

Tax Increment Financing Analysis

**Falmouth Workforce Housing
Proposal**

April 2009

www.policyoneresearch.com



Property Value & Fiscal Formulas

- Property valuation impacts the \$ amount municipalities receive in:
 - state aid for education
 - municipal revenue sharing
 - county taxes
- Formulas for these programs are based in part on property valuation with the premise that the higher the amount of property valuation, the wealthier the community and therefore the less it should receive from the state and the more it should pay to the county.
- An increase in property valuation results in less state aid for education, less municipal revenue sharing, and more county taxes paid.

Fiscal Formulas Explained

- State Aid For Education Impacts
 - Based on the state Essential Programs and Services funding model in which a statewide mill rate of 6.79 mills is applied to a district's state valuation to determine the amount of local property taxes to be raised for education – the higher the valuation, the more that needs to be raised locally
- Municipal Revenue Sharing Received by a Municipality
 - Based on population, taxes raised, and state valuation – the higher the valuation, the less \$ received
- County Taxes Paid by a Municipality
 - Based on the municipality's % share of the County's state valuation – the higher the share of valuation, the higher the County Tax

Fiscal Formulas: Falmouth Example

- An increase in \$10 Million in property valuation results in:
 - \$68,000 loss in State Aid To Education
 - \$8,000 loss in Municipal Revenue Sharing
 - \$5,000 increase in County Tax
 - \$81,000 total negative fiscal impact if valuation not sheltered
- \$10 Million in valuation at the current town tax rate of 12.35 mills generates \$123,500 in General Fund Revenues
- However, with the negative fiscal impacts the Town realizes only \$42,500 in revenues or 35%.

TIF Overview

- Tax Increment Financing allows municipalities to "shelter" increases in valuation resulting from economic development and affordable housing projects from state valuation increases for up to 30 years
- This allows municipalities to avoid losses due to the state and county fiscal formulas.
- However, revenues from "sheltered" valuation under the TIF program cannot be used for General Fund purposes and must be used for specified purposes related to the project. These are determined at the time the TIF agreement is developed and approved

Property Valuation: Town of Falmouth - Workforce Housing TIF

TIF Year	Tax Year April 1	March 31 TIF Tax Year	Valuation	Annual Increment (increase sheltered above pre-TIF value)
Pre-TIF*	2010	2011	\$0	
1	2011	2012	\$1,720,000	\$1,720,000
2	2012	2013	\$6,770,000	\$6,770,000
3	2013	2014	10,100,000	\$10,100,000
4	2014	2015	10,201,000	\$10,201,000
5	2015	2016	10,303,010	\$10,303,010
6	2016	2017	10,406,040	\$10,406,040
7	2017	2018	10,510,101	\$10,510,101
8	2018	2019	10,615,202	\$10,615,202
9	2019	2020	10,721,354	\$10,721,354
10	2020	2021	10,828,567	\$10,828,567
11	2021	2022	10,936,853	\$10,936,853
12	2022	2023	11,046,221	\$11,046,221
13	2023	2024	11,156,683	\$11,156,683
14	2024	2025	11,268,250	\$11,268,250
15	2025	2026	11,380,933	\$11,380,933
16	2026	2027	11,494,742	\$11,494,742
17	2027	2028	11,609,690	\$11,609,690
18	2028	2029	11,725,786	\$11,725,786
19	2029	2030	11,843,044	\$11,843,044
20	2030	2031	11,961,475	\$11,961,475
21	2031	2032	12,081,090	\$12,081,090
22	2032	2033	12,201,900	\$12,201,900
23	2033	2034	12,323,919	\$12,323,919
24	2034	2035	12,447,159	\$12,447,159
25	2035	2036	12,571,630	\$12,571,630
26	2036	2037	12,697,346	\$12,697,346
27	2037	2038	12,824,320	\$12,824,320
28	2038	2039	12,952,563	\$12,952,563
29	2039	2040	13,082,089	\$13,082,089
30	2040	2041	13,212,910	\$13,212,910
30 Year TIF Total			\$332,993,877	\$332,993,877

Prepared by PolicyOne Research, www.policyoneresearch.com

Notes and Sources:

Annual valuation estimate provided by developer and based on build-out plus annual valuation increase of 1%

