

ECONOMIC DEVELOPMENT INCENTIVES:

**How Can We Ensure Accountability
and Maintain the Public's Trust?**

PHASE TWO

A CAPSTONE PROJECT REPORT

*A Closer Look at the Benefits and Costs
of Tax Increment Financing in Maine:
A Focus on Assisted Businesses*

by

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TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	PAGE	1
II.	PHASE ONE OF THE “ACCOUNTABILITY FOR DEVELOPMENT INCENTIVES” PROJECT	PAGE	3
III.	THIS CAPSTONE STUDY: THE PERSPECTIVE OF ASSISTED BUSINESSES	PAGE	4
	A) Study Approach and Method	Page	5
	1) <i>Profile of the community in which the TIF business interviewed is located.</i>	<i>Page</i>	<i>5</i>
	2) <i>Interview script.</i>	<i>Page</i>	<i>5</i>
	3) <i>Report Findings.</i>	<i>Page</i>	<i>6</i>
IV.	INDIVIDUAL CASE STUDIES:	PAGE	6
	A) Bath and Bath Iron Works	Page	7
	1) <i>Bath Iron Works</i>	<i>Page</i>	<i>8</i>
	B) Biddeford and Soleras and Volk Packaging	Page	12
	1) <i>Soleras, Ltd.</i>	<i>Page</i>	<i>13</i>
	2) <i>Volk Packaging, Inc.</i>	<i>Page</i>	<i>15</i>
	C) Lewiston and Lewiston Raceway	Page	18
	1) <i>Lewiston Raceway</i>	<i>Page</i>	<i>19</i>
	D) Portland and Shipyard Brewing Co. and Unum	Page	21
	1) <i>Shipyard Brewing Company</i>	<i>Page</i>	<i>23</i>
	2) <i>Unum</i>	<i>Page</i>	<i>26</i>
	E) Sanford and Rainbow Rugs	Page	30
	1) <i>Rainbow Rugs</i>	<i>Page</i>	<i>32</i>
	F) South Portland and Fairchild Semiconductor	Page	34
	1) <i>Fairchild Semiconductor</i>	<i>Page</i>	<i>35</i>
V.	OVERALL CASE STUDY RESULTS:	PAGE	39
VI.	CONCLUSIONS AND RECOMMENDATIONS	PAGE	45
	APPENDICES	PAGE	49
	BIBLIOGRAPHY	PAGE	62

A CAPSTONE PROJECT REPORT

A Closer Look at the Benefits and Costs of Tax Increment Financing in Maine: A Focus on Assisted Businesses

I. EXECUTIVE SUMMARY

In the past few years, some highly publicized and unusually expensive economic development deals like Alabama's \$235 million incentives package to Mercedes Benz have produced a public outcry and demands for greater accountability for development dollars. Prompted by citizen concerns, public officials have begun to negotiate the inclusion of "clawbacks" and "recissions" in development agreements to penalize businesses that do follow through with their end of the bargain.

Litigation has increased dramatically. In 1998 the state of Maine and the City of Bath survived a legal challenge to a package of tax incentives developed to help the state's largest private employer, Bath Iron Works, increase its competitive position and retain jobs. The suit escalated a growing concern among legislators and citizens that the public may not be receiving an adequate return on state and local investments in private businesses.

In July of 1998 the Maine legislature enacted a bill which established a state commission to oversee the use of development incentives. The bill further required applicants for incentives to describe the public benefit that would accrue from the investment of public dollars, and specified reporting requirements for incentives. Under the leadership of State Senator Chelly Pinegree this group has been examining a variety of issues related to the appropriate role of public investment in private businesses.

The last few legislative sessions have involved several debates around the continued funding of the state financed Business Equipment [Property] Tax Rebate (BETR) program, which has dramatically exceeded original cost estimates and caused legislators to question whether the program should be continued. Additionally, every session, new bills appear designed to strengthen corporate accountability requirements

for state tax incentives programs. The Maine Citizen's Fund has recently issued several reports asserting that company's receiving economic development incentives, specifically state tax breaks, were:

- Creating new jobs at a slower rate than the rest of the state's economy;
- Furnishing jobs at too high a "tax-break-cost-per-job" rate;
- Creating low-paying jobs; and
- Not reporting information as required under state law.¹

During the 119th legislative session, six bills were proposed which would have established: tax-break criteria; disclosure and claw-back requirements; labor and livable wage standards; as well as environmental standards. In the end, all of these bills failed to gain enough support in the full legislature to become enacted.

