

Rockport Tax Increment Financing (TIF) Frequently Asked Questions (FAQs)

What is TIF?

TIF is a local development tool that creates incentive for revitalization efforts of an area deemed by a town in need of capital investment and redevelopment. As incentive to move forward with such redevelopment, the developer gains tax benefits for a specified number of years. At the same time, the municipality benefits from a revenue source dedicated to supporting enhancements to public infrastructure, public facilities, and community economic development initiatives. In the case of Rockport, the municipal projects would be those the Town needs to pursue but has been unable to fund out of general taxpayer revenues. Communities that have implemented TIF programs experience job opportunities, a higher level of business activity, and increased private investment for capital projects.

What types of projects use TIF funds?

TIF can only be used for commercial development or for the creation of affordable housing. Municipalities can use funds raised through TIF for a range of uses that spur redevelopment and enhance the TIF area. The Town of Rockport proposes to use TIF funds for the redevelopment of the former Rockport Elementary School, for sidewalk and streetscape improvement, and to assist in the revitalization of the traditional village area.

Will the TIF increase my taxes?

Having a TIF does not increase taxes, but rather generates additional taxes collected as a result of any newly developed or redeveloped property, lessening the tax burden on other properties. For example, if a vacant lot becomes a professional office building, which has a significantly higher value, then the new tax revenue will decrease the burden on other owners once the TIF expires. Additionally, new value generated within the TIF district is sheltered from state revenue sharing formulas associated with school costs and county tax valuation, which results in a tax deduction.

What are the benefits of a TIF?

The advantage of a TIF is the new revenue it generates. Without the TIF funds, the money for redevelopment would have to come from other sources within the Town affecting other services. More likely, the redevelopment and beautification that occurs in these areas with the help of TIF funds would not occur because either private developers or municipal general funds could

justify the unique costs associated with redevelopment sites. Thus these under-utilized areas become more viable. Ultimately the TIF will assist Rockport in revitalization, expanding the tax base and attracting jobs.

How do homeowners benefit from a successful TIF?

Generally, homeowners will see their property values improve. Certain public improvements such as water, sewer, streets, etc., can be paid for through sources other than general property taxes. Increased business activity can also mean that fewer homeowner property taxes are required to provide for essential services such as police, fire, public safety, and etc.□□

Does TIF require the issuance of Debt?

The establishment of a TIF District does not mean that any debt will be incurred. If the municipality decides to incur debt to provide for public improvements, then funds for debt repayment will generally come from taxes generated in the TIF District and not from any municipality-wide property taxes. The Route One TIF the Town of Rockport implemented in 1999 is an example of TIF funds being used for debt repayment for the expansion of water and sewer capacity. The municipality has the option of utilizing other revenues and issuing other forms of debt should it deem the particular development justifies such utilization of funds and/or taxing powers.

How are properties within the TIF district assessed and taxed?

Properties within the district are assessed and taxed the same as every property in town. Businesses/developers who have agreements with the town related to the TIF program are required to pay taxes on the full assessed value, just like every property owner in town.

If a property in the district is sold that is part of a credit enhancement agreement, what happens to the benefit?

If the property is sold for continued commercial use the TIF benefit can be transferred to the new owner if that is articulated in the original CEA. If the property transfers for noncommercial use the TIF benefit is no longer applied.

How does a credit enhancement agreement work?

A CEA provides direct benefit for approved project costs, including payments to the business or developer, for capital investment and/or job creation. A percentage of the tax revenue generated from the new value is returned to the business or developer. The following helps illustrate how a CEA works.

The original assessed value of the property is based on the assessed value assigned by the Town on April 1 prior to being adopted by the voters and approved by the State of Maine.

Original Assessed Value:	\$100,000
New Investment:	\$1,000,000
New Current Value:	\$1,100,000
Increased Assessed Value:	\$1,000,000
Tax Increment at 11 Mils:	\$11,000
Tax on the OAV (consider part of general fund)	\$1,100/yr
CEA of 50% for 10 Years - Business/Developer	\$5,500/yr
CEA of 50% for 10 Years- Town of Rockport	\$5,500/yr
Following 10 Year CEA – Town of Rockport	\$11,000/yr

Credit Enhancement Agreements require the business or developer pay their taxes on the full assessed value like every other property in town. If the business meets the terms of the agreement during that particular year a portion of the tax is rebated to the business/developer.