Town of Falmouth - Tax Shift Impact - Workforce Housing TIF

TIF Year	Tax Year- April 1	Total Added Valuation	Total Tax Shift	Education Shift	Rev. Sharing Shift	County Tax Shift
1	2011	\$1,720,000	\$13,868	\$11,679	\$1,342	\$847
2	2012	\$6,770,000	\$54,583	\$45,968	\$5,280	\$3,334
3	2013	\$10,100,000	\$81,431	\$68,579	\$7,878	\$4,974
4	2014	\$10,201,000	\$82,245	\$69,265	\$7,957	\$5,024
5	2015	\$10,303,010	\$83,068	\$69,957	\$8,036	\$5,074
6	2016	\$10,406,040	\$83,898	\$70,657	\$8,116	\$5,125
7	2017	\$10,510,101	\$84,737	\$71,364	\$8,198	\$5,176
8	2018	\$10,615,202	\$85,585	\$72,077	\$8,280	\$5,228
9	2019	\$10,721,354	\$86,441	\$72,798	\$8,362	\$5,280
10	2020	\$10,828,567	\$87,305	\$73,526	\$8,446	\$5,333
11	2021	\$10,936,853	\$88,178	\$74,261	\$8,530	\$5,386
12	2022	\$11,046,221	\$89,060	\$75,004	\$8,616	\$5,440
13	2023	\$11,156,683	\$89,950	\$75,754	\$8,702	\$5,494
14	2024	\$11,268,250	\$90,850	\$76,511	\$8,789	\$5,549
15	2025	\$11,380,933	\$91,758	\$77,277	\$8,877	\$5,605
16	2026	\$11,494,742	\$92,676	\$78,049	\$8,966	\$5,661
17	2027	\$11,609,690	\$93,603	\$78,830	\$9,055	\$5,718
18	2028	\$11,725,786	\$94,539	\$79,618	\$9,146	\$5,775
19	2029	\$11,843,044	\$95,392	\$80,414	\$9,146	\$5,832
20	2030	\$11,961,475	\$96,439	\$81,218	\$9,330	\$5,891
21	2031	\$12,081,090	\$97,403	\$82,031	\$9,423	\$5,950
22	2032	\$12,201,900	\$98,377	\$82,851	\$9,517	\$6,009
23	2033	\$12,323,919	\$99,361	\$83,679	\$9,612	\$6,069
24	2034	\$12,447,159	\$100,354	\$84,516	\$9,708	\$6,130
25	2035	\$12,571,630	\$101,358	\$85,361	\$9,806	\$6,191
26	2036	\$12,697,346	\$102,372	\$86,215	\$9,904	\$6,253
27	2037	\$12,824,320	\$103,395	\$87,077	\$10,003	\$6,316
28	2038	\$12,952,563	\$104,429	\$87,948	\$10,103	\$6,379
29	2039	\$13,082,089	\$105,473	\$88,827	\$10,204	\$6,442
30	2040	\$13,212,910	\$106,528	\$89,716	\$10,306	\$6,507
30 Year TIF Total		\$332,993,877	\$2,684,656	\$2,261,028	\$259,635	\$163,993
30 Year TIF Avg.		\$11,099,796	\$89,489	\$75,368	\$8,654	\$5,466

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Use of Revenues: Town of Falmouth - Workforce Housing TIF

TIF: 100% Sheltered - 0% to Developer Project Account - 100% to Town Project Account