However, the significance of the debate represented by the number of proposed bills can not be overlooked. The weakness in this debate continues to be the oppositions focus on **JOBS, JOBS, JOBS**. The focus of this project has been to expand peoples understanding of the benefits and costs of tax incentives thereby broadening the debate.

Eight businesses in six communities were interviewed to ascertain the business community's perspective of the benefits and costs associated with economic development incentives, specifically Tax Increment Financing (TIF), in Maine. These interviews have been compiled in a case study approach to analyze the outcomes. The overall results have then been aggregated to determine common trends, benefits and costs.

In short, there do exist intangible benefits, which accrue not only to the business but to the community and the State of Maine that can not be measured by simply counting **JOBS**. These benefits of economic development incentives can not be overlooked because of their impact on the economic, fiscal and psychological fabric of our communities and the State of Maine. To do so would ignore the interdependence between our businesses and communities within the State of Maine and our place in the global economy.

¹ Lance Tapley, "The sound and the fury," Mainebiz, March 20, 2000, Vol. 6 No. 6, 1.

II. PHASE ONE OF THE “ACCOUNTABILITY FOR DEVELOPMENT INCENTIVES” PROJECT

During the 1998 spring semester, two capstone teams began exploring issues related to the public provision of financial incentives for business development. The first team, Roger Bondeson, Todd Duchaine, and Theresa Savoy undertook an exploratory study aimed at determining the current status of Maine’s tax increment financing program. This study encompassed a compilation and review of the Maine Department of Economic and Community Development’s (DECD) records on all Maine TIF districts. Additionally, a survey instrument was designed and mailed to the 47 towns with TIF districts as well as interviews of state and local officials who have first hand knowledge of economic development strategies, impacts, and issues. This “TIF Team” reported that despite a negativism which undergirds the current anti-incentive activism in Maine, many of the state’s economic development professionals, town and city managers, and elected officials remain steadfast in their position that there are important benefits to be had from investing in businesses. However, there has been little effort to catalogue the costs and benefits of TIF in Maine.²

The second “TIF Team”, Sharon Leahy Lind and Kara Greer, compiled and reviewed articles, academic papers (published and unpublished), reports of state and local agencies, public and private commissions, and professional associations that dealt with issues related to incentives in general and tax increment financing in particular. The national team’s research revealed that the state of measurement of the costs and benefits of economic development is still in its infancy and that nationally the monitoring of incentives mirrors Maine’s experience.

While benefits are likely to be narrowly construed as the number of jobs created, the literature shows that the costs associated with economic development incentives are not well articulated and often go unreported. Of particular concern for a non-metropolitan state like Maine is that cost-benefit analyses of rural incentive activities are seldom, if ever, done (Stinson, 1992). Most cities focus on primary benefits and do not even analyze secondary benefits (Wiewal, Persky, & Felsenstein, 1995).

Two broad principles emerge from the literature. First, incentive packages

² The one serious look at TIF is a 1993 PPM capstone project report authored by Lucien Gosselin.

should be designed and developed based on the potential returns from the company or the benefits of a particular industry, not a standardized “one-size fits all” strategy (see Greenwald, 1996; Pollina, 1997). Second, local politicians must delineate and weigh both the tangible and intangible costs and benefits of a potential development package in their decision to ensure that incentives pay off in the long run.

