

Unity

Economic Development Proposals for Public Hearing & Special Town Meeting January 16, 2016 10 a.m. @ Unity Fire Station



To the Residents of Unity, Maine:

In the process of reviewing the Unity Tax Increment Financing (TIF) District and seeking how to bring the greatest benefit to the Town from the TIF, the Unity TIF Advisory Committee (UTAC) has made a series of recommendations to the Board of Selectmen and requested that they be presented at a Public Hearing and considered at a **Special Town Meeting, both to be held on Saturday, January 16th, at 10 a.m.** This document summarizes the recommendations, and related rationale and process of arriving at the recommendations. Watch for additional documents, which will be available for public review as soon as possible.

The items that UTAC has requested be on the Warrant of the Special Town Meeting are:

1. Adoption of an Ordinance creating a Unity Economic Development Committee;
2. Repeal of the Unity TIF Policy adopted in 1996 and replace it with updated TIF Guidelines;
3. An Amendment of the existing Unity TIF District; and
4. Approval of expenditure of TIF revenues to fund select project costs.

Sincerely,

Unity Board of Selectmen and Unity TIF Advisory Committee

ECONOMIC DEVELOPMENT COMMITTEE

Why an Economic Development Committee:

- Unity will benefit from a more comprehensive approach to guiding the Town's economic development efforts. An Economic Development Committee will provide a Town-wide view and continuity as this TIF District ends and new ones are (potentially) created.
- An Economic Development Committee can seek other sources of funding and partnerships to accomplish Unity's community and economic development priorities, including and beyond any TIF.
- As the Town gets more active in business assistance, a dedicated Committee will allow the Selectmen to delegate appropriate functions and respond to well considered recommendations.
- Creation of an Economic Development Committee was a recommendation of the Unity Comprehensive Plan Update.

UPDATE TO TIF GUIDELINES

Unity last adopted its TIF Policy in 1996.

The Unity TIF Advisory Committee (UTAC) reviewed the 1996 policy and felt that it was in need of an update. This was deemed particularly appropriate where the management and oversight of Unity's TIF was moving toward a standing municipal committee (either as the UTAC or as an Economic Development Committee).

After reviewing numerous sample TIF Guidelines from across the State, the UTAC chose to recommend that the 1996 Policy be repealed and replaced with new Guidelines. Those are available for public review. We have listed here some of the highlights of what these new Guidelines accomplish. They:

- Provide a distinct process for handling requests from business for Town assistance through reimbursement of a portion of their incremental new taxes utilizing a TIF credit enhancement agreement (CEA) and for the Town to utilize TIF as a means of funding municipal projects and initiatives.
- Identify the broad goals for the use of TIF revenues to the benefit of the Town.
- Lay out a defined process for seeing a TIF application from concept to final vote.
- Set out the general limitations of a CEA as generally not-to-exceed 20 years or 50% average annual reimbursement.
- Specify that creation of a TIF District is made on a case-by-case basis through the Economic Development Committee and Board of Selectmen, and **confirmed by a Town Meeting vote**.
- Allow for requiring a company or developer requesting a TIF to reimburse the Town for ALL costs incurred by the Town in association with review and consideration of the TIF.
- Identify the role of any business applicant and the Economic Development Committee, the Board of Selectmen and the voters in the assembly, review and approval of each TIF application.
- Set forth that the annual budget for expenditure of TIF revenues shall be approved by voters utilizing the Town's established appropriation process.

TIF Amendment & Restatement



The current Unity tax increment financing (TIF) district (the “District”) was created in 1996 for a term of 10 years. The District was first amended in 2000 extending the term to 15 years, also adding additional parcels and expanding the municipal project list. A second amendment was approved in 2007 extending the term by ten (10) years to a total term of twenty-five (25) years and adding two properties to the geographic area.

The Town of Unity now seeks to amend the District (the “Amended and Restated District”) in order to extend the term to the full 30 years allowed by Statute and to clarify the end date of the TIF term—which was not consistently represented in Town documents and State Letters of Approval.

This Amended and Restated District will also update the municipal project list to bring clarity and flexibility to municipal use of TIF revenues—allowing for maximum economic development benefit to the Town in its expenditure of TIF revenues. The Amendment will also add and delete parcels to protect the Town from loss of tax shifts and to maximize the benefit of the TIF District. Each of these elements is further explained below.

TIF Projects: An important reason the UTAC and Board of Selectmen are seeking to amend the TIF now is to support municipal economic development efforts and bring clarity to the use of TIF revenues. The State Statute that governs TIF has undergone numerous amendments over that time and some of the ways that towns can utilize the TIF program to improve their local economy have expanded while other ways that Unity has utilized TIF in the past are not explicitly allowed. This TIF is structured to allow Unity the maximum flexibility for using TIF revenues over the remainder of the TIF term.

