

7-2013

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Kevin Price

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## Recommended Citation

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# **Tax Increment Financing**

Trends in Southern Maine 2001-2011

Kevin Price  
PPM 699  
July 7, 2013

## I. Introduction

Tax Increment Financing (TIF) is an economic development tool authorized for use in 49 states and the District of Columbia. Arizona is the only state that has not passed statute allowing for TIFs. The use of Tax Increment Financing as a tool is also known by many other names including: Revenue Allotment Area, Tax Increment Reinvestment Zone, and Project Development Financing. Maine authorized the use of TIFs in 1977 and refers to the tool as Municipal Tax Increment Finance.<sup>1</sup> California was the first state to authorize the use of TIFs beginning in 1950, with the majority of states adopting TIF policies by the late 1980s.

TIFs are a very popular economic development tool that allow for a low-cost way to fund development projects. A TIF is designed to turn an undesirable or underdeveloped area into a developed, revenue generating area. The restrictions as to the exact types of property that qualify for TIF vary from state to state, but they generally are used to target underdeveloped areas to encourage growth. Maine places several limitations on TIFs including acreage caps, a value cap, a municipal indebtedness ceiling, and term limits.<sup>2</sup>

The following are the current requirements of Municipal Tax Increment Financing projects in Maine as found in the State TIF Manual:

- *At least 25% of the District area must be:*
  - *Blighted; or*
  - *In need of rehabilitation, redevelopment, or conservation; or*
  - *Suitable for industrial and commercial sites.*

The following are the current restrictions on Municipal Tax Increment Financing in Maine as found in the State TIF Manual.

- *Acreage Caps: no single district may exceed 2% of the total acreage of the municipality; and the total of all districts may not exceed 5% of the total acreage of the municipality. The boundaries (area) of a designated district may be altered only through an amendment process.*
- *Value Cap: the value (as of March 31<sup>st</sup> of the preceding tax year) of all taxable property within the proposed district, plus the value of all existing TIF districts (at the time of their*

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<sup>1</sup> Council of Economic Development Agencies.

<sup>2</sup> Maine TIF Manual, current as of January 20, 2011

*designations) may not exceed 5% of the municipality's total value of taxable property as of April 1<sup>st</sup> preceding the date of DECD's approval.*

- *Municipal Indebtedness Ceiling: the total amount of municipal debt issued to support TIF district development programs within any county may not exceed \$50 million.*
- *Term Limits: bonds may be issued for a maximum of 20 years (anticipation notes for three years). TIF districts may be designated for a maximum of 30 years.*<sup>3</sup>

Municipalities in Maine oversee the completion of a TIF application and submit to the Maine Department of Economic and Community Development to be reviewed by the Commissioner for compliance with the state statute and rules. Maine allows for both site specific TIFs as well as area wide TIFs, allowing for properties to be targeted as well as broader neighborhoods or geographic areas. TIFs may be the most common tool used in economic development, but they are not a universally agreed upon solution.

## **II. Approach**

The scope of this research was limited to municipalities within Androscoggin, Cumberland, and York Counties. For the purposes of this research, these three counties will be collectively referred to as Southern Maine or the tri-county region. Together, these three counties account for 44% of the State's population (560,535 out of 1,329,192). In 2011, TIFs in these three counties had a total of \$1.48 billion in captured assessed value.

The two primary data sources used for this research were the Municipal Valuation Return Statistical Summaries ( 2001, 2005, 2009, 2011) and data exported from the Tax Increment Financing database maintained by Maine Department of Community and Economic Development on April 25, 2013. These two data sources were used along with data from the U.S. Census, Bureau of Labor and Statistics, and the Maine Economic Data and Statistics portal to examine TIF trends between 2001 and 2011, with special attention given to the Great Recession of 2008-2009 and the resulting effects on TIF usage.

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<sup>3</sup> Maine TIF Manual, current as of January 20, 2011

### III. Literature Review

In Richard Briffault's *The Most Popular Tool: Tax Increment Financing and the Political Economy of Local Government*, two common themes were made clear. Briffault asserts that while the use of TIF has become extremely widespread, it is also highly controversial. Briffault identified four reasons that the use of TIF has become widespread and the most popular economic tool deployed by municipal officials.

The first reason is that TIF is highly decentralized, with all decisions regarding where to place the TIF district, what type of development to encourage, and whether or not to adopt the TIF all decided locally. Second, TIF allows local governments to increase tax revenue through increasing the tax base opposed to raising rates. Third, TIF reinforces the competition that exists between neighboring municipalities. TIF policy is employed to bid for private investment that may otherwise go to a neighboring municipality, bringing the associated tax base increase with it. Fourth, TIF relies on private investment and the entrepreneurial spirit preferred by economic development officials.

With the decentralized nature of TIF, the use of TIF varies greatly from state to state. As Briffault explores, there is no national TIF registry and many states do not even collect or publish information on TIF. Because of the decentralized nature of TIFs, standardized information does not exist in a directly comparable form. What is clear is that the use of and number of TIF projects can vary greatly by state and even vary greatly within a single state.

Briffault explored some of the legal issues that can arise with TIF. The first was the requirement that funds are used for a public purpose. This requirement is often vague or broad in state statute and municipal interpretation of this requirement can end up being challenged in court. The second legal issue Briffault discussed was the state requirement for uniformity in tax rates across a tax jurisdiction. State supreme courts have generally rejected opposition to TIF projects based on uniform tax requirements, citing that the TIF departs from the uniformity in terms of spending and not tax assessments and rates. The third legal challenge TIF can face are state imposed debt limits, limiting the amount of debt a municipality can issue through a local bond.

Briffault also identified the issues of whether or not the TIF is required to spur economic development and disagreements over the definition of and assessment of "blight" as two other common issues that arise during the TIF process. The term used to describe the assessment of

whether or not the economic development would have occurred without the use of TIF is referred to by Briffault and others as “but-for”.