This can be accomplished by linking business incentives to a set of “guiding principles” that meet a public purpose. The Minnesota Corporate Subsidy Reform Commission recommended in its 1997 report that all businesses must meet at least two of the following conditions in order to qualify for incentives:

➤ ***Enhance Economic Diversity;***

The commission offered three options for meeting this condition:

- 1) Allowing the area to participate in fast-growing industries;
- 2) Protecting the area from adverse economic consequences caused by slow growth or declining mature and dominant industries; or
- 3) Provide essential consumer services or develop a network of local suppliers to businesses;

➤ ***Creating High Quality Job Growth;***

➤ ***Providing for Job Retention; and***

➤ ***Stabilizing the Community.***

Only by delineating these contextual elements or “local values” can the importance or benefit of TIF be understood.

III. THIS CAPSTONE STUDY: THE PERSPECTIVE OF ASSISTED BUSINESSES

An important point emerges from both the review of the national literature and the analysis of tax increment financing in Maine: no one is asking assisted businesses what benefits they believe accrue to the public from assistance provided to them. At the conclusion of Phase One, obtaining the business perspective on the benefits and costs of tax increment financing was identified as a priority. I was interested in researching this issue as a capstone and began designing a survey instrument for businesses that had received assistance through the tax increment financing program. However, due to the passage of the development incentives law, the state’s Department of Economic and Community Development (DECD) is required to assemble data on all development

incentives including: tax increment financing, employment tax increment financing, the BETR program, the jobs investment tax credit, and the Maine Quality Centers, among others.

DECD's survey narrowly construes "public benefit" as "jobs, jobs, and jobs" (see Appendix 1 Draft 1998 Economic Development Incentives Report). With the exception of a question about a narrow range of employee benefits (health, dental, retirement or "cafeteria"), no public benefit data other than counts for job creation and retention has been collected. There are many important questions their survey does not address.

In order to move beyond the traditional concept of "public benefit" as jobs, jobs, jobs, a set of relevant measures of the benefits and costs of business assistance that captures the perspectives and accountability needs of multiple stakeholders should be defined. Many of the benefit and cost measures used in a Coastal Enterprises evaluation were suggested in focus groups and interviews with business owners and loan officers. Interviews provide an excellent strategy for validating the utility of good measures, discarding those that are less useful and eliciting new ones.

A) Study Approach and Method

Based upon this notion, the best way to obtain new information and measures is through personal interviews with businesses rather than via a survey. It was determined that a small number of case studies would provide rich information about the context for TIF and business' views of benefits and costs (see Appendix 2 Business Lists TIF Recipients).

1) *Profile of the community in which the TIF business interviewed is located.*

Professor LaPlante has significant background data on each TIF district, including a longitudinal demographic, economic, tax and property valuation data set on 36 of the larger towns who are using TIF and a control set of similarly sized towns that she has been building since the late 1980's. The businesses interviewed were selected based on those communities for which we have quantitative data and an interview summary (see attached Business List).

2) *Interview script.*

There are many possible benefits and costs that may accrue from

assisting businesses. Based upon Professor LaPlante's framework used to delineate and study the benefits and costs of Coastal Enterprises' gap finance and other business assistance activities, we developed a framework to include public services and infrastructure investments, which might be funded by tax dollars. Appendix 3 shows some benefits and costs that may be relevant to tax increment financing. Delineating a framework for measuring Return on Taxpayer Investment (*ROTI*) requires casting a broader net if all costs and benefits are to be included (see Appendix 4 for Interview Questions). This analysis has not attempted to address every possible benefit and cost, but instead has focused on eliciting the following from businesses:

- Systematic information about public benefits that have accrued as the result of their having TIF;
- Costs and unintended, negative consequences;
- Viewpoints on the desirability of business assistance in Maine;
- Any overlooked aspects of benefits or costs; and
- An assessment of whether and how the willingness of the community to assist them "made a difference" with respect to where they are today.

3) Report Findings.

The final report will be divided into two parts. The first part will include a series of individual case studies that will include fiscal, tax, economic, and demographic information; relevant abstracts from interview(s) with one or more local officials (conducted previously by the TIF capstone team); and a summary of the interview with a business in each case study town. The second part of the report will synthesize the findings from individual case studies with respect to the public benefits of TIF, the costs and unintended consequences of TIF to businesses, any overlooked aspects of benefits and costs, and how the willingness of communities to support businesses with TIF is perceived by firms.

