TAX INCREMENT
FINANCE DISTRICTS

A QUICK REVIEW
WHAT IS A TIF?

- A TIF provides that new valuation or a portion thereof from all new development in a set area may be captured (set aside) to undertake improvements in that area or for related offsite infrastructure.

- TIF rules are governed by Maine statute.

- A TIF can be in place for up to 30 years and must be approved by the state.

- A TIF must be based on a development plan such as a downtown redevelopment plan.

- The new valuation in a TIF area is not included in the municipality’s state valuation.
• Would provide $67,200 in new taxes each year based on FY 2015 tax rate

• Would provide $672,000 over ten years assuming the same tax rate

• Because higher state valuation reduces state school subsidy, reduces revenue sharing and increases the share of the county tax, sheltering of state valuation through a TIF enables 100% of the new taxes to stay in Cape Elizabeth. Without a TIF, estimates indicate that 30% to 70% of the added tax revenue is taken by the county tax and by subtraction of state funding.

• Therefore, in a TIF with $4.0 million in new value, the 30% to 70% range provides that of the $67,200 in new taxes each year, between $20,160 to $47,040 would be absorbed by state funding reductions and higher county taxes. This is a range of $201,600 to $470,400 over ten years.
THE FINE PRINT

• Monies cannot be used for buildings where there is the general conduct of government i.e. town halls.
• Monies may not be used for public recreational purposes.
• Monies may be used for architectural fees, engineering fees and for the construction of infrastructure.
• May be used outside the district for related sewer, water and electrical lines and needed infrastructure upgrades to benefit the district.
THE TOWN CENTER TIF DISTRICT PROPOSAL

- Is not related to any specific development
- Is intended to help pay for storm water management, sidewalk additions and sidewalk improvements to improve pedestrian safety
- Numerous committees have focused on making the town center more pedestrian friendly
- Cost estimate completed in 2014 for sidewalks and related drainage in the town center and connector areas is $1.7 million.
- Would supplement existing infrastructure improvement fund which has a balance of $136,000 and possible reimbursement of $100,000 loan to library project.
POTENTIAL TIMING ISSUE

TIF applications are due by March 1 of each year.

TIF application received by 03/01/2015
- May use valuation as of 03/31/2014

Approximately $650,000 in new value from new Cumberland Farms, C Salt Market and other area improvements.
POTENTIAL TIF DISTRICT

Town Center
144 Acres
1% of area
of town
SUMMARY OF KEY POINTS

• A TIF shelters new tax revenue from a set area so that the town does not need to send an arm and a leg of the new revenue to the state and to the county.
• This proposal would help fund pedestrian improvements and storm water management.
• This proposal is not related to any specific development.
POSSIBLE NEXT STEPS

• Council discussion if there should there be further exploration of a TIF district

• Ask staff to develop a TIF application

• Plan to have a public hearing in September