TIF Boundaries: The physical boundaries of the District will change by (1) adding parcels that will bring value to the TIF and protect the Town from lost tax shifts and (2) removing other parcels that have become non-profit (tax-exempt) and now drain the TIF of benefit. (See next page for more information on tax shift).

District Term: There is a discrepancy within the Original and Amended Development Programs and Commissioners Approval letters regarding the year the TIF District went into effect and the ultimate term of the District. This amendment will further extend the term to the full thirty (30) year term allowed by statute. Because it is evident that the Town began to expend TIF revenues in 1996 (FY 1996-97) this Amendment proposes treating 1996-1997 as Year 1 of the District. This would bring the new amended 30 year term to conclude at the end of the Town’s fiscal year 2025-26. In the final five years of the additional TIF term, the Town will reduce its capture of the incremental value to 80%/60%/ 40% /20%/10% in years 26/27/28/29/30 respectively with all revenues captured to fund municipal economic development. This is being done to ease the tax shift that will occur in 2025-26 when the TIF expires.

Omnibus Designation: Although there are no credit enhancement agreements anticipated at this time, this Amendment adds an Omnibus feature through which the Town reserves the right to negotiate and execute one or more future credit enhancement agreements (some % reimbursed to the business) within the District. This is not anticipated. However if it is not included the Town would need to go through another Amendment process with State review and approval if it should want to offer a CEA. By including the Omnibus feature in this Amendment, the Town maintains flexibility.

What is TIF?

Tax Increment Financing (TIF) is:

- An economic development financing tool authorized under Maine law;
- The ‘capture’ of **new property taxes** generated by private sector investment to fund company project costs in support of business expansion, attraction and retention of jobs, public improvements, municipal economic development programming; and is a
- Local process involving the citizens and voters of the municipality.

How is a TIF created?

- A specific **geographic area** is delineated as the “**TIF District**”;
- The **Development Program** details the project objectives and public purposes;
- The **Financial Plan** outlines the funding mechanism for the project, states the duration of the TIF program (up to 30 years by Statute), and describes how the new tax revenues are to be ‘captured’ and distributed;
- Residents and other stakeholders **provide input** to the proposed TIF through an advertised public hearing process;
- The municipal **governing body votes** to establish the TIF District, the Development Program and the Financial Plan for the identified area;
- The **State Department of Economic and Community Development** reviews the District documents and process, and if all complies with Statute, the District is authorized and enacted.

How does the financing work?

- An **Original Assessed Value** for the taxable property within the TIF District is determined prior to the District’s establishment;
- As new investment occurs within the TIF District, the District’s assessed value increases;
- The new tax revenues attributed to the investment and the **Increased Assessed Value** of the District are ‘**captured**’ in dedicated project accounts to fund the economic development activities described in the Development Program;
- Taxes on the ‘Original Assessed Value’ of property within the District continue to go to the Town’s **General Fund** to support municipal operations and other community priorities.

What are the benefits?

- A dedicated funding source to advance **locally-established economic development goals and priorities** without using municipal general funds;
- The **Increased Assessed Valuation** within the TIF District is ‘**sheltered**’ from the calculations of **State education subsidies, municipal revenue sharing, and County tax assessment**. If the new value was not ‘sheltered’ by a TIF, the municipality would experience a reduction in State subsidies and an increase in County taxes when the town valuation goes up; thus
- ‘Capturing’ all, or a portion, of the ‘Increased Assessed Valuation’ in a TIF helps the municipality to **maintain its state subsidies and county taxes at current levels** and have more of the new taxes generated by the TIF District development available for its own use. (See next page)

How does the Tax Shelter Work?

Why TIF Benefits Unity

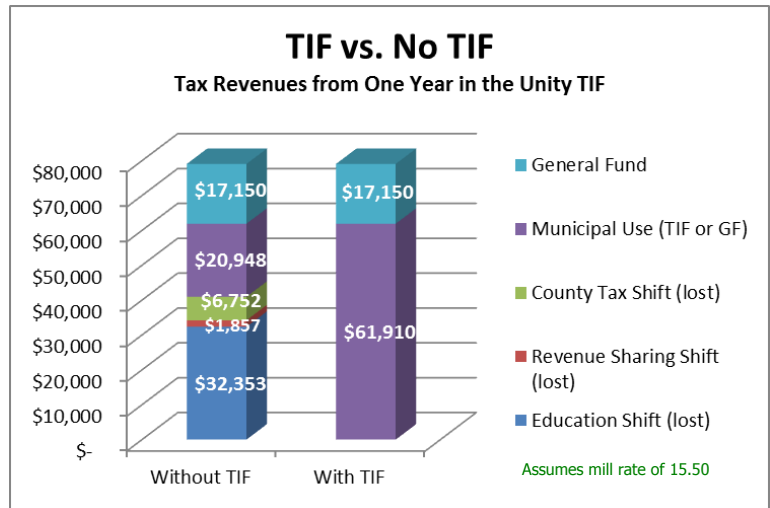
TIF allows Unity to ‘shelter’ new value within the TIF District from calculations of **State education subsidies, municipal revenue sharing, and County tax assessment**. This means that the Town does **NOT** experience a reduction in State subsidies and an increase in County taxes. **Because of this shelter, the Town will gain approximately \$487,200 in tax revenue for its own use over the remaining life of the TIF.**

By the Numbers...