IV. INDIVIDUAL CASE STUDIES:

This report is divided into two parts. The first part of the report is a review of the individual case studies and their respective community. The second part is a synthesis

of the findings from the individual case studies with respect to the public benefits and costs of economic development incentives as perceived by firms in relation to the willingness of communities to support businesses with TIF.

The time involved interviewing several hundred businesses around the state is beyond the scope of a single capstone. However, a small number of businesses could be selected to garner rich information about TIF in the state of Maine. The following communities and businesses were selected based upon the availability of local demographic and economic data:

A) Bath and Bath Iron Works

As mentioned in the Executive Summary, Bath Iron Works is what some people might classify as Maine's example of Mercedes Benz. In 1997 BIW approached the City of Bath and the State of Maine to negotiate a package of tax incentives that would offset the rates and costs of BIW's capital investment to improve their competitive position. All totaled, the incentives package adds up to \$194 million; the City of Bath approved approximately \$80 million in Tax Increment Financing; the Business Equipment Tax Reimbursement Program is providing approximately \$54 million; and the legislation approved by the State of Maine provides approximately \$60 million through the deferral of payroll tax withholding.

Bath is a medium sized community located along the Kennebec River in Sagadahoc County. The community has a population of approximately 9,266³ people, which accounts for less than 1% of the State of Maine's total population. However, the City is home to one of the State of Maine's largest employers; Bath Iron Works, which makes up approximately 9.5%⁴ of the state of Maine's manufacturing employment. Overall, the population of Bath is slightly younger than the State average because of a larger under age (≥ 18 years old) population⁵. The Median Household Income for Bath in 1998 was \$32,768, just above the Statewide Median Household Income of \$32,222⁶. Additionally, Bath

³ US Census Bureau, Census 2000 Redistricting Data (Public Law 94-171) Summary File, Bath city, Maine, PL1, PL2, PL3, and PL4.

⁴ Calculation based on US Bureau of the Census, 1997 Economic Census data, Bath, ME.

⁵ Census Bureau, Census 2000, Summary File, Bath city, Maine.

⁶ Maine Department of Education, Claritas Corporation, Updated 1990 Census data, US Census Bureau.

generates approximately \$74.8 million in retail sales activity, which accounts for less than 1% of the statewide total retail sales activity⁷. Bath's economy while diverse in terms of the number of establishments in retail trade; professional, scientific & technical services; and health care & social assistance industries, is inextricably tied to the success or failure of BIW because of the estimated 7,800 employees who work at the shipyard and their corresponding payroll.

The City of Bath has a total property tax assessment of \$9,654,340 with a MIL Rate of 19.93 as of 1998⁸. The total tax assessment of Bath is almost 1.3% of the total State assessment of \$761,788,820⁹ and their MIL Rate is approximately 2 points higher than the median¹⁰ MIL Rate for the State of Maine. The 1998 Median Home Value in Bath was \$100,954, which is slightly below the Statewide Median Home value of \$101,415¹¹. Based on the 1998 MIL Rate, the Median Home generated \$2,012 in tax revenue of which 55.6% was used for educational purposes and 44.4% was spent on non-educational purposes¹². Bath has approved 3 TIF districts over the years, however BIW is the only active TIF in the municipality. Bath did not have a TIF Policy at the time that this study occurred¹³.

1) Bath Iron Works

Bath Iron Works was founded in 1884 on the Kennebec River in the City of Bath. The company has grown into a complete ship design and construction company with its primary design/build facility in Bath, a pipe and sheet metal fabrication plant in Brunswick and an overhaul and repair facility in Portland, which was just sold to a shipyard in Croatia as part of the City of Portland's waterfront revitalization plans. Today, the operation employs approximately 7,800 people at an average wage rate of approximately \$17.91 per hour based on the 1999 average workweek of 40.8 hours for Production Workers Employed

⁷ Census Bureau, 1997 Economic data.

⁸ Maine Bureau of Revenue Service, Municipality Valuation Returns, and, Maine Municipal Association, Annual Fiscal Survey of Municipalities.

⁹ Ibid.