TIF Year	Captured Valuation	Estimated Mill Rate	Tax Assessment	Total Captured Revenue	Net Total Revenues to Town as % of Tax Asses.	Town G.F. Revenue Loss Avoided due to Captured Valuation	Town G.F. Revenue Loss Avoided due to Captured Valuation as % of Tax Assessment
1	\$1,720,000	12.35	\$21,242	\$21,242	100.00%	\$13,868	65.28%
2	\$6,770,000	12.47	\$84,446	\$84,446	100.00%	\$54,583	64.64%
3	\$10,100,000	12.60	\$127,242	\$127,242	100.00%	\$81,431	64.00%
4	\$10,201,000	12.72	\$129,800	\$129,800	100.00%	\$82,245	63.36%
5	\$10,303,010	12.85	\$132,409	\$132,409	100.00%	\$83,068	62.74%
6	\$10,406,040	12.98	\$135,070	\$135,070	100.00%	\$83,898	62.11%
7	\$10,510,101	13.11	\$137,785	\$137,785	100.00%	\$84,737	61.50%
8	\$10,615,202	13.24	\$140,555	\$140,555	100.00%	\$85,585	60.89%
9	\$10,721,354	13.37	\$143,380	\$143,380	100.00%	\$86,441	60.29%
10	\$10,828,567	13.51	\$146,262	\$146,262	100.00%	\$87,305	59.69%
11	\$10,936,853	13.64	\$149,201	\$149,201	100.00%	\$88,178	59.10%
12	\$11,046,221	13.78	\$152,200	\$152,200	100.00%	\$89,060	58.51%
13	\$11,156,683	13.92	\$155,260	\$155,260	100.00%	\$89,950	57.94%
14	\$11,268,250	14.06	\$158,380	\$158,380	100.00%	\$90,850	57.36%
15	\$11,380,933	14.20	\$161,564	\$161,564	100.00%	\$91,758	56.79%
16	\$11,494,742	14.34	\$164,811	\$164,811	100.00%	\$92,676	56.23%
17	\$11,609,690	14.48	\$168,124	\$168,124	100.00%	\$93,603	55.67%
18	\$11,725,786	14.63	\$171,503	\$171,503	100.00%	\$94,539	55.12%
19	\$11,843,044	14.77	\$174,950	\$174,950	100.00%	\$95,392	54.53%
20	\$11,961,475	14.92	\$178,467	\$178,467	100.00%	\$96,439	54.04%
21	\$12,081,090	15.07	\$182,054	\$182,054	100.00%	\$97,403	53.50%
22	\$12,201,900	15.22	\$185,713	\$185,713	100.00%	\$98,377	52.97%
23	\$12,323,919	15.37	\$189,446	\$189,446	100.00%	\$99,361	52.45%
24	\$12,447,159	15.53	\$193,254	\$193,254	100.00%	\$100,354	51.93%
25	\$12,571,630	15.68	\$197,139	\$197,139	100.00%	\$101,358	51.41%
26	\$12,697,346	15.84	\$201,101	\$201,101	100.00%	\$102,372	50.91%
27	\$12,824,320	16.00	\$205,143	\$205,143	100.00%	\$103,395	50.40%
28	\$12,952,563	16.16	\$209,267	\$209,267	100.00%	\$104,429	49.90%
29	\$13,082,089	16.32	\$213,473	\$213,473	100.00%	\$105,473	49.41%
30	\$13,212,910	16.48	\$217,764	\$217,764	100.00%	\$106,528	48.92%
30 Year	\$332,993,877		\$4,827,004	\$4,827,004	100.00%	\$2,684,656	55.62%

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TIF Vs. NO TIF: Town of Falmouth - Workforce Housing TIF

TIF: 100% Sheltered - 0% to Developer Project Account - 100% to Town Project Account