The issues of defining blight, conducting but-for analysis, and the structure and type of financing used are the three biggest issues associated with TIF and have been identified by several researchers. Many of the common points of TIF opponents are centered around these three issues. A 2002 study from the University of Texas at El Paso titled *Tax Increment Financing (TIF) Best Practices Study* identified nine common objections to TIF projects. These nine points can all be attributed to one of the three issues identified by other researchers.

Some of these nine common objections to TIF identified in the El Paso study included: lack of direct voter oversight, stretching the definition of blight to use TIF where development would have occurred, municipalities must prevent bond debt from defaulting if development does not proceed as expected, and school districts are forced to give up some tax revenue.

Many of the TIF best practices identified by researchers were directly related to the issues that were identified. A common best practice was having a narrow definition of blight, limiting the locations TIF can be used, but also reducing the opposition and likelihood of lawsuits. The El Paso Study identified five characteristics of TIFs that are likely to be successful, these included: A seriously blighted zone holding little attraction for private development; well planned projects that align with the municipality’s master plan; projects with extensive public support; projects with clear linkages to private development; and projects that present few barriers to implementation.

The El Paso study also identified 12 situations when TIF programs are less likely to succeed. Some of these problematic applications include: Use of TIF funds to provide basic municipal services; using political criteria to determine representation on TIF boards; creating TIF zones that contain a large portion of a municipality’s assessed property valuation; and using TIF for purposes that conflict with the municipality’s master plan.

A 2001 article appearing in the *Municipal Finance Journal* written by Josephine M. LaPlante titled *Who Uses Tax Increment Financing? Local Government Adoption Catalysts* explored TIF use in Maine. In addition to a background of TIF adoption in Maine, LaPlane explored catalysts and potential predictors of municipal adoption of TIF. LaPlante selected 86 of Maine’s larger municipalities, including 42 which had adopted TIF and 44 which had not. LaPlane’s research found a strong relationship between the adoption of TIF and the financial circumstances of the

municipality. This conclusion supports prior research suggesting that fiscal pressure is a major driving force for the adoption of TIF.

A 2009 Study published by the Policy Research Forum titled *Too Much or Not Enough? A Statistical Analysis of TIF in Wisconsin* analyzes the use of TIF in Wisconsin between 1990 and 2006. The key findings of this report were that TIF use grew substantially (400%) and that most of the growth came from cities with populations less than 50,000. This study estimated that for every \$1 increase of TIF value, total property value increases by \$6. Most relative to this research, this study found that outlying municipalities are at risk of over-utilizing TIF. The model used for this study estimated that a 10% increase in TIF amount in outlying municipalities would result in a decrease of 0.2% in total property value.

The Great Recession of 2008-2009 caused significant financial stress on municipalities in Southern Maine. Southern Maine experienced high unemployment rates as well as a shrinking or decreasing workforce. Based on previous research suggesting that financial pressure was a main driving force of TIF adoption, it was hypothesized that the Great Recession would spur TIF adoption. The following analysis reviews the use of TIF in Southern Maine between 2001 and 2011.

#### **IV. Southern Maine TIF and Economic Data**

TIF use in Southern Maine has increased over the last several decades, the period of 2001-2011 is the focus of this research. The objective is to compare the number of municipalities using TIF, the number of TIF districts, and the total value of captured assessed TIF value by municipality and county. The years 2001, 2005, 2009, and 2011 are the four years that have been selected to provide additional detail on the period of 2001-2011. The years of 2001 and 2005 were prior to the Great Recession, while 2009 was during the recession and 2011 data is from after the recession ended.

##### **a. 2001**

In 2001, 28 municipalities in Southern Maine had TIF districts established. Six of the municipalities using TIF were in Androscoggin County, 16 were in Cumberland County, and six were in York County. The average population for municipalities using TIF in 2001 was 13,506

(2000 Census Data). The following table includes all municipalities that reported a TIF District in 2001.

<b>Municipality</b>	<b>County</b>	<b>Captured Assessed Value TIF District</b>	<b>Tax Revenue TIF District</b>
Auburn	Androscoggin	\$38,469,100	\$1,061,671
Biddeford	York	\$23,910,214	\$0
Bridgton	Cumberland	\$241,054	\$4,134
Brunswick	Cumberland	\$14,348,100	\$294,136
Casco	Cumberland	\$5,877,000	\$85,216
Falmouth	Cumberland	\$31,436,300	\$614,265
Freeport	Cumberland	\$41,623,205	\$869,924
Gorham	Cumberland	\$7,634,800	\$122,018
Gray	Cumberland	\$6,244,574	\$128,013
Hollis	York	\$67,117,258	\$939,641
Lewiston	Androscoggin	\$10,854,630	\$309,900
Lisbon	Androscoggin	\$17,364,260	\$210,540
Livermore Falls	Androscoggin	\$15,563,900	\$360,304
Mechanic Falls	Androscoggin	\$2,089,000	\$25,318
New Gloucester	Cumberland	\$2,594,100	\$48,509
North Berwick	York	\$14,820,230	\$233,418
Old Orchard Beach	York	\$4,572,664	\$0
Poland	Androscoggin	\$53,934,300	\$889,916
Portland	Cumberland	\$77,986,150	\$1,698,408
Pownal	Cumberland	\$201,209	\$2,105
Raymond	Cumberland	\$10,711,460	\$123,730
Saco	York	\$23,275,300	\$510,891
Sanford	York	\$10,580,060	\$216,468
Scarborough	Cumberland	\$45,900,000	\$702,270
South Portland	Cumberland	\$370,008,972	\$8,621,209
Westbrook	Cumberland	\$134,915,692	\$2,880,450
Windham	Cumberland	\$36,299,700	\$386,836
Yarmouth	Cumberland	\$6,802,000	\$136,040

Table 01: Municipalities using TIF in 2001

In 2001, Androscoggin County had an unemployment rate of 3.9% with a total labor force of 55,231. During this same period Cumberland County had an unemployment rate of 2.4% with a labor force of 148,699. York County had an unemployment rate of 2.6%, with a labor force of 102,622.



