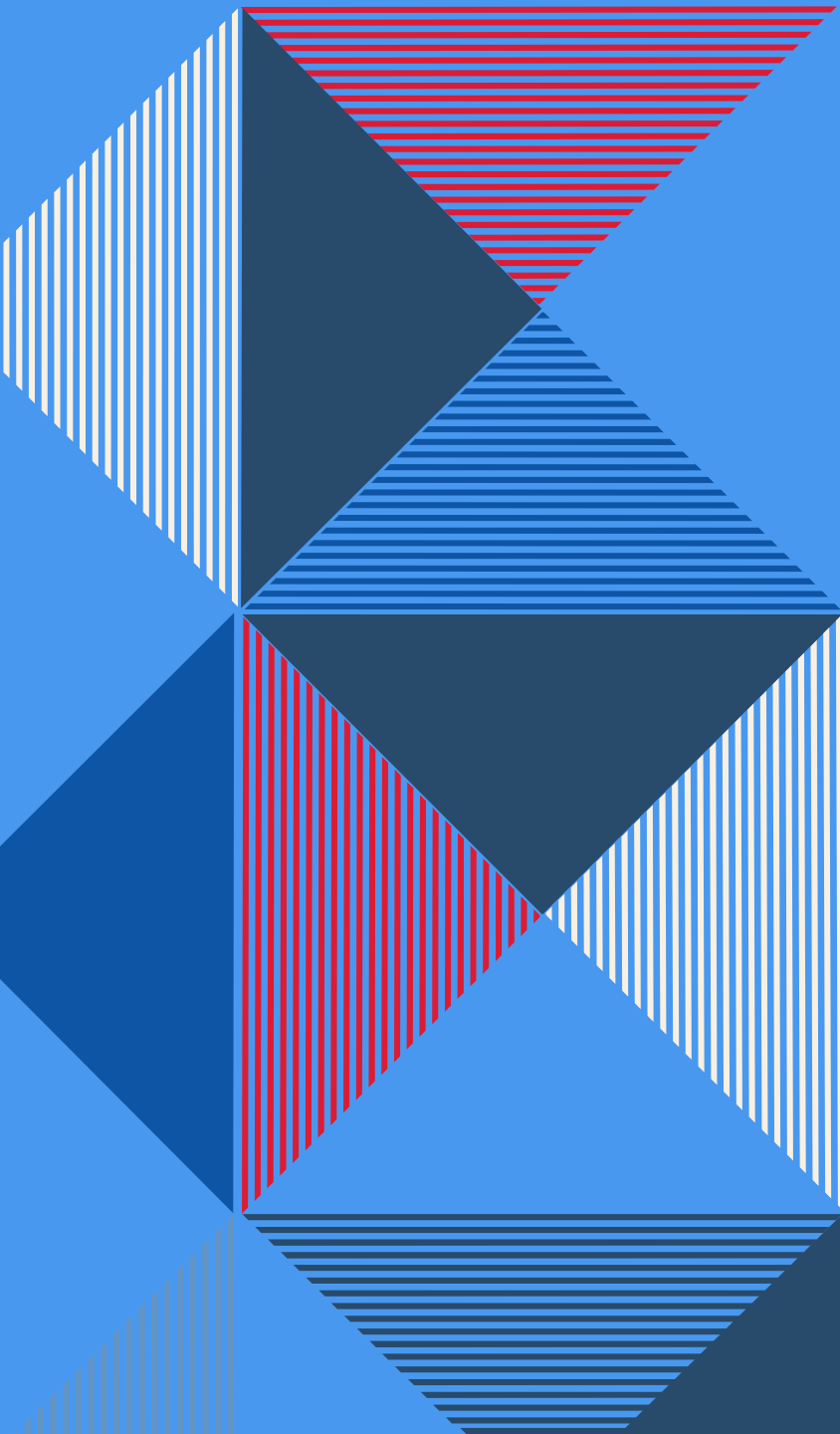


# TAX INCREMENT FINANCING





**OVERVIEW**

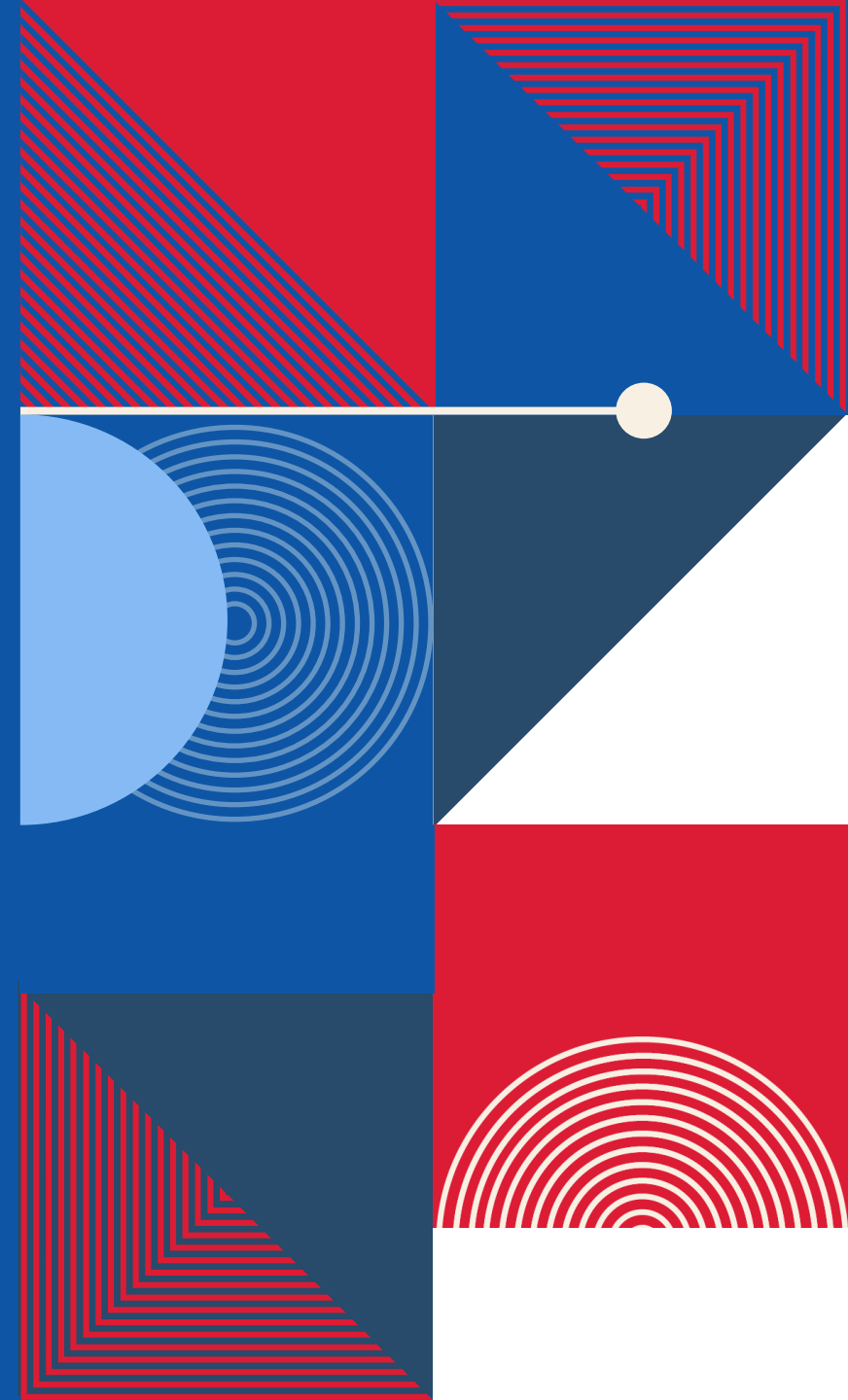
**HOW TIFS WORK**

**TIF TYPES + USES**

**TIF POLICY**

# OVERVIEW

1. Importance of TIF
2. What is a TIF
3. Bath TIF districts



# IMPORTANCE OF TIF PROGRAM

## **TIFS ARE THE MOST IMPACTFUL TOOL THE CITY HAS TO ATTRACT BUSINESSES**

- The State DECD offers TIFs in an effort to spur economic growth
- TIFs are used to:
  - Attract New Business (A TIF program can be the difference between attracting a new business and not.)
  - Retain businesses
  - Encourage expansion