TIF Year	Total added Valuation	Estimated Mill Rate	Tax Assessment	No TIF		TIF			Difference in Net Revenues TIF-No TIF
				Revenue Loss due to Fiscal Formulas	Net G.F. Revenues to Town	Total Captured Revenue	Revenue Loss due to Fiscal Formulas	Net Revenues to Town	
1	\$1,720,000	12.35	\$21,242	\$13,868	\$7,374	\$21,242	\$0	\$21,242	\$13,868
2	\$6,770,000	12.47	\$84,446	\$54,583	\$29,862	\$84,446	\$0	\$84,446	\$54,583
3	\$10,100,000	12.60	\$127,242	\$81,431	\$45,811	\$127,242	\$0	\$127,242	\$81,431
4	\$10,201,000	12.72	\$129,800	\$82,245	\$47,555	\$129,800	\$0	\$129,800	\$82,245
5	\$10,303,010	12.85	\$132,409	\$83,068	\$49,341	\$132,409	\$0	\$132,409	\$83,068
6	\$10,406,040	12.98	\$135,070	\$83,898	\$51,172	\$135,070	\$0	\$135,070	\$83,898
7	\$10,510,101	13.11	\$137,785	\$84,737	\$53,048	\$137,785	\$0	\$137,785	\$84,737
8	\$10,615,202	13.24	\$140,555	\$85,585	\$54,970	\$140,555	\$0	\$140,555	\$85,585
9	\$10,721,354	13.37	\$143,380	\$86,441	\$56,939	\$143,380	\$0	\$143,380	\$86,441
10	\$10,828,567	13.51	\$146,262	\$87,305	\$58,957	\$146,262	\$0	\$146,262	\$87,305
11	\$10,936,853	13.64	\$149,201	\$88,178	\$61,024	\$149,201	\$0	\$149,201	\$88,178
12	\$11,046,221	13.78	\$152,200	\$89,060	\$63,141	\$152,200	\$0	\$152,200	\$89,060
13	\$11,156,683	13.92	\$155,260	\$89,950	\$65,309	\$155,260	\$0	\$155,260	\$89,950
14	\$11,268,250	14.06	\$158,380	\$90,850	\$67,531	\$158,380	\$0	\$158,380	\$90,850
15	\$11,380,933	14.20	\$161,564	\$91,758	\$69,806	\$161,564	\$0	\$161,564	\$91,758
16	\$11,494,742	14.34	\$164,811	\$92,676	\$72,135	\$164,811	\$0	\$164,811	\$92,676
17	\$11,609,690	14.48	\$168,124	\$93,603	\$74,521	\$168,124	\$0	\$168,124	\$93,603
18	\$11,725,786	14.63	\$171,503	\$94,539	\$76,965	\$171,503	\$0	\$171,503	\$94,539
19	\$11,843,044	14.77	\$174,950	\$95,392	\$79,558	\$174,950	\$0	\$174,950	\$95,392
20	\$11,961,475	14.92	\$178,467	\$96,439	\$82,028	\$178,467	\$0	\$178,467	\$96,439
21	\$12,081,090	15.07	\$182,054	\$97,403	\$84,651	\$182,054	\$0	\$182,054	\$97,403
22	\$12,201,900	15.22	\$185,713	\$98,377	\$87,336	\$185,713	\$0	\$185,713	\$98,377
23	\$12,323,919	15.37	\$189,446	\$99,361	\$90,085	\$189,446	\$0	\$189,446	\$99,361
24	\$12,447,159	15.53	\$193,254	\$100,354	\$92,900	\$193,254	\$0	\$193,254	\$100,354
25	\$12,571,630	15.68	\$197,139	\$101,358	\$95,781	\$197,139	\$0	\$197,139	\$101,358
26	\$12,697,346	15.84	\$201,101	\$102,372	\$98,729	\$201,101	\$0	\$201,101	\$102,372
27	\$12,824,320	16.00	\$205,143	\$103,395	\$101,748	\$205,143	\$0	\$205,143	\$103,395
28	\$12,952,563	16.16	\$209,267	\$104,429	\$104,837	\$209,267	\$0	\$209,267	\$104,429
29	\$13,082,089	16.32	\$213,473	\$105,473	\$107,999	\$213,473	\$0	\$213,473	\$105,473
30	\$13,212,910	16.48	\$217,764	\$106,528	\$111,235	\$217,764	\$0	\$217,764	\$106,528
30 Year	\$332,993,877		\$4,827,004	\$2,684,656	\$2,142,348	\$4,827,004	\$0	\$4,827,004	\$2,684,656

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Affordable Housing TIF Allowable Revenue Uses

- Housing development or operating costs *within the district*
 - capital investments, financing costs, project operating costs, professional service fees, administrative and start-up expenses, and the costs of recreational and child care facilities.
- Investments *outside the district* that are necessary because of activities within the district
 - infrastructure or public safety improvements, and mitigation of adverse impacts on the community (including costs to local schools).
- Establishing permanent housing development revolving loan or investment.

from Maine State Housing www.mainehousing.org

Bottom-Line

- If the Town wishes to support workforce housing as a matter of policy, then TIF offers an opportunity to significantly reduce revenue losses due to state and county fiscal formulas

About PolicyOne Research

PolicyOne specializes in research and analysis in the areas of:

- Economic and Community Development
- Technology and Innovation Based Economic Development
- Program and Service Planning & Evaluation
- Fiscal, Economic, & Demographic Analysis



Jim Damicis
PolicyOne Research
Phone: 207-510-6055
Email: jim@policyoneresearch.com
www.policyoneresearch.com