¹⁰ The median Mil Rate of 17.97 for the State of Maine was used in this study because of the skewing of the statewide average Mil Rate by small communities to 14.96.

¹¹ Dept. of Education, Claritas Corp., 1990 Census update.

¹² Dept. of Education, Web Site, and, MMA, Fiscal Survey.

¹³ John Bubier, Interview by Roger Bondeson, Todd Duchaine and Theresa Savoy, 1998, Phone interview transcript, Maine.

in Manufacturing Industries in Maine¹⁴. This wage is almost \$4 per hour higher than the 1999 Average Hourly Earnings of \$13.97 for Production Workers Employed in Manufacturing Industries in Maine¹⁵. Approximately 15% of staff are considered management and 85% of staff are skilled, requiring specialized training or certification. The company offers health and dental insurance, paid vacation and on-the-job training, which add up to approximately \$3.5 million in benefits annually.

The purpose for the TIF as well as the other incentives provided to BIW was to off-set the costs of the infrastructure and site improvements undertaken by BIW to eliminate the competitive disadvantage of BIW's production facility and process, relative to the competitive advantages of BIW's rivals. As Kevin Gildart explained:

“...in a very competitive industry, if you're going to make a significant capital investment to improve your competitive position, one of the things that we have to look at is what is it going to cost you to do that, and how does that affect your cost structure and your rates going up. ... If you're trying to reduce your overhead so your competitive rates are lower, you've got a challenge if you're going to spend \$218 million. ... To depreciate the value of that over time is going to add to your overhead rates over time and then you're not accomplishing what you set out to accomplish.”

The benefits of TIF to BIW are the improved competitive advantages and strategic positioning of BIW for future contracts that the upgraded facilities allow, as illustrated by the new DD-21 contract. These upgraded facilities will further strengthen BIW by reducing the costs of production, thereby improving profitability and the long-term viability and security of BIW as a “going concern” for the State of Maine's economy.

“As a result of that tax incentive [package], [BIW] won a lead position on DD-21, which is 32 ships total. We'll build 16 of them. It gives this company work out through 2015. We also won a six-ship award on the destroyer program, which is a \$2.1 billion award. And all that happened because of the land-level [facility] and the tax incentives. The land-level [facility] is going to give [BIW] 300,000 labor hours of savings per ship by building the ship in that kind of an environment as opposed to how we're building now” stated Kevin Gildart.

¹⁴ Department of Labor, The Maine Employment Statistical Handbook: 1999. (Augusta, Maine: Division of Labor Market Information Services, November 2000), 390.

¹⁵ Ibid.

This can be translated into tangible benefits in the form of tax revenue and job retention. BIW projects that the State of Maine will receive an estimated \$10 billion return on its investment over the next 20 years, mostly through corporate and payroll withholding taxes. Approximately \$20 million in new tax revenue from the land-level expansion of BIW will be received by the City of Bath after the TIF. Additionally, BIW estimates that 20,000 jobs outside of BIW will be supported over the next 15 to 20 years in Maine through spin-off effects of BIW's employment remaining stable, which represents approximately \$600 million in payroll.

According to Kevin Gildart this project could not have been done without the incentives package negotiated with the City of Bath and the State of Maine:

“and the reasons go back to my initial explanation... we needed a way to offset the costs of that investment to actually realize the competitive advantages that we wanted to get out of this project. ... Simply, it's allowed us to become more competitive in the business and secured lead roles in very important programs over multiple years. So it secures our future, it secures our employment levels [and] gives us the opportunity to compete.”

From BIW's perspective, the benefits to Bath and the State include:

- ◆ Job retention, and the creation of jobs over the next 15 years based on future contracts;
- ◆ Tax base security for Bath, where BIW represents approximately 30-40% of the city's tax base; and
- ◆ Economic vitality of a community, based on an estimated multiplier effect of 2-2.5 from employment at BIW.

The success or failure of any project or business is dictated by the return on investment. Will BIW and its parent company, General Dynamics, profit and benefit from the incentives package offered by the State of Maine and the City of Bath? Yes, and the State of Maine will continue to benefit from that profitability in the form of corporate taxes. As of 1999, BIW was the largest single corporate tax payer in Maine, paying \$8 million per year according to Kevin Gildart. “Does it really matter where it comes from?”