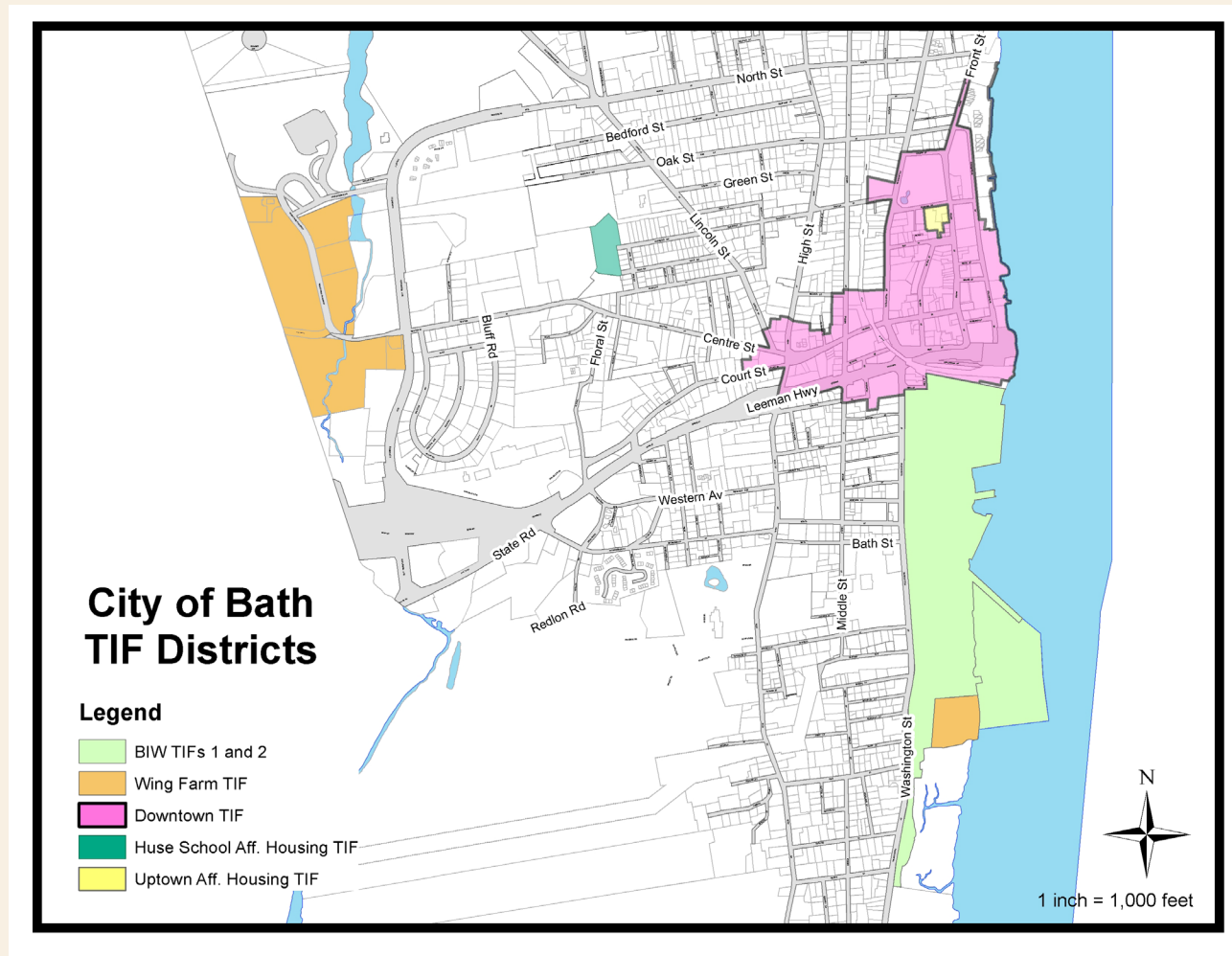


# WHAT IS TAX INCREMENT FINANCING?

- Tax Increment Financing (TIF) is an Economic development tool administered by a locality in partnership with the State of Maine
- Leverage property taxes generated by a specific project or projects within a defined geographic district
- Any portion of new taxes can be used to fund public and/or private projects for a defined period of time up to 30 years
- The Program is locally-driven: the municipality, town, or city defines the district and chooses how much of the new taxes will go to what public and private projects over what period of time, with the whole package requiring local political approval.
- Over their terms, TIF districts can return thousands to millions of dollars to a municipality