**b. 2005**

In 2005, 29 municipalities in Southern Maine had TIF districts established. Seven of the municipalities using TIF were in Androscoggin County, 15 were in Cumberland County, and seven were in York County. The average population for municipalities using TIF in 2005 was 13,908. The following table includes all municipalities that reported a TIF District in 2005.

<b>Municipality</b>	<b>County</b>	<b>Captured Assessed Value TIF District</b>	<b>Tax Revenue TIF District</b>
Auburn	Androscoggin	\$168,177,300	\$3,454,366
Biddeford	York	\$13,205,414	\$0
Brunswick	Cumberland	\$10,104,200	\$221,282
Casco	Cumberland	\$5,617,303	\$0
Cumberland	Cumberland	\$20,016,700	\$376,304
Falmouth	Cumberland	\$72,378,800	\$1,111,738
Freeport	Cumberland	\$56,374,016	\$1,009,095
Gorham	Cumberland	\$11,355,480	\$278,478
Gray	Cumberland	\$18,714,597	\$232,061
Hollis	York	\$136,894,374	\$1,151,966
Kennebunk	York	\$3,303,964	\$37,500
Lewiston	Androscoggin	\$33,383,733	\$913,045
Lisbon	Androscoggin	\$33,743,830	\$403,450
Livermore Falls	Androscoggin	\$14,443,700	\$345,927
Mechanic Falls	Androscoggin	\$2,588,350	\$24,460
New Gloucester	Cumberland	\$23,781,259	\$235,434
North Berwick	York	\$218,000	\$2,202
Old Orchard Beach	York	\$27,197,050	\$206,334
Poland	Androscoggin	\$57,428,000	\$319,887
Portland	Cumberland	\$85,893,680	\$1,729,040
Raymond	Cumberland	\$20,244,010	\$229,708
Saco	York	\$44,761,540	\$580,110
Sanford	York	\$7,976,350	\$146,732
Scarborough	Cumberland	\$45,900,000	\$518,670
South Portland	Cumberland	\$212,547,400	\$3,883,241
Westbrook	Cumberland	\$130,957,464	\$3,025,117
Windham	Cumberland	\$13,332,600	\$237,320
Yarmouth	Cumberland	\$7,479,500	\$131,638

Table 02: Municipalities using TIF in 2005

In 2005, Androscoggin County had an unemployment rate of 5.0% with a total labor force of 56,638. During this same period Cumberland County had an unemployment rate of 3.2% with a labor force of 154,545. York County had an unemployment rate of 2.6%, with a labor force of 102,622.

## c. 2009

In 2009, 29 municipalities in Southern Maine had TIF districts established. Five of the municipalities using TIF were in Androscoggin County, 16 were in Cumberland County, and eight were in York County. The average population for municipalities using TIF in 2009 was 13,775 (2000 Census Data). The following table includes all municipalities that reported a TIF District in 2009.

<b>Municipality</b>	<b>County</b>	<b>Captured Assessed Value TIF District</b>	<b>Tax Revenue TIF District</b>
Auburn	Androscoggin	\$142,494,404	\$2,607,009
Biddeford	York	\$47,137,753	\$0
Bridgton	Cumberland	\$42,644,340	\$48,756
Brunswick	Cumberland	\$8,511,000	\$191,838
Casco	Cumberland	\$8,141,050	\$112,588
Cumberland	Cumberland	\$58,629,900	\$853,065
Eliot	York	\$38,529,116	\$462,349
Falmouth	Cumberland	\$122,760,100	\$1,516,087
Freeport	Cumberland	\$93,910,888	\$1,197,364
Gorham	Cumberland	\$29,516,646	\$469,315
Gray	Cumberland	\$21,389,404	\$315,920
Hollis	York	\$120,000	\$189,718
Kennebunk	York	\$26,290,870	\$366,758
Lewiston	Androscoggin	\$84,102,369	\$2,094,149
Lisbon	Androscoggin	\$26,387,710	\$406,995
Livermore Falls	Androscoggin	\$14,241,500	\$299,072
Naples	Cumberland	\$19,459,275	\$211,133
North Berwick	York	\$979,150	\$0
Poland	Androscoggin	\$89,645,955	\$1,201,256
Portland	Cumberland	\$165,218,510	\$2,930,980
Raymond	Cumberland	\$18,406,315	\$193,823
Saco	York	\$743,115	\$743,115
Sanford	York	\$29,191,565	\$413,544
Scarborough	Cumberland	\$53,830,300	\$654,038
South Portland	Cumberland	\$167,951,200	\$2,468,883
Westbrook	Cumberland	\$100,791,679	\$1,683,221
Windham	Cumberland	\$22,468,851	\$264,009
Yarmouth	Cumberland	\$5,237,950	\$102,350
York	York	\$13,278,334	\$113,928

Table 03: Municipalities using TIF in 2009

In 2009, Androscoggin County had an unemployment rate of 8.5% with a total labor force of 58,057. During this same period Cumberland County had an unemployment rate of 6.5% with a

labor force of 156,876. York County had an unemployment rate of 7.7%, with a labor force of 112,167.

**d. 2011**

In 2011, 37 municipalities in Southern Maine had TIF districts established. Five of the municipalities using TIF were in Androscoggin County, 17 were in Cumberland County, and 15 were in York County. The average population for municipalities using TIF in 2011 was 11,635 (2000 Census Data). The following table includes all municipalities that reported a TIF District in 2011.