However, as Kevin Gildart went on to explain:

“What we don't ask ourselves often enough is, what did it mean to the people? What did it mean to the 7800 people that now work here? What did it mean to the 800 people we just hired? These are, except for the paper industry, the best-paying jobs in Maine. Especially for blue-collar workers. ... We just said ... everything looks like you're going to have a job here for the next 15 years because we're going to have work for the

next 15 years. That means you can raise your family, you can educate the kids, you can retire. We secured the future for workers in this State.”

“Everyone has to be judged on the merits of that particular case” Kevin Gildart continued. “We are unique because we’re so large and we have such an impact to the community -- to the economy.” For example, BIW is the largest employer for the Lewiston-Auburn MSA. The complexity and impact of the BIW project goes far beyond the City of Bath, the State of Maine, BIW or General Dynamics:

“This future has a significant impact on the Lewiston-Auburn economy. Now, Lewiston-Auburn didn’t make any investment here. The City of Bath did. But Lewiston-Auburn’s going to get a fair benefit of it. So isn’t Brunswick, so isn’t Wiscasset, so will Portland, Alna, and Waterville” stated Kevin Gildart. “...We were looking at a 15 to 20 year window and being asked to predict with a high degree of certainty and accuracy, what was going to happen. Nobody can do that.”

“TIF, done the right way for the right reasons, with the right opportunity, can pay back” explained Mr. Gildart. “General Dynamics is putting its own money up front on this. It’s our \$280 million that’s going to build this thing and not everybody appreciates that. The tax incentives only come over the next 20 years.”

Mr. Gildart went on to say that:

“...elected representatives have a responsibility and an obligation, and their job is to protect the interest of the citizens and the citizens’ money ... taxpayers’ money and I fully understand that and appreciate that. The challenge they have is dealing with predictability in dealing with the future.”

The desirability of economic development incentives is great because of the benefits to the community and economy. “So, my answer ... is, if it’s a good project -- if it’s a good risk investment, if the payoff is worth taking that risk in the investment, ... that’s worth a big risk” stated Kevin Gildart.

The issue is that the State of Maine is using TIF and BETR predominantly in a cookie cutter approach to solve the complicated problem of economic development incentives. As Kevin Gildart sees it, the form should be:

“... dictated by the circumstances. It is not a one size fits all and I think therein lies the challenge and I think we have a lot more work to do in this State to become innovative and create different forms of incentives that are more appropriate to the case. I think we have tried to make TIFs fit too many cases and I think in some cases, a TIF incentive is wrong. It is the wrong thing for a municipality to do in some circumstances, but because there hasn’t been other vehicles for such a conservatively minded State, we have had few other vehicles so we are trying to make one size fit all and therein lies the problem. There has got to be some

real balance there as well and that is where the State kind of has to look over things, you don't want to create a situation where one county or one town or one municipality is reaping huge advantages as a result of their incentive packages and disadvantaging the next town over or the next county over..."

The lack of a Statewide investment strategy could be promoting a hit or miss approach to incentivizing economic growth. "Good jobs are the issue" says Kevin Gildart. "Service jobs are not the answer – economic diversification is. Maine can not allow manufacturing employment to continue to decline."

B) Biddeford, and Soleras and Volk Packaging

The City of Biddeford has been utilizing TIF for the past six years to attract and retain business activity in the community. Probably the best know example was the JJ Nissen relocation and expansion from Portland to Biddeford in 1997. However, like most other TIF projects in the State of Maine, Soleras Ltd. and Volk Packaging are more traditional examples of how Biddeford has used TIF to retain "traditional" industry and assist newer, high tech industry expand within the community.