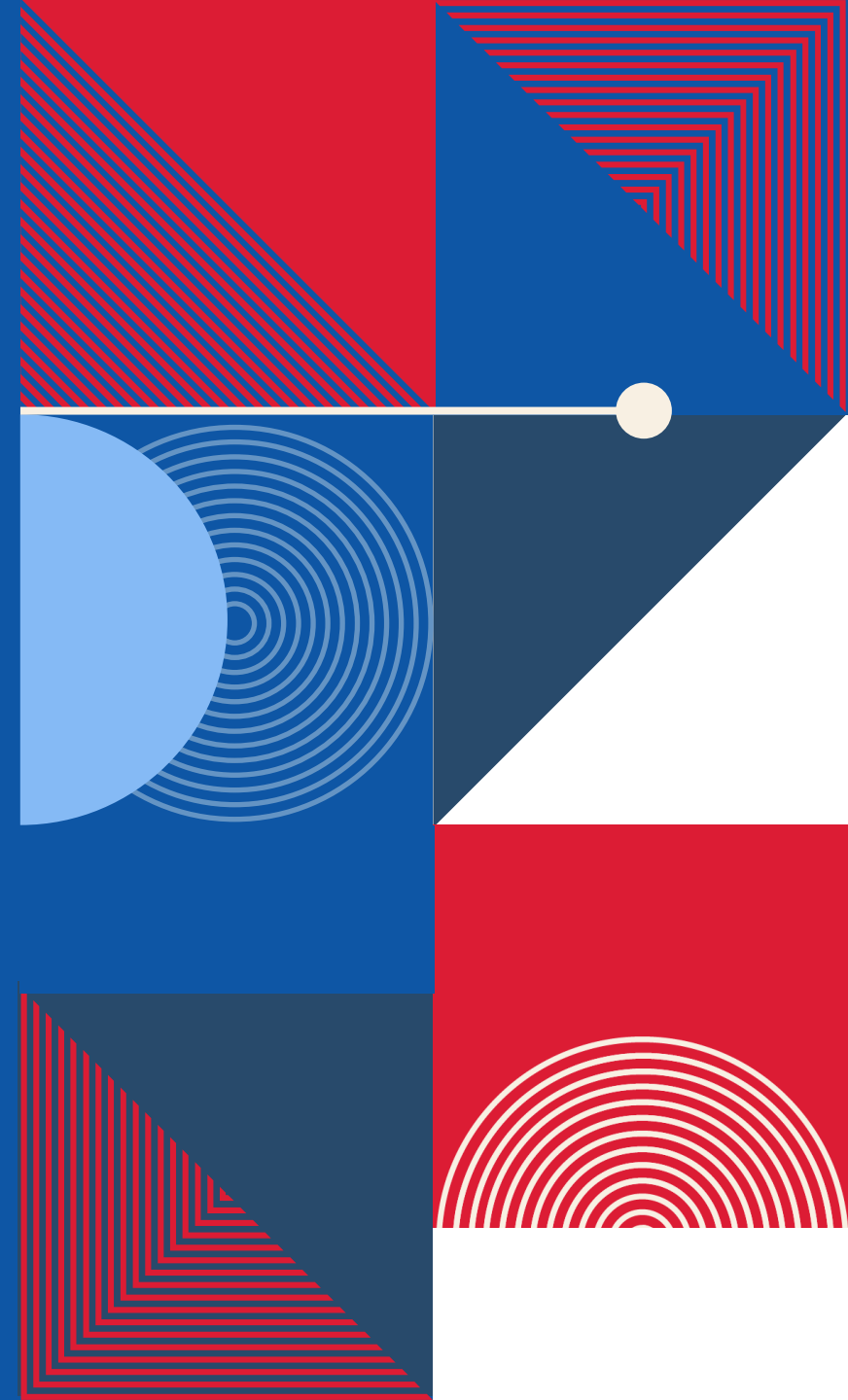


# BATH TIF DISTRICTS



# HOW TIFS WORK

1. Understanding Total Equalized Assessed Value
2. Every New Tax Dollar NOT in a TIF District
3. Every New Tax Dollar IN a TIF District
4. How TIFs Impact Taxes





# TOTAL EQUALIZED ASSESSED VALUE...

...Is the assessed value of all properties in Bath by the State of Maine