<b>Municipality</b>	<b>County</b>	<b>Captured Assessed Value TIF District</b>	<b>Tax Revenue TIF District</b>
Alfred	York	\$7,903	\$0
Arundel	York	\$1,587,044	\$0
Auburn	Androscoggin	\$130,975,109	\$2,539,607
Berwick	York	\$350,718	\$0
Biddeford	York	\$47,354,956	\$730,213
Bridgton	Cumberland	\$4,389,235	\$55,743
Brunswick	Cumberland	\$13,484,180	\$319,305
Buxton	York	\$91,600	\$0
Casco	Cumberland	\$8,140,980	\$99,727
Cornish	York	\$1,048,098	\$0
Cumberland	Cumberland	\$59,529,500	\$940,566
Dayton	York	\$1,911,600	\$0
Eliot	York	\$40,298,350	\$505,341
Falmouth	Cumberland	\$124,609,300	\$1,609,952
Freeport	Cumberland	\$93,351,372	\$1,418,941
Gorham	Cumberland	\$26,195,896	\$479,340
Gray	Cumberland	\$20,146,185	\$292,748
Hollis	York	\$120,000	\$197,270
Kennebunk	York	\$44,197,644	\$600,425
Kittery	York	\$152,400	\$2,202
Lewiston	Androscoggin	\$115,831,130	\$2,261,952
Lisbon	Androscoggin	\$13,562,299	\$284,808
Mechanic Falls	Androscoggin	\$2,588,350	\$22,713
Naples	Cumberland	\$22,389,550	\$270,913
New Gloucester	Cumberland	\$16,825,804	\$200,000
North Berwick	York	\$606,600	\$22,854
Poland	Androscoggin	\$90,497,070	\$1,176,747
Portland	Cumberland	\$154,386,350	\$2,822,182
Raymond	Cumberland	\$16,245,643	\$177,568

Saco	York	\$57,040,400	\$822,522
Sanford	York	\$40,611,850	\$518,089
Scarborough	Cumberland	\$57,794,600	\$753,063
South Berwick	York	\$3,808,900	\$19,705
South Portland	Cumberland	\$149,095,240	\$3,345,236
Westbrook	Cumberland	\$79,913,155	\$1,390,489
Windham	Cumberland	\$36,167,700	\$260,000
Yarmouth	Cumberland	\$4,861,100	\$98,583

Table 04: Municipalities using TIF in 2011

In 2011, Androscoggin County had an unemployment rate of 7.8% with a total labor force of 57,898. During this same period Cumberland County had an unemployment rate of 6.1% with a labor force of 159890. York County had an unemployment rate of 7.0%, with a labor force of 103,326. All three counties in Southern Maine were hit hard by the Great Recession, with Androscoggin and York Counties taking the hardest hits.

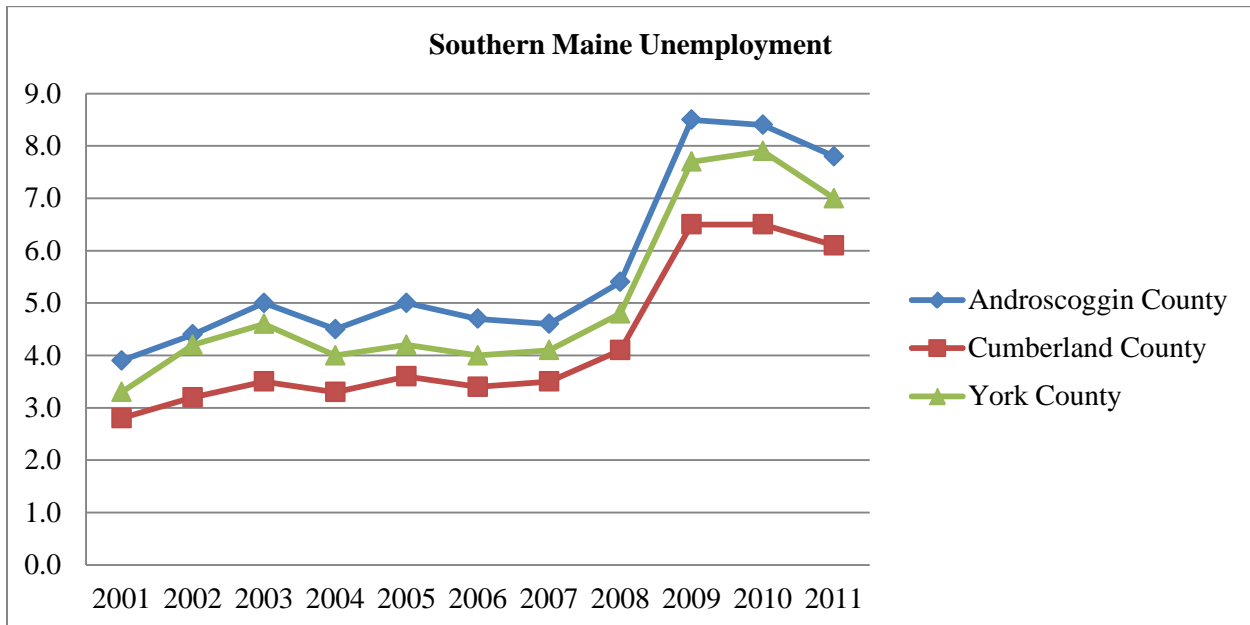


Figure 01: Southern Maine Unemployment Rates 2001-2011

Both Androscoggin and York Counties experienced unemployment over 7.0% in 2009 and 2010, while Cumberland County never experienced unemployment greater than 6.5%. Similarly, Androscoggin and York Counties experienced significantly greater hits to their overall work forces than Cumberland County experienced. Androscoggin and York Counties have not

returned to 2008 level work force numbers, while Cumberland County bounced back quicker and exceeded 2008 work force levels in 2010 and continued upward in 2011.

