

Tax Increment Financing

INPUT FROM COMMUNITIES THAT DO AND DO NOT USE TIFS

PREPARED BY: MAINE MUNICIPAL ASSOCIATION

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TIF Survey Evolution

MMA

Economic Development Council of Maine

Maine Development Foundation

Goal: To gather information on municipal TIF practices.

Survey - Municipalities That Do Use TIFs

105 municipalities that manage active TIF districts targeted

- 40 municipalities participated
- 39% response rate
- Type, number, value, philosophy and level of program familiarity.

Survey – Municipalities That Do Not Use TIFs

119 municipalities that do not have TIF districts targeted

- 60 municipalities participated
- 50% response rate
- Why not and how to encourage use

Captured Assessed Value & TIF Type

Economic Development

- Investments that foster job creation and retention, broaden the property tax base, and improve physical facilities, structures and infrastructure.

Downtown

- Investments that benefit the community's traditional business district.

Affordable Housing

- Investments in decent, safe and sanitary accommodation for low income households.

Transit -Oriented

- Investment in developments that link land use with transit facilities.

Number, Type & Captured Value

Type	Active Districts		Captured Assessed Value	
	#	% Total	\$	% Total
Economic Development	129	84%	\$ 905,313,887	86%
Downtown	14	9%	134,989,298	13%
Affordable Housing	8	5%	8,753,582	1%
Transit-Oriented	2	1%	466,700	0%
Participant Total	153	100%	\$ 1,049,523,467	100%

Use of TIF District Revenues

Economic Development

- Credit Enhancement Agreements
- Infrastructure improvements

Downtown Districts

- Credit Enhancement Agreements
- Infrastructure improvements
- Public safety programs
- Recreational opportunities
- Economic development
- Marketing and promotion

Original Assessed Value Limit

(Title 30-A, §5223, sub-§3-C) First, add up all the OAVs of all the existing districts in the municipality and then subtract the OAVs for districts that are exempt from the OAV cap (downtown and transit districts).

Second, determine what that number is as a percentage of the total assessed value of the municipality as of the most recent April 1.

That percentage cannot be greater than 5%.

Original Assessed Value Limit

TIF Original Assessed Value Limit		
	#	% of Total
Less than 1%	12	34%
1% to 2%	8	23%
2% to 3%	6	17%
3% to 4%	3	9%
Over 4%	6	17%
Average		2.0%

Original Assessed Value Limit

Concerns & Solutions

9 respondents raised concerns with the limit

Solutions

- Increase the cap – 7.5% to 10%
- Allow for an exception to the cap when investments create new jobs.

Philosophy – Municipalities That Do Use TIFs

Selective Philosophy

- 19 respondents
- 50% of the total
- Use the TIF program aggressively, but only when a community goal, such as job creation, is advanced by the creation of a TIF district.

Philosophy – Municipalities That Do Use TIFs

Aggressive Philosophy

- 10 respondents
- 26% of the total
- Use the TIF program as the primary, and in some cases sole, economic development tool.

Philosophy – Municipalities That Do Use TIFs

Conservative Philosophy

- 9 respondents
- 24% of the total
- Local leaders are divided on the benefits of TIFs, resulting in very limited cases where a majority of the municipal officers support the use of a TIF.

Philosophy – Municipalities That Do Not Use TIFs

Perception of the Use of TIF Districts from Municipalities that Do Not	#	%
No problem. What works for some might not work for others.	33	66%
The sheltering of value may seem a little unfair, but all communities in the region benefit from economic development.	5	10%
It is frustrating that those of us who do not have fulltime tax and assessing expertise in the town office cannot take advantage of these programs.	4	8%
There is a lot of concern in our town over the influence of the TIF programs implemented by our neighbors on our school and county taxes.	8	16%

Why Some Municipalities Do Not Use TIFs

Community is too small.

It is a burdensome process.

Local leaders do not understand how it works.

Town does not wish to encourage big business development.

Bedroom community...no significant development.

Have not received a project that would warrant a TIF.

Understanding & Perception

Understanding & Perception of TIF Program		
Average Rating (1 Negative to 5 Positive)		
	Average Rating	
	Understanding	Perception
Appointed Municipal Officials	3.7	3.6
Elected Municipal Officials	3.4	3.7
Business Owners	2.6	3.1
General Public	2.1	2.4
Overall Average Rating	2.9	3.2

Keeping Interested Parties Informed

Challenges

- Program complexities
- Mischaracterization as a business tax break program
- Turnover on boards and councils
- Interest is often project-specific

Strategies

- Public hearings and workshops
- Newsletters, websites, annual reports brochures

TIF Process Assessment

TIF Program Process Assessment	
Average Rating (1 Strongly Agree to 5 Strongly Disagree)	
Municipal TIF approval process is clear.	2.2
Credit enhancement process is clear.	2.2
Record keeping requirements are clear.	2.5

State Agency Assessment

State Agency Assessment	
Average Rating (1 Strongly Agree to 5 Strongly Disagree)	
Department of Economic & Community Development (DECD) approval process is clear.	2.5
DECD rules regarding the allowable uses of TIF revenue are clear.	2.6
DECD rules regarding use of credit enhancement agreements are clear.	2.2
DECD staff members are knowledgeable about the TIF process.	1.7
DECD staff members remain helpful through the approval process.	1.9
DECD deadlines for submittal and approval of TIF proposals are reasonable.	1.9

TIF Program Suggestions

Delegate review/approval process to certified attorneys.

TIF district to exist longer than the current 30 year maximum.

Limit the number of TIFs a community can have at one time.

Apply the TIF housing program to individual homeowners.

A more user friendly process.

Report & Data on MMA's Website

<https://memun.org/Legislative-Advocacy/Resources-Publications/TIF-Survey-Report>