This value is used to compute:

- General Aid to Education (subsidy)
- State Revenue Sharing (subsidy)
- County Taxes (expense)



# EVERY NEW TAX DOLLAR NOT IN A TIF DISTRICT



≈ 50% Lost Revenue

An Increase in Equalized Assessed Value:

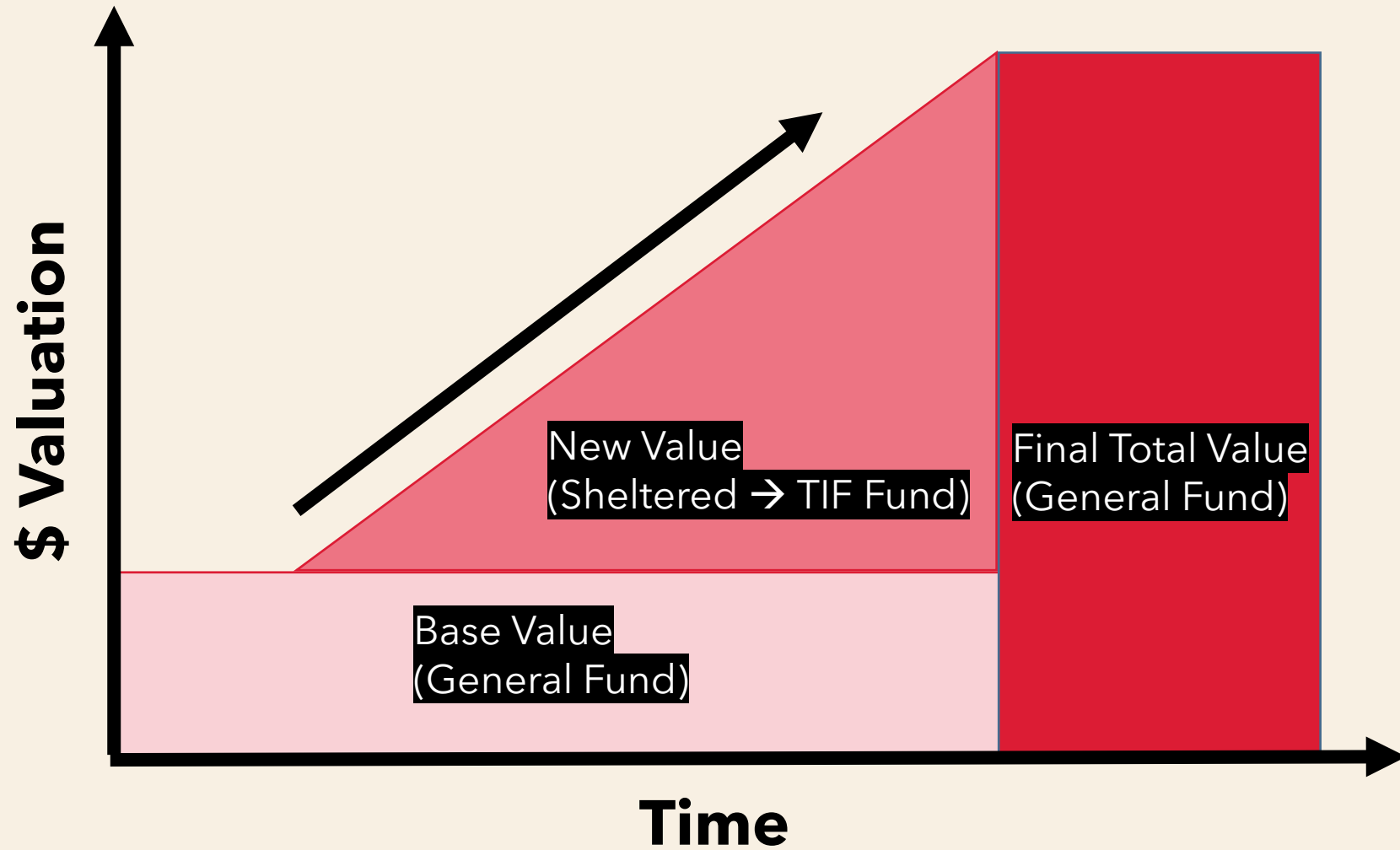
- Lowers State Revenue Sharing
- Lowers School Aid
- Increases County Tax