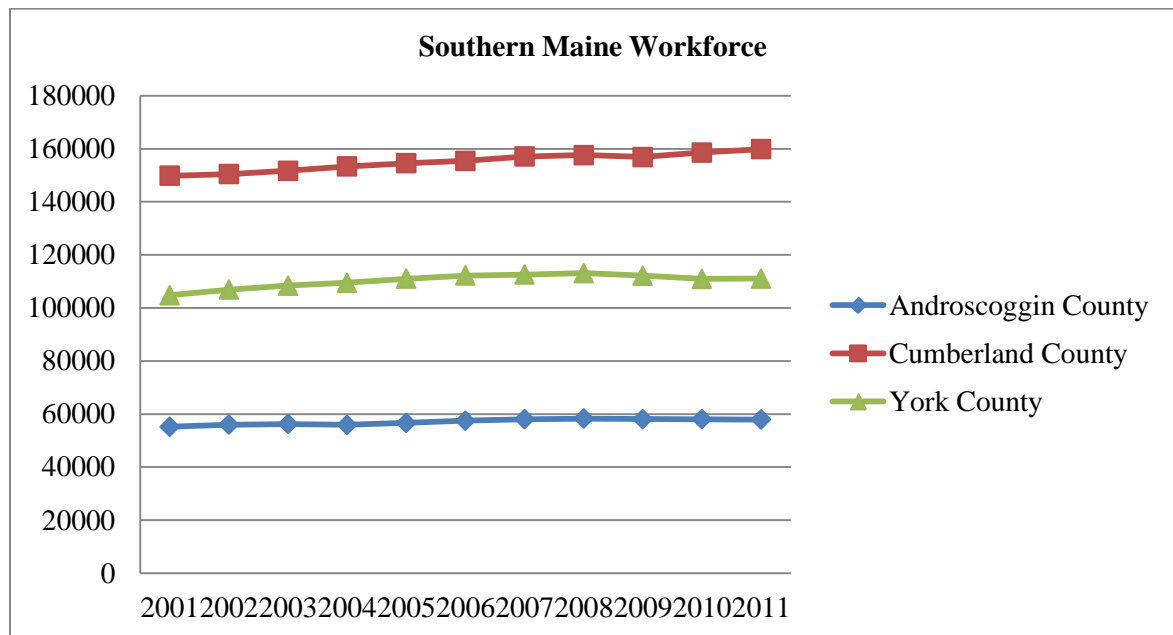


Figure 02: Southern Maine Workforce 2001-2011

York County lost work force participants in both 2009 and 2010, but saw slight gains in 2011. Androscoggin County has lost force participants in 2009, 2010, and 2011. While the increase in TIF use among municipalities in York County cannot be directly attributed to declining workforce and increasing unemployment, these rates illustrate the economic climate that may have contributed to the desire to initiate local economic development policies.

As it can be seen by looking at the TIF use by municipalities in Southern Maine between 2001 and 2011, there has been growth in the use of TIF. While the specific municipalities may have changed slightly between 2001 and 2009, the total number that were using TIF remained constant (28). Between 2009 and 2011, all three counties saw an increase in TIF use. This growth has been primarily driven by municipalities in York County, with six municipalities turning to TIF between 2009 and 2011. Both Androscoggin and Cumberland County also saw an increase in the number of municipalities using TIF, but each only had one additional municipality turn to TIF.

Between 2001 and 2011 there were 77 new TIF districts approved and reported to the Maine Department of Economic and Community Development in Southern Maine. This number is the

number is only new TIF districts approved and reported and does not include reported amendments to existing TIF districts. The following table lists the municipalities that created new districts between 2001 and 2011 as well as the number of new districts that were created.

<b>Municipality</b>	<b>Number of New TIF Districts (2001-2011)</b>
Auburn	7
Biddeford	1
Bridgton	2
Brunswick	2
Cumberland	4
Eliot	2
Freeport	1
Gorham	6
Kennebunk	3
Kittery	2
Lewiston	6
Lisbon	5
Naples	2
New Gloucester	1
Poland	1
Portland	7
Saco	4
Sanford	5
Scarborough	3
South Berwick	1
South Portland	6
Westbrook	4
Windham	1
York	1

Table 05: Municipalities Adding New TIF Districts 2001-2011

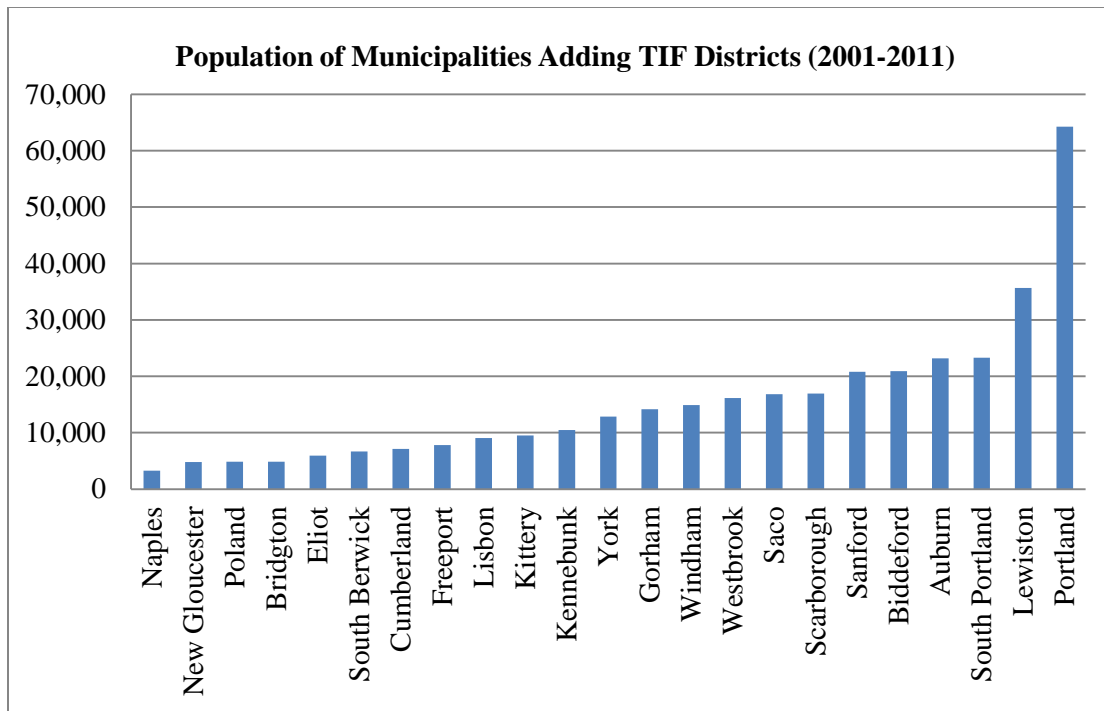


Figure 03: Population of Municipalities Adding TIF Districts 2001-2011

The average population of municipalities adding TIF districts between 2001 and 2011 was 15,415 (2000 Census). These municipalities averaged a population growth of 6.0% between 2000 and 2010 (US Census) and gained on average 738 residents. The average population for municipalities within these three counties, (TIF and non-TIF) is 7,833 and experienced an average population increase of 7.9% (428 residents) between 2000 and 2010 (US Census).

