

AGENDA
TOWN COUNCIL WORKSHOP
WEDNESDAY, OCTOBER 24, 2018
TOWN COUNCIL TIF WORKSHOP – 6:00 P.M.
COUNCIL CHAMBERS

Item 1. Call to Order.

Item 2. Those Present.

Item 3. Discussion on TIF.

Item 4. Adjournment.

Town of Scarborough

Manager's Office Memorandum

To: Scarborough Town Council

From: Thomas J. Hall, Town Manager

Re: TIF Workshop - October 24, 2018

Date: October 19, 2018

With the Public Hearing scheduled for November 7, staff is preparing all the related documents that must be available for public inspection ten days before the public hearing. These documents include the TIF Application, the Downtown Redevelopment Plan and the proposed Credit Enhancement Agreement for the Downs. Understandably much of the discussion over the last several weeks has focused on the CEA; however there are several decisions that should be made related to the TIF, which is the purpose of the workshop.

The fundamental unresolved matter relates to how much, if any, of the TIF revenues (beyond the 40% potentially committed under the CEA) should be used to fund qualified municipal projects or expenses? I have excerpted the portion of the TIF application that considers such matters and have taken the liberty to propose that 3% of the total TIF revenue (the equivalent of 5% of the 60% of Town TIF revenues) be dedicated to municipal uses- please see the highlighted portions. Further, please see my recommendation in Table 1 for the designation of this stream of TIF revenues to two areas: 1) Traffic-related infrastructure improvements; and, 2) General Economic Development initiatives. As you will note, I have not attributed costs associated with these projects, but I intend to have that information more clearly defined in time for the meeting. TIF revenues would be directed to a Program Development Fund that could be used to fund only these approved items. With respect to traffic improvements arguably these types of project will need to be completed and unless another revenue source is identified it would be an expense to the General Fund. Similarly, our current efforts in support of economic development are already funded through the General Fund. In an effort to reduce the need for indebtedness (to fund infrastructure) and to identify alternative funding for current expenses I believe it is prudent to create a reserve to fund these endeavors. Oversight of the use of these TIF funds will occur through the annual budget process; either funding traffic improvements in the Capital Budget or revenue in the General Fund to offset economic development-related expenses.

Of course there is the option of directing all TIF revenues to the General Fund; however the sheltering benefit of 5.5% is lost. I look forward to the discussion and receiving final direction from the Town Council so we can finalize the documents.

CC: Shana Cook-Mueller, Town Attorney
Karen Martin, SEDCO

The Development Program

This development program (the “Development Program”) is structured and proposed pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended (the “TIF Statute”). The Town’s designation of the District combined with the adoption of this Development Program create a single municipal TIF district in order to capture the value of the real property improvements made within the District, and enable the use of taxes paid on increased assessed value in the District (“TIF Revenues”) for various municipal and other economic development projects. The Development Program will run for the same 30-year period as the District designation starting with fiscal year 2019-2020 through fiscal year 2049-2050, starting on July 1, 2019 and ending on June 30, 2050.

The Town will retain and utilize the TIF Revenues to fund various infrastructure improvements related to traffic and other operational costs related to economic development, all as further described in Table 1 herein, and to fund one or more credit enhancement agreements with developers of property in the District.

First, the Town expects to capture 3% of increased assessed value on the entire District (equivalent of 5% of the 60% retained by the Town after considering the Downs CEA) for its own municipal uses. Over the 30 year period our analysis suggests that the Town may see total revenues of \$ M. By reserving 3% of this total we will have \$ M to fund improvement projects for the Town without needing to bond or appropriate monies through property taxes.

Second, in addition, the Town expects to capture 40% of increased assessed value on the Scarborough Downs portion of the District for years 1-10 in order to fulfil a credit enhancement agreement planned with the owner of such property, described more fully in Section IV. For years 11-20, such percentage will either be 25% or 40% depending upon whether the developer achieves certain standards. The captured value percentage on the Scarborough Downs portion of the District may be increased above the portion the Town captures for its own purposes for years 21-30 if the developer achieves the “bonus” more fully described in Section IV. Such captured value percentage relating to the Scarborough Downs portion of the District will vary depending upon how the parties fulfil the targets and standards in the various credit enhancement agreement terms outlined in Section IV.