# EVERY NEW TAX DOLLAR IN A TIF DISTRICT

- New value resulting from development projects is “sheltered” from the computation of its State subsidies and County taxes.
- The sheltering allows the city to retain all or a portion of those new tax revenues that would otherwise be passed on to the County and State.
- The designation “freezes” the value of taxable property within the district with respect to the State and County for the term of the district.

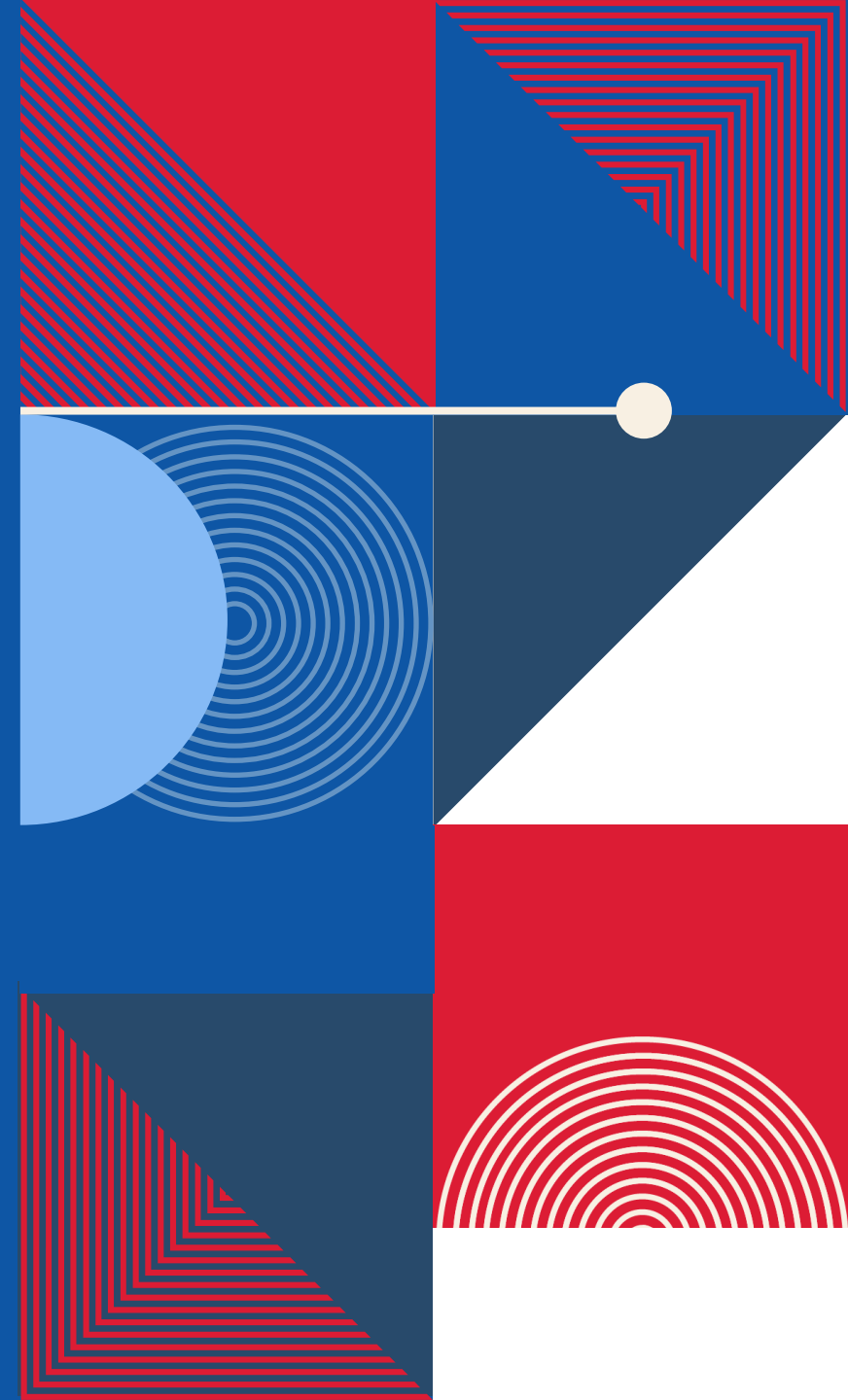


# HOW TIFS WORK



# TYPES & USES OF TIF

1. Types of TIF
2. Uses
  1. Economic Development Programs
  2. Affordable Housing Costs
  3. Infrastructure
  4. Credit Enhancement Agreements



# TWO TYPES OF TIFS

## ECONOMIC DEVELOPMENT

Overseen by Maine Department of Economic & Community Development Department

- Economic Development Programs
- Credit Enhancement Agreements
- Infrastructure

Bath Economic Development TIFs:

- BIW
- Wing Farm
- Downtown

## AFFORDABLE HOUSING

Overseen by MaineHousing

- Affordable Housing Costs
- Credit Enhancement Agreements related to affordable housing development
- Infrastructure related to affordable housing development

Bath Affordable Housing TIFs:

- Huse School
- Uptown



# ECONOMIC DEVELOPMENT PROGRAMS

Examples of municipal economic development programs include:

- Economic Development administration and program costs
- Funding to Main Street Bath
- Funding Bath Development Corporation
- City and regional marketing/branding



(Maine Street Bath, Annual)



# AFFORDABLE HOUSING COSTS

Costs *inside* the AHTIF district:

- Capital and operating costs of affordable housing
- public infrastructure improvements
- Support services for residents of the affordable housing
- Costs of recreational and child care facilities.

Costs *outside* the AHTIF district (must be directly related to or made necessary by the establishment or operation of the district):

- Infrastructure and public safety improvements
- Costs to mitigate adverse impacts (including to local schools)
- Costs to establish a permanent housing development revolving loan or investment fund

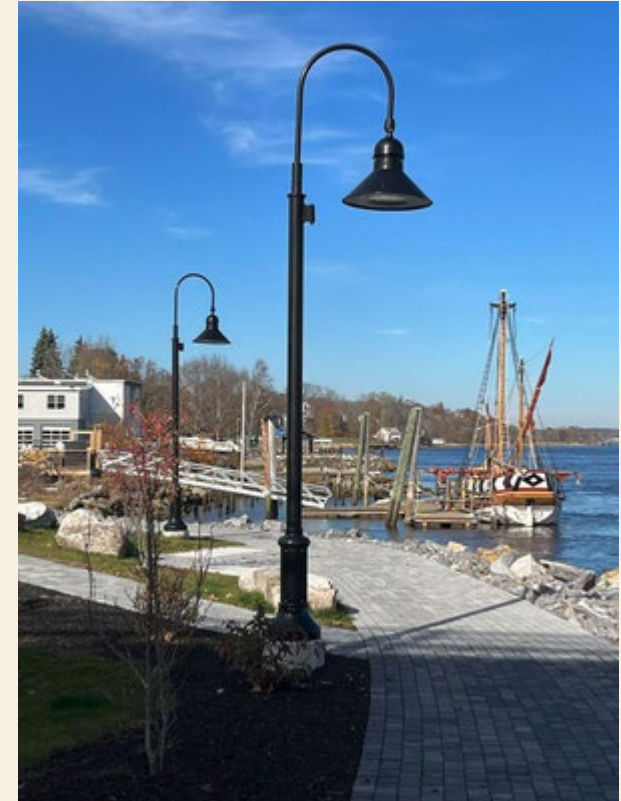


Uptown Project, 2020

# INFRASTRUCTURE

TIF funds can be used to finance public infrastructure, land acquisition, demolition, utilities and other improvements including:

- Sewer expansion and repair
- Curb and sidewalk work
- Traffic control
- Street construction & expansion
- Street lighting
- Water supply
- Environmental remediation
- Bridge construction & repair
- Parking structures