The population of municipalities adding TIF districts between 2001 and 2011 was greater than the tri-county average. These municipalities, as with the region as a whole, experienced an increase in population between 2000 and 2010. Municipalities utilizing TIF experienced a lower percentage increase in population than the tri-county average between 2000 and 2010. However, municipalities using TIF during this same time period experienced a real increase in population (number of residents) that was greater than the tri-county average. Given that the municipalities adding TIF districts tended to be larger in population, it could be expected that the average percentage increase would be lower than the regional average while the average of residents gained would be larger.

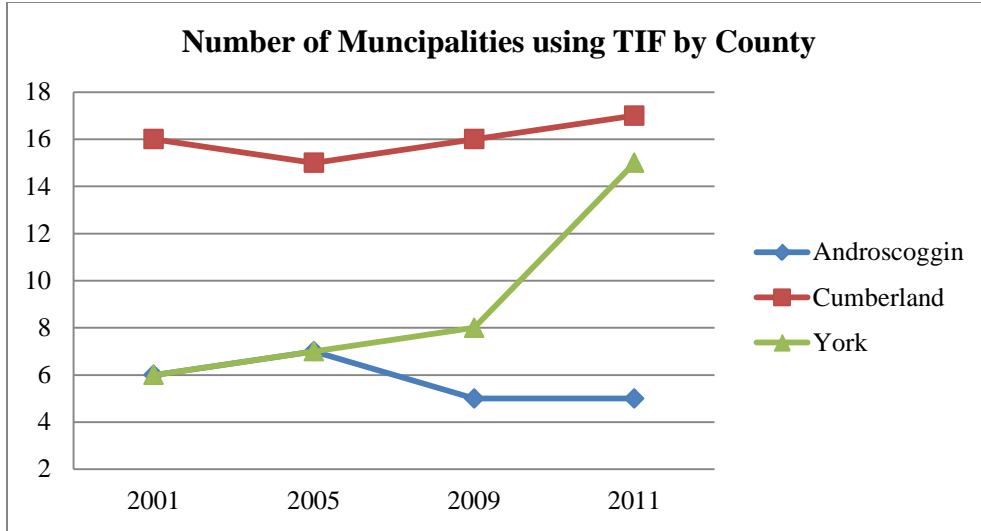


Figure 04: Number of Municipalities Using TIF by County 2001-2011

The average population of municipalities using TIF increased slightly between 2001 and 2005 and continued to increase between 2005 and 2009. Between 2009 and 2011 the average population of municipalities using TIF dropped significantly, falling from 14,011 to 11,635. During this same time period nine municipalities began using TIF that were not using TIF in 2009. In addition to these nine municipalities, seen in the table below, one municipality (Livermore Falls) stopped using TIF between 2009 and 2011.

Municipalities Adding TIF Between 2009 and 2011	2000 Population
Alfred	2,497
Arundel	3,571
Berwick	6,353
Buxton	7,452
Cornish	1,269
Kittery	9,543
Mechanic Falls	3,138
New Gloucester	4,803
South Berwick	6,671
<b>Average</b>	<b>5,033</b>

Table 06: Population of Municipalities Adding TIF between 2009 and 2011



Municipalities beginning to use TIF between 2009 and 2011 were significantly smaller than the average overall population of municipalities using TIF in 2011. With an average population of only 5,033, or 43% of the average for municipalities using TIF in the region, these smaller municipalities were the driving force between the increased TIF usage from 2009 to 2011.

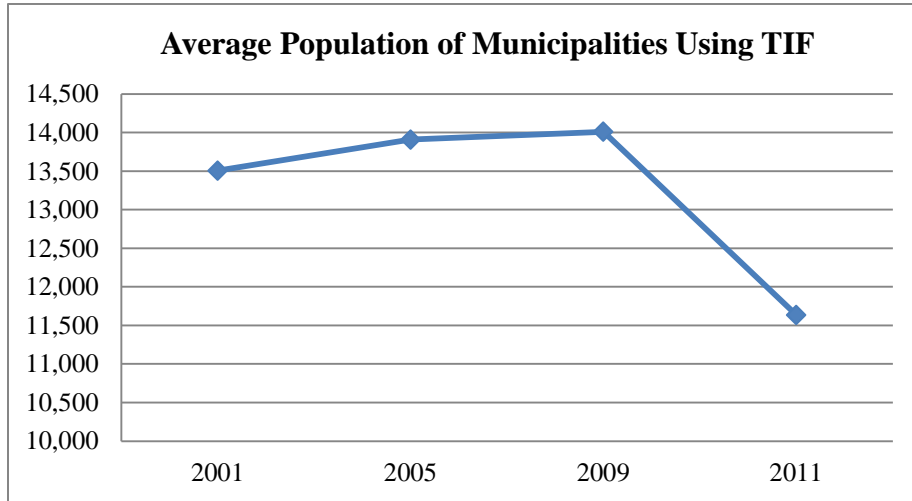


Figure 05: Average Population of Municipalities Using TIF 2001-2011

The number of municipalities using TIF increased by 28% (29 to 37) between 2009 and 2011, at the same time that the average population of municipalities using TIF fell by 20% (14,011 to 11,635). Put alternatively, smaller municipalities, primarily in York County started using TIF between 2009 and 2011. This trend is consistent with bodies of research that suggest municipalities began to turn towards TIF in response to fiscal pressures.

