



CITY OF AUBURN

VESTIGIA NULLA RETRORSUM



1869

MAINE

Economic Development



- **New Jobs**
- **New Tax Dollars**
- **Wealth in Community**
- **New Opportunities for Current Business**

What is Tax Increment Financing (TIF)?

- TIF is a budgeting tool --- with a BONUS!
- TIF is used to fund new projects with new property tax revenues from developments that occur within a designated geographic area.

How Economic Development Works Without a TIF

- A municipality's total Equalized Assessed Value (as of April 1) is used to compute:
 - General Purpose Aid to Education (subsidy)
 - State Revenue Sharing (subsidy)
 - County Taxes (expense)
- State subsidies change inversely to value.

See next slide.....

- As total value increases (through inflationary growth and increased investment), the municipality will realize a *decrease* in Education and Revenue Sharing subsidies, and an *increase* in County tax obligations.
- Therefore a portion of new tax revenues, resulting from a development project, are used up because of a loss of state funding and increased county taxes.

| | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|
| City of Auburn TIF Analysis | | | | | | | |
| PolicyOne Research, Inc. | | | | | | | |
| 18-Oct-05 | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Table 9: Revenue Impacts from Increase in State Valuation: City of Auburn - Revaluation Model

| Valuation Increase from Project (Current\$) | Valuation Increase from Project (Reval\$) | Property Tax Revenues | State and County Fiscal Formula Impacts | | | | Net Revenues | % Revenues Loss from Impacts |
|---|---|-----------------------|---|-------------------------|------------------------|--|----------------|------------------------------|
| | | | Loss in State Allocation for Education | Loss of Revenue Sharing | Increase in County Tax | Total Negative Fiscal Impact on Auburn | | |
| \$1,000,000 | \$1,292,198 | \$27,136 | -\$8,260 | -\$1,306 | \$716 | -\$10,282 | \$16,854 | -37.9% |
| \$5,000,000 | \$6,460,992 | \$135,681 | -\$41,300 | -\$6,518 | \$3,578 | -\$51,397 | \$84,284 | -37.9% |
| \$10,000,000 | \$12,921,984 | \$271,362 | -\$82,600 | -\$13,005 | \$7,151 | -\$102,757 | \$168,605 | -37.9% |
| \$25,000,000 | \$32,304,959 | \$678,404 | -\$206,500 | -\$32,279 | \$17,836 | -\$256,616 | \$421,789 | -37.8% |
| \$50,000,000 | \$64,609,918 | \$1,356,808 | -\$413,000 | -\$63,793 | \$35,532 | -\$512,326 | \$844,482 | -37.8% |
| \$75,000,000 | \$96,914,876 | \$2,035,212 | -\$619,500 | -\$94,569 | \$53,091 | -\$767,160 | \$1,268,053 | -37.7% |
| \$100,000,000 | \$129,219,835 | \$2,713,617 | -\$826,000 | -\$124,632 | \$70,512 | -\$1,021,144 | \$1,692,472 | -37.6% |
| | | | | | | | Average | -37.8% |

Calculated for City of Auburn by PolicyOne Research, Inc. September 19, 2005 assumes state valuation of \$2,000,000,000 after Auburn's revaluation

| | | | | | | | |
|--|--------------------------------|-------|--|--|--|-------------|--|
| | | | | | | | |
| | Mil Rate-w/reval @ \$2,000,000 | 21.00 | Ratio of total valuation with revaluation (\$2,000,000,000) to current total valuation (\$1,547,750,000) | | | 1.292198352 | |
| | | | | | | | |

Finding: After the current revaluation, on average, as a result of state fiscal formulas, the City of Auburn would lose 37.8% of revenues r a \$ increase in state valuation.

The date on this graph is 2005, studies are only valid specific to each city and development.