Third, the Town Council reserves its right to enter into future credit enhancement agreements with any party owning property in the District so long as such credit enhancement agreement is the subject of a public hearing held by the Town Council. Such credit enhancement agreements may include a reimbursement percentage of up to 100% of the increased assessed value of the developer/owner’s property for up to the full remaining term of the District at the Town Council’s discretion.

In designating the District and adopting this Development Program, the Town can accomplish the following goals:

- Maintain existing tax revenues;
- Achieve the vision and goals contained in Scarborough’s Downtown Redevelopment Plan;
- Create long-term, stable employment opportunities for area residents;
- Attract businesses and promote the economic viability and sustainability of the general economy of the Town.

Thus, the Town’s designation of the TIF District and pursuit of this Development Program constitute a good and valid public purpose pursuant to Chapter 206 of Title 30-A because it represents a substantial contribution to the economic wellbeing of the Town, by providing jobs, contributing to property taxes and diversifying the region’s economic base.

In addition, by creating the District, the Town will “shelter” the increase in municipal valuation that development in the District will bring about. This tax shift benefit will mitigate the adverse effect that the District’s increased assessed property value would have on the Town’s share of state aid to education, municipal revenue sharing and its county tax assessment.

B. The Projects

1. Municipal Projects

Development within the District will provide a revenue source for infrastructure improvements related to traffic and for the Town’s economic development efforts. The Town plans to use its portion of the TIF Revenues for several projects that will support economic growth in Oak Hill in a manner that reflects our Comprehensive Plan and Downtown Redevelopment Plan and that serves all Scarborough residents. The Town plans to invest in its economy by improving municipal infrastructure and providing for the opportunity to use TIF Revenues to pay for economic development expenses. Please see Table 1 below for a complete list of authorized projects and their respective cost estimates. In order to demonstrate an implementation plan for these projects, the table also includes a responsible party for moving the project forward and the reference applicable for each project to provisions of Scarborough’s Downtown Redevelopment Plans.

TABLE 1**Town of Scarborough's Project Costs**

Note: The TIF Revenues from this District are not intended to fully fund each of the projects listed below—the total project cost estimates for the projects listed below far exceed the projected TIF Revenues from this District. In addition, inclusion on this list does not require the Town to utilize TIF Revenues for these projects. Inclusion on this list makes it permissible for the Council to apply TIF Revenues for these projects if they are undertaken during the term of the District. The Town intends to incorporate TIF Revenue expenditure decisions into an annual budget process but in any event Town Council approval will be required for expenditure of TIF revenues on the project costs identified in this Table 1.

Project	Cost Estimate	Statutory Cite	Responsible Party	Downtown Redevelopment Plan Reference
1. <u>Traffic-Related Improvements:</u> Design and construction related to but not limited to road, sidewalk, signalization, other utilities and services affected by traffic and road work, streetscape and traffic calming measures in various locations either inside the District or projects located outside the District but made necessary by or directly related to the District development.		30-A M.R.S.A. §§5225(1)(A), (1)(B)(1)	Town Engineer Public Works Director SEDCO Executive Director Planning Director	Ch. 3,A, Pg. 58-61
2. <u>General Economic Development:</u> a. Salary and overhead costs associated with an economic development staff including a prorated portion of staff committed to economic development efforts; b. Costs associated with the Scarborough Economic Development Corporation (SEDCO); c. Economic development and planning studies and plans including market analyses of various types including arts development districts, feasibility and engineering studies related to other approved project costs, etc.; d. Consultant costs, legal costs as they relate to tax increment financing and economic development.		30-A M.R.S.A. §§5225(1)(A)(5), (1)(C)(1), §§5225(1)(A)(5), (1)(C)(1), §§5225(1)(A)(1), (1)(A)(4), (1)(A)(7), (1)(C)(1), §§5225(1)(A)(4), (1)(C)(1),	Town Manager Town Council SEDCO Executive Director SEDCO Board of Director Planning Director	Ch. I, Sec. C. 1.4, Pg. 21
Total	\$ _____			