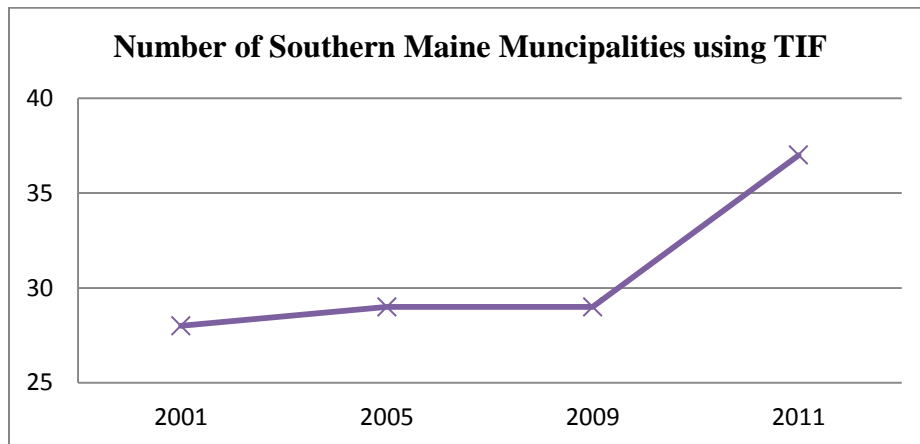


Figure 06: Number of Southern Maine Municipalities Using TIF 2001-2011

While the number of municipalities using TIF increased between 2001 and 2011, especially between 2009 and 2011, the number of new TIF districts being added each year dropped significantly after 2009. It is possible that this decrease in new TIF districts in 2010 and 2011 was driven by the shift of TIF use to smaller municipalities. These smaller municipalities were likely to start using TIF through the establishment of a single TIF district. Other factors in the decrease in new TIF districts in 2010 with the rebound in 2011 could be an implementation delay or lag following the Great Recession.

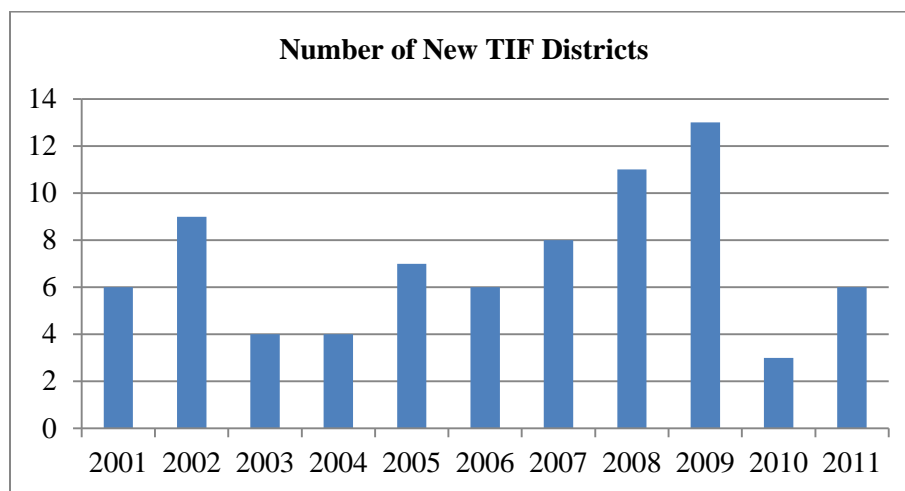


Figure 07: Number of New TIF Districts 2001-2011

The Great Recession caused the overall TIF captured assessed value in the tri-county region to slow. Although the total captured assessed value in the region slowed, it did not see a decrease in real terms. This led to a slight increase between 2009 and 2011 and was likely driven by the addition of new TIF districts in smaller municipalities, primarily located in York County.

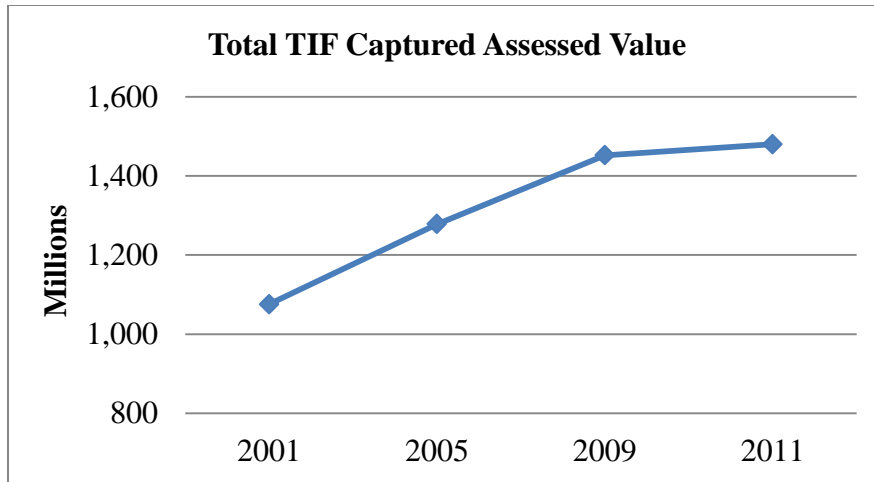


Figure 08: Total TIF Captured Assessed Value 2001-2011

Total TIF captured assessed value in Cumberland and York County decreased between 2009 and 2011, while increasing in York County. This increase in total TIF captured assessed value aligns with the narrative that increased TIF use between 2009 and 2011 was driven by smaller municipalities located within York County.