Every New Tax Dollar



40% Lost Revenue : State Revenue Sharing
School Aid
County Tax



New Value
Growth



New
Revenue
Reduced by
40%



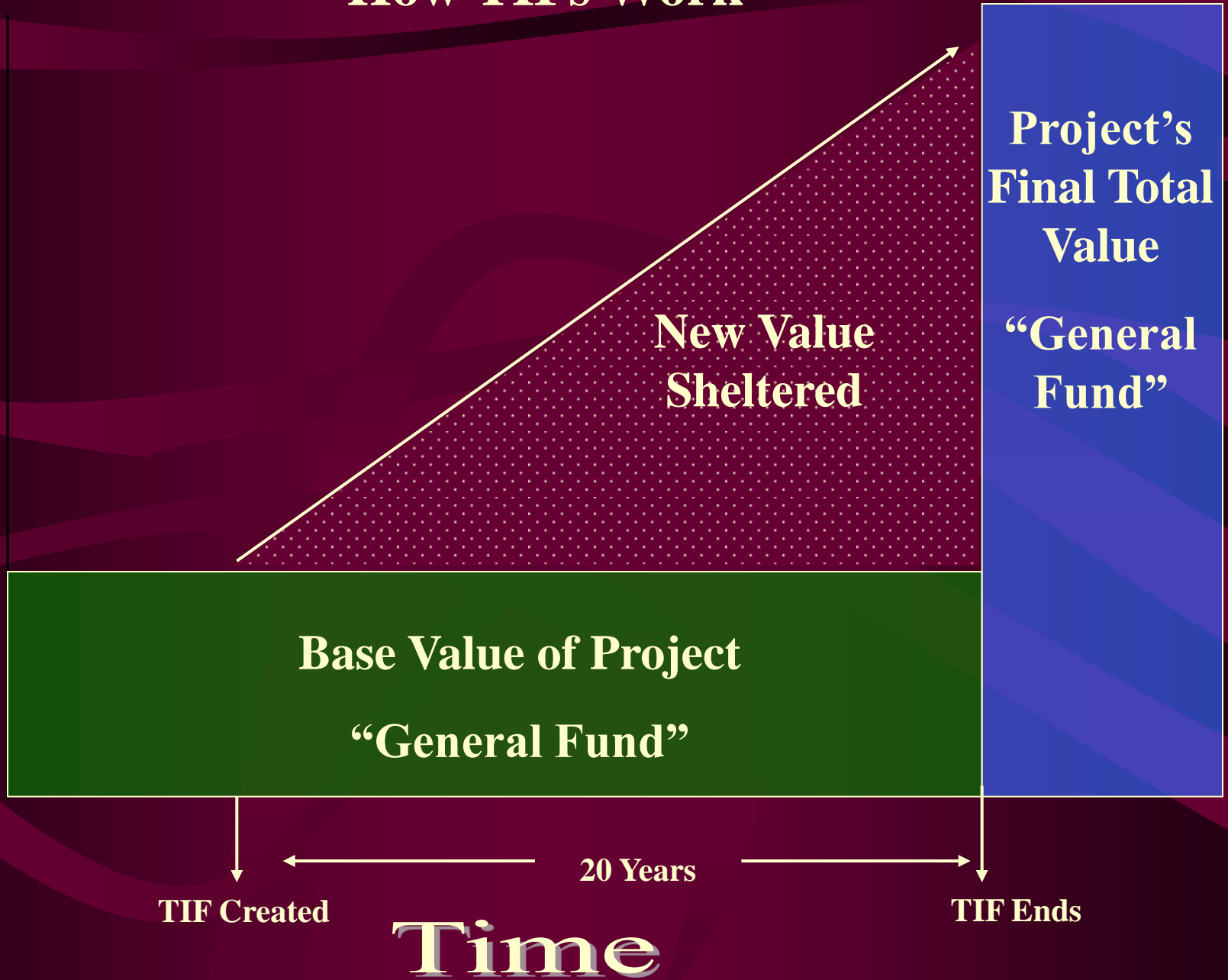
40% Returned to State
and County

How is the TIF district created?

- Designate land parcels to be included within district boundaries.
- Prepare a development program (projects eligible to be financed through TIF).
- Prepare a financial plan (projections of expected revenue).
- Publish notice of public hearing before City Council.
- Vote by City Council to approve.
- Submission to Maine's Department of Economic Development (DECD) .

How TIFs Work

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Two Types of (TIF) Agreements

1. Infrastructure

- 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

2. Credit Enhancement Agreement (CEA)

- The CEA or contract between the municipality and company is a mechanism to assist the development project by using all, or a percentage of, the tax revenues generated by the new investment (the TIF) to pay certain authorized project costs with payments made directly to the company.