Riverwalk, 2022



# CREDIT ENHANCEMENT AGREEMENT

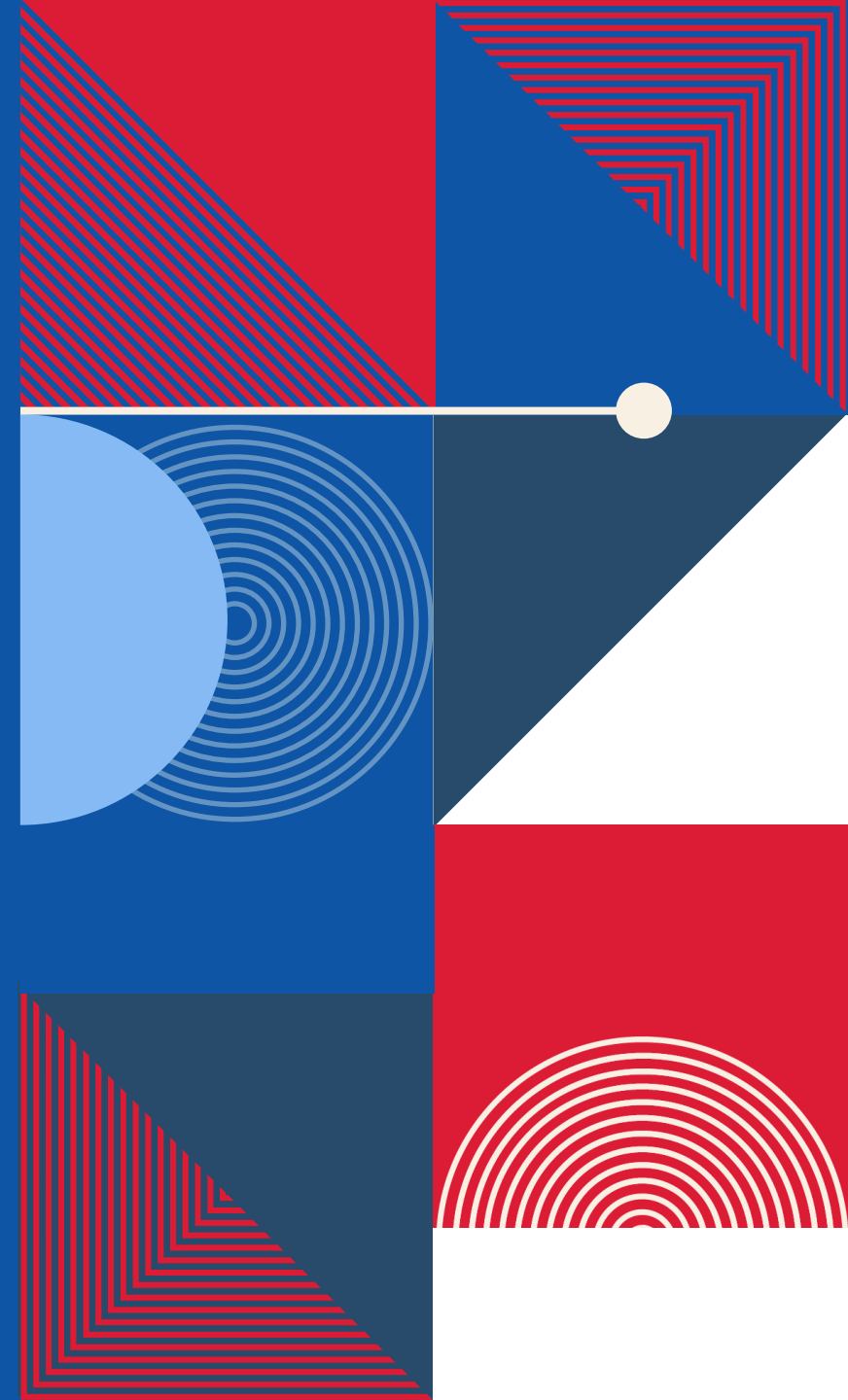
- The CEA or contract between the municipality and a company is a mechanism to assist the development project by using all, or a percentage of, the tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the company.
- The City has the authority to manage the use of CEAs through TIF Policy:
  - Local procedures for applying for a CEA,
  - Local rules regarding permissible parameters for CEAs
    - Timeframe of CEA
    - Percentage of taxes returned to company
  - Circumstances under which CEAs shall be considered



31 Centre Street, 2022 CEA

# TIF POLICY

1. Why Create TIF Policy?
2. Primary Principles
3. How to Create TIF District
4. Policy Development Timeline



# WHY CREATE A TIF POLICY?

- Outlines the goals of TIF
- Defines roles and responsibilities
- Provides transparency
- Encourages and promotes use



# PRIMARY PRINCIPLES

The primary principles for establishing a TIF District include:

1. To support Bath's Comprehensive Plan and other related plans and policies;
2. To stimulate the expansion of the City's property tax base;
3. To create and retain quality employment opportunities;
4. To encourage new affordable and market rate housing investment; and
5. To facilitate infrastructure improvements.