The City of Biddeford has a total property tax assessment of \$18,873,532 with a MIL Rate of 19.02 as of 1998¹⁶. The total tax assessment of Biddeford is almost 2.5% of the total State assessment of \$761,788,820¹⁷ and their MIL Rate is approximately 1 point higher than the median MIL Rate for the State of Maine. The 1998 Median Home Value in Biddeford was \$121,751, which is 20% higher than the Statewide Median Home value of \$101,415¹⁸. Based on the 1998 MIL Rate, the Median Home generated \$2,315 in tax revenue of which 51.6% was used for educational purposes and 48.4% was spent on non-educational purposes¹⁹. Biddeford has approved 7 TIFs to five companies over the years, of which only one was used to attract a business from another community to locate in the municipality. Biddeford has a TIF Policy which requires companies to report on jobs created or other criteria and establishes a penalty for companies that do not meet set criteria²⁰.

¹⁶ Bureau of Revenue, Valuation Returns, and, MMA, Fiscal Survey.

¹⁷ Ibid.

¹⁸ Dept. of Education, Claritas Corp., 1990 Census update.

¹⁹ Dept. of Education, Web Site, and, MMA, Fiscal Survey.

²⁰ Robert Dodge, Interview by Roger Bondeson, Todd Duchaine and Theresa Savoy, 1998,

Biddeford is a large community located along the Saco River in York County. The community has a population of approximately 20,942²¹ people, which accounts for approximately 1.6% of the State of Maine's total population. Since the outflow of textile and leather industries during the 1950's the City has focused on diversifying it's economy by constructing four industrial and business parks. Overall, the population of Biddeford is slightly older than the State average because of a smaller under age (≥ 18 years old) population²². The Median Household Income for Biddeford in 1998 was \$31,068, almost 4% below the statewide Median Household Income of \$32,222²³. Additionally, Biddeford generates approximately \$180.6 million²⁴ in retail sales activity, which accounts for 1.4% of the statewide total retail sales activity. Biddeford's economy is fairly diverse with Manufacturing; Retail trade; and Health care & social assistance making up the three largest industries. Retail trade represents the largest number of establishments with 102, while Manufacturing is the largest employer at 1,990, generating approximately \$58.5 million in payroll and \$295.6 million in sales and receipts annually (2.1% of Maine's Manufacturing sales/receipts)²⁵.

1) Soleras, Ltd.

Soleras was incorporated in 1977 and has been located in Biddeford since 1989. The company is a manufacturer and distributor of high purity metal and special alloys to the vacuum coating industry. These metal and special alloys are used in the sputtering deposition and vacuum coating process, which is applied to products in the semiconductor, compact disk and computer industries, as well as glass ware and other products. The company moved to its current location 1996 and now employs approximately 60 full time people. The average wage is \$13.90, which mirrors the 1999 Average Hourly Earnings of \$13.97 for Production Workers Employed in Manufacturing Industries in Maine²⁶. Additionally, the company offers health and dental insurance (health is 100% covered for individuals), vacation time, education reimbursement and profit

Phone interview transcript, Maine.

²¹ Census Bureau, Census 2000, Summary File, Biddeford city, Maine.

²² Ibid.

²³ Dept. of Education, Claritas Corp., 1990 Census update.

²⁴ Census Bureau, 1997 Economic data, Biddeford, ME.

²⁵ Ibid.

²⁶ Dept. of Labor, 1999 Statistical Handbook, 390.

sharing. Approximately 12% of staff are considered management and 67% of staff are skilled, requiring specialized training or certification.

The purpose for the TIF was a credit enhancement to assist the business with the financing of the construction of the new facility as well as the acquisition of new machinery and equipment. As Dean Plaisted explained:

“...the bulk of it is we got a better facility. We were crowded for space and we had an illogical or not well functioning layout in the building we were in. So when we moved into [this building], we got a more competitive position as a company. Price-wise, from the way we operate, savings in reduction in costs, and being able to offer more one-stop shopping for some of our customers by being able to add some new capacities that we didn't have in certain vacuum heat treatment and vacuum melting capabilities.”

The benefit of TIF to Soleras was that the new facility improved the company's competitive position through product diversification and sales. Mr. Plaisted went on to explain that:

“When we were looking -- we were fairly highly leveraged when we looked to move out of our current facility that we were in at the time, into this facility. And we had to come up with a certain percentage for the mortgage and construction. The company was experiencing some growth, and incentives, especially like the TIF and some other things that were done, were critical to put it over the edge and make it real, and give ourselves a working financial picture versus an adverse.”