How TIFs Benefit Economic Development

- TIF allows the city to “shelter” new value resulting from certain development projects 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 city achieves the sheltering effect by designating a specific geographic area as a Municipal Development Tax Increment Financing District, Auburn has 12 Active, 6 Retired, list to follow.
- 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 Has Auburn Used TIF's?

In Auburn – 18 TIF Districts

12 Active

- 4 & 6 – Tambrands
- 8 – Formed Fiber
- 9 – Mall Area
- 10 – Downtown Area
- 12 – Auburn Industrial Park
- 13 – Retail Development
- 14 & 15 – Mall Area
- 16 – Webster school
(Housing)
- 17 – Bedard Medical
- 18 – Auburn Ice Arena

6 Retired

- 1- Kittyhawk Business Park
- 2 – Never Activated
- 3-LaPointe Industries
- 5-American Falcon/Refurb
- 7- J&A/Striderite
- 11-Safe Handling

Fiscal Year 2015

| | |
|--|------------------------------|
| • TIF Captured: | \$3,607,526 |
| • Credit Enhancement Agreement: | < \$946,677 > |
| – TIF 4/6: \$457,559 | - TIF 14/15 \$269,525 |
| – TIF 8: \$29,110 | - TIF 16 \$27,455 |
| – TIF 13: \$133,990 | - TIF 17 \$29,038 |
| • Bond Payments | < \$1,014,095 > |
| – TIF 10 \$412,569 | |
| – TIF 12 \$179,263 | |
| – TIF 14/15 \$422,263 | |
| • Budgetary Items within Departments/GF | < \$500,000 > |
| – Assessing Department \$ 10,925 | |
| – City Manager \$24,750 | |
| – Economic Development Dept \$359,400 | |
| – Information Communication Tech \$50,962 | |
| – Planning Dept \$35,500 | |
| – Fringe \$18,463 | |
| • Transferred to General Fund | < \$1,007,612 > |
| Residual : | \$139,142 |

TIF Funds moved to General Fund

FY2015 - \$1,132,735

FY2014 - \$1,173,213

FY2013 - \$1,004,672

FY2012 - \$1,070,751

FY2011 - \$962,923

FY2010 - \$944,079

FY2009 - \$869,768

15 Years with Current Structure

Fiscal Year

Net Revenue

(after CEA, Bond, Administrative Costs & GF
Transfers)

| | | |
|------|-------------|---------------------------|
| FY15 | \$139,143 | |
| FY16 | \$134,887 | |
| FY17 | \$142,447 | *Last year for TIF 4 & 8 |
| FY18 | \$116,904 | *Last year for TIF 9 & 17 |
| FY19 | \$113,354 | |
| FY20 | \$106,546 | |
| FY21 | \$101,716 | |
| FY22 | \$123,590 | * Last year for TIF 9 |
| FY23 | \$211,387 | |
| FY24 | \$609,082 | |
| FY25 | \$595,941 | |
| FY26 | \$766,107 | |
| FY27 | \$842,497 | |
| FY28 | \$1,199,935 | |
| FY29 | \$1,199,935 | |
| FY30 | \$1,100,035 | |

15 Years with GF Correction

Fiscal Year

Net Revenue

(after CEA, Bond, & Administrative Costs)

| | | |
|------|-------------|---------------------------|
| FY15 | \$139,143 | |
| FY16 | \$1,004,655 | |
| FY17 | \$1,012,215 | *Last year for TIF 4 & 8 |
| FY18 | \$943,008 | *Last year for TIF 9 & 17 |
| FY19 | \$212,675 | |
| FY20 | \$205,867 | |
| FY21 | \$201,037 | |
| FY22 | \$222,911 | * Last year for TIF 9 |
| FY23 | \$310,708 | |
| FY24 | \$708,403 | |
| FY25 | \$695,262 | |
| FY26 | \$865,428 | |
| FY27 | \$941,818 | |
| FY28 | \$1,299,256 | |
| FY29 | \$1,299,256 | |
| FY30 | \$1,299,256 | |

Kick Starters for Policy Direction

- Current Structure vs. GF Structure
- Staff Recommends Current Structure
- Review Budgetary Items being Paid from TIF
- 100% Capture TIF, 40% for CEA & 60% Leveraged for Economic Development & Bond Payments