# HOW TO CREATE A TIF DISTRICT

1. Developer meets with City staff and have an initial conversation about the project and TIF process. Developer then submits a formal letter of interest and/or preliminary proposal to City staff.
2. City staff meet to discuss TIF concept, including proposed district area, capture rate, and if there would be a CEA.
3. Economic Development Committee and Community Development Committee review TIF concept and provide feedback.
4. City drafts TIF application.
5. Staff present concept to City Council.
6. City Council approve TIF District concept and application.
7. City staff submit application to state department (either Department of Economic & Community Development or Maine State Housing Authority).



# TIF POLICY TIMELINE

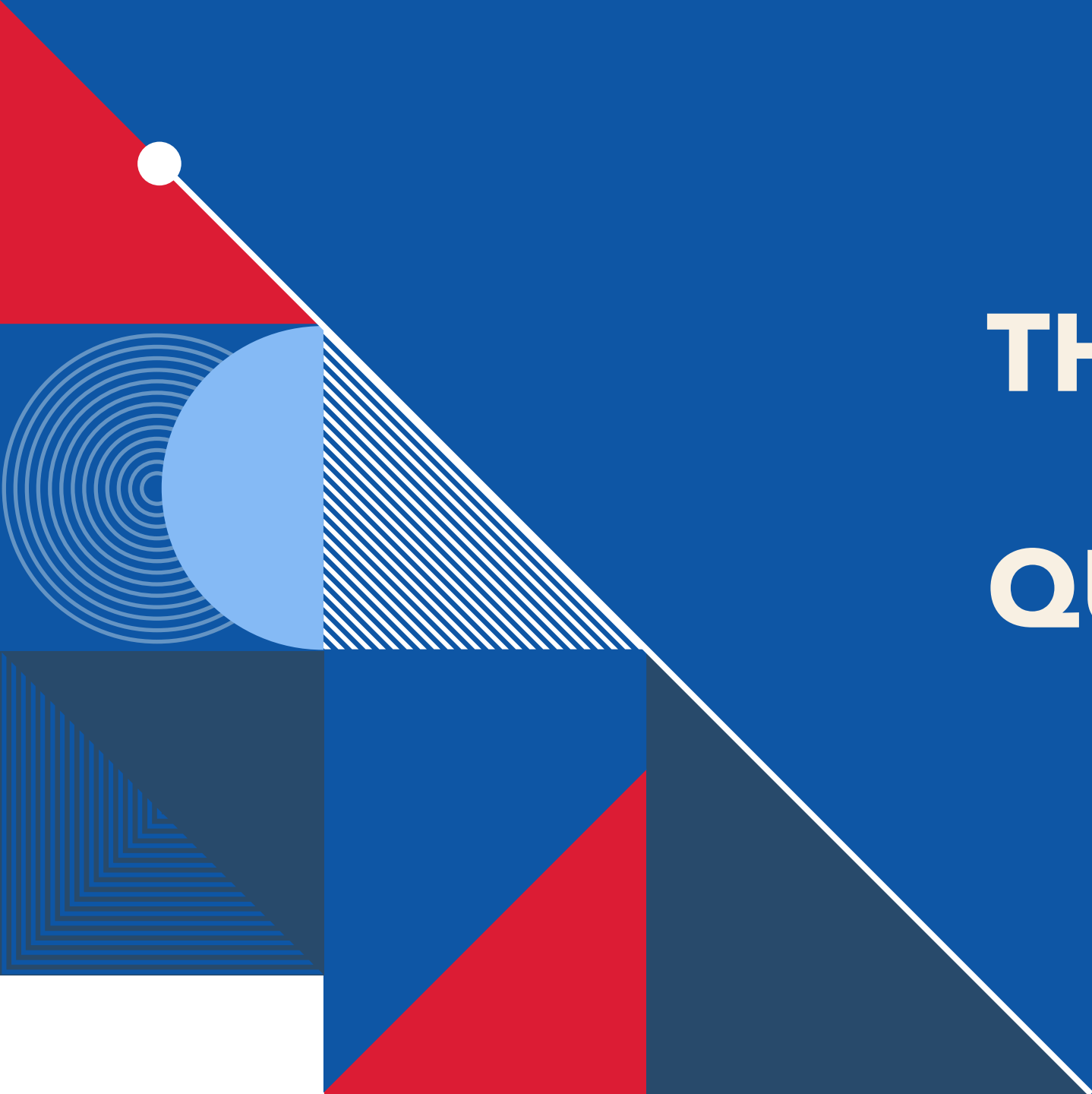
November + December 2023: Staff draft policy

January 2023: Legal council provide feedback and revisions on policy

January 2023: TIF Primer

February 2023: Economic Development and Community Development Committees review TIF Policy

March: Council review TIF Policy



**THANK YOU!**

**QUESTIONS?**