According to Dean, this project could probably have been completed but over a much longer time line and with more financial difficulties. The following benefits are returned to Biddeford:

- ◆ New job creation projected at 15 positions, and the retention of existing jobs over the next 5 years; and
- ◆ Tax base expansion and diversification for Biddeford.

The benefits of economic development incentives to the economy and the community dictate that:

“Maine does need some tools to be able to attract businesses or to retain current ones or perhaps attract outside” stated Dean Plaisted. “If the economy takes a diverse turn, from whatever it be, consumer spending, interest rates or what have you, the economy shifts or whatever, the City isn't as vulnerable. So it has a better-diversified tax base as a result of the TIF.”

“My only caution is getting too aggressive and putting all your eggs in one basket, and offering everything you can offer and the town can absorb and the town can deal with, into maybe one package” concluded Dean Plaisted.

2) Volk Packaging, Corporation

Volk Packaging was founded in 1967 by Benjamin and Ken Volk as a designer and builder of corrugated boxes and has developed into a custom design and manufacturer of protective packaging products. The company began operating in Biddeford in 1968 with 5 employees, occupying a 22,000 sq. ft. facility and was the very first tenant in the Biddeford Industrial Park.

Today, Volk Packaging occupies a new 141,000 sq. ft. facility and employs 103 people at an average wage rate of approximately \$12.73 per hour based on the 1999 average workweek of 40.8 hours for Production Workers Employed in Manufacturing Industries in Maine²⁷. This wage is over \$1 per hour lower than the 1999 Average Hourly Earnings of \$13.97 for Production Workers Employed in Manufacturing Industries in Maine²⁸. Approximately 6% of staff are considered management and 80% of staff are skilled, requiring specialized training or certification. The company offers health insurance (50% covered by Volk), dental insurance (voluntary), accidental death, paid vacation, on-the-job training (MS Office and customer service at YCTC), scholarship program for employee children and 401k with company match of 1% to 4%.

The purpose of this TIF was to function as a credit enhancement to offset the public infrastructure cost of developing the new site.

“...It’s a very competitive environment in a lot of towns and a lot of our associates are from Biddeford, Saco, Kennebunk, Sanford. They’re all very close to the office here and we really didn’t want to leave this area” explained Douglas Volk.

The overall TIF is for 20 years with an effective rate of 75%; 90% during years 1-10, 75% years’ 11-14 and 50% years 15-20.

“We did meet with city officials in other towns ... to look at sites and existing buildings, and just do our due diligence and really try to figure out what it is we wanted to do. Then we talked to [the City of Biddeford] and they helped put [the TIF] together. So they’ve been very supportive. Our commitment was to Biddeford and they did everything they could to keep us here.”

The benefits of TIF to Volk are the improved competitive position and strategic planning, which the new facility and infrastructure improvements afford the company. That includes product and sales diversification, increased

²⁷ Ibid.

²⁸ Ibid.

productivity, improved management/operations, and planning, which have all improved profitability. According to Douglas Volk, the TIF has provided Volk Packaging with the opportunity to continue to grow and operate in Biddeford:

“The most important benefit we received is the opportunity to grow this business and be around. Had we not done this, we would have had a very difficult time with all the consolidation in our industry, probably somebody would have come in [and] scooped us up. ... We’re more cost-effective now and more competitive as a result. We’re incredibly more efficient. We had one of the biggest volume months we’ve had in the history of the Company in April of this year {1999} and people were surprised. They didn’t realize how busy we were because things just flow through here so much more efficiently. Now we can handle three times the amount of business we’re doing right now in this plant right here.”

But the benefits of the TIF go beyond just efficiency explained Douglas

Volk:

“It’s allowed us ... to provide more services to our customers as far as inventories, just in time deliveries. We need to put a lot of money right back into the operation, because our competition still contains the International Papers, Union Camps and Weyerhaeusers [who] are spending millions and millions of dollars. Our feeling is that we’ll never have the resources to go out and compete with that. Never, but what we want to do