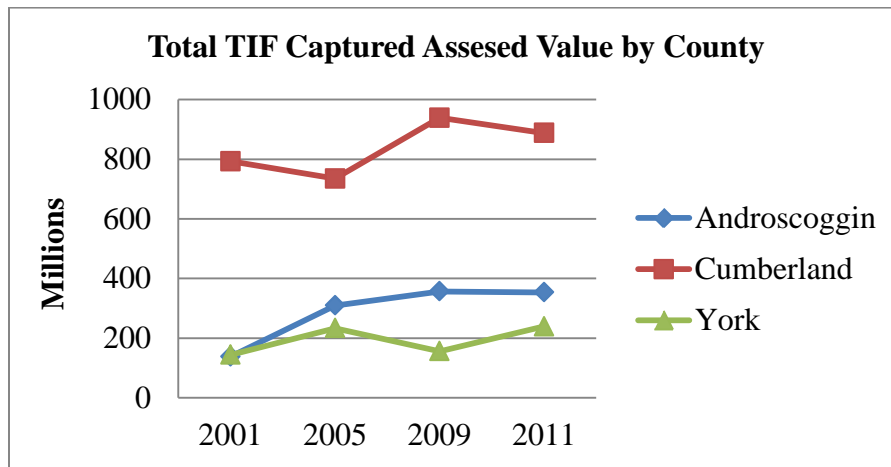


Figure 09: Total TIF Captured Value by County 2001-2011

The average value of total TIF assessed value within municipalities in the tri-county region increased steadily between 2001 and 2009 and increased, at a diminished rate between 2009 and 2011. This trend shows that municipalities were adding more TIF districts and/or TIF districts with a higher assessed value.

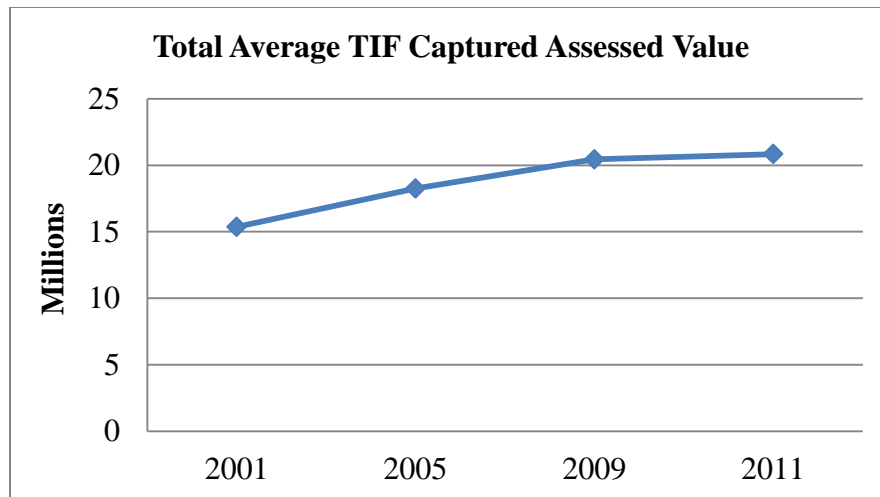


Figure 10: Total Average TIF Captured Value 2001-2011

The increase in average TIF captured value within the tri-county region was driven primarily by increases in Androscoggin County between 2001 and 2011. All three counties experienced a decrease in the average captured assessed value between 2009 and 2011. The decrease in Cumberland and York County average captured assessed value aligns with the previous discussion of an increase in TIF usage by smaller municipalities.

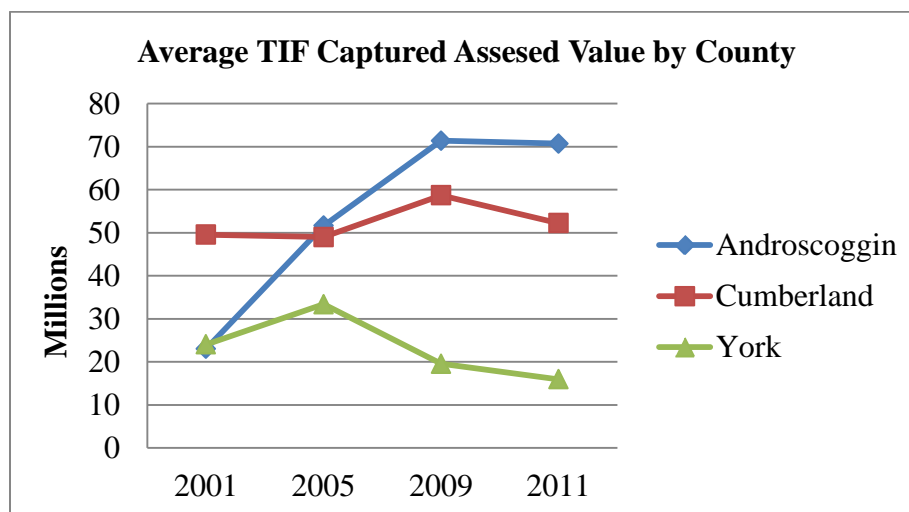


Figure 11: Total Average TIF Captured Value by County 2001-2011

The data on municipalities reporting TIF valuation during 2009 and 2011 supports the hypothesis that smaller municipalities not previously using TIF, turned to TIF following the

Great Recession. The number of TIF districts increased steadily between 2006 and 2009 followed by a significant drop in 2010. This decrease in 2010 may not be significant given the relatively small number (13 in 2009 and 3 in 2010), but it could be the result of several different factors. The new TIF districts in 2009 may have been in response to the downturn in late 2009, but could also have been districts that were proposed prior to the downturn in the second half of 2008. The smaller number of TIF districts in 2010 aligns with the decrease in average population of municipalities using TIF. When smaller municipalities begin using TIF, it would be expected that they would begin with a single district.

## **V. Conclusion**

TIF use in Southern Maine municipalities has increased from 2001 to 2011, with the largest growth occurring between 2009 and 2011. This large increase occurring between 2009 and 2011 was driven by municipalities with relatively small populations (average of 5,033). This suggests that smaller towns began turning to TIF in response to the Great Recession.

This research could be expanded by looking at statewide TIF data to determine if the expanded use of TIF among smaller municipalities was a statewide trend or if it was a trend existing only in Southern Maine. Additional research on TIF data for 2012 and future years would help better illustrate the trends in Maine TIF use, particularly in response to the Great Recession.

Research conducted in the State of Wisconsin found that TIF use had been expanding in recent years, especially in smaller municipalities. While the threshold for research in the Wisconsin study was 50,000 people (larger than every Maine municipality with the exception of Portland), the findings that smaller municipalities experience diminished or even negative returns on TIF investment should be taken into consideration. As smaller municipalities begin to shift to using TIF, future research could further evaluate how small is too small.

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