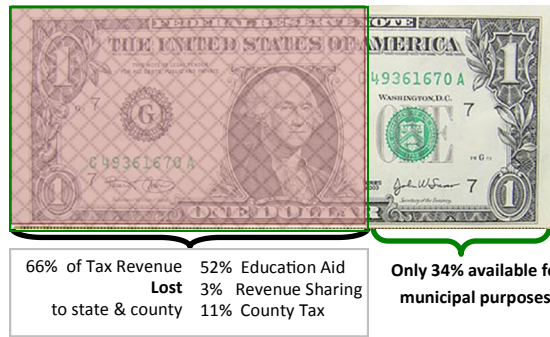
This chart shows a one-year comparison, of the value of the Unity TIF (with the proposed amendment), vs. not having the TIF.

With or without the TIF the taxes on the Original Assessed Value (\$17,150) will continue to go to the General Fund. With the TIF, all of the remaining

\$61,910 in tax revenues will be available for municipal use. Without the TIF only \$20,948 of taxes on the incremental value would be available for Town use and the remaining \$40,962 of taxes would go to cover reductions in Education subsidy and Municipal Revenue Sharing and increases in County tax.



Without the TIF / Tax Shift Impact



With the TIF



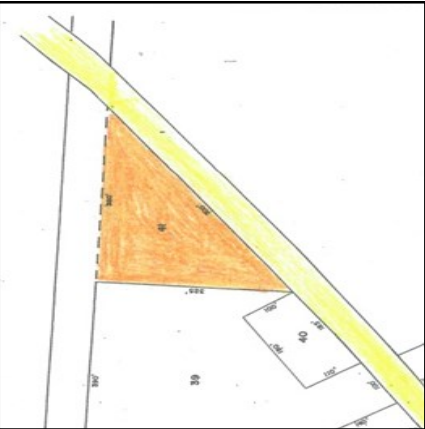
Without a TIF, only 34% of every tax dollar generated from new investment is available to the Town of Unity. The other 66% goes to make up for lost state subsidies and increased county tax.

A TIF “shelters” the new valuation from calculations of education subsidy, municipal revenue sharing and county tax allocation. This means that **with a TIF**, 100% of every tax dollar is available to the Town to use for TIF-eligible purposes.

What property is in the TIF?



Newell Court



Rail Station

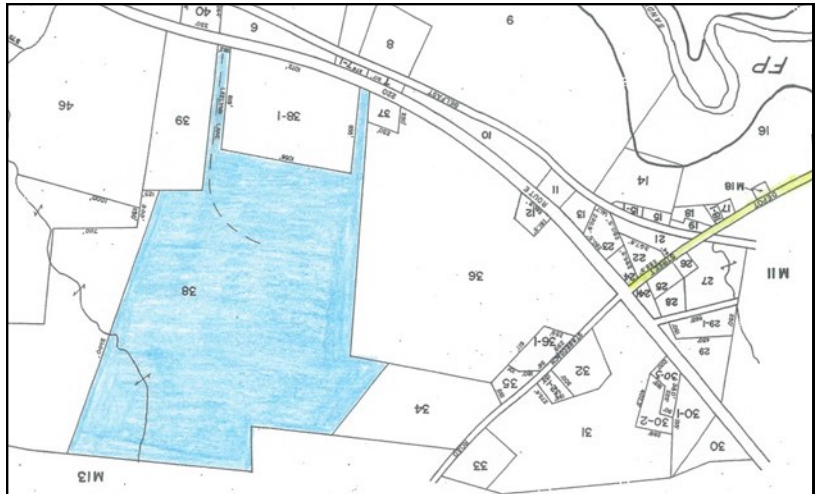
- ROADS:**
- School Street
 - Depot Street
 - Quaker Hill Road
 - Main Street
 - Newell Ct.



Depot Street / Main Street Intersection



School Street / Main Street Intersection



Amish Investments

Legend

- Original District
- Amendment 1 (A1)
- Amendment 2 (A2)
- Addition to A2 parcel
- Amendment 3 Add
- Amendment 3 Remove

After removing four parcels and adding 2 parcels the District will be 182.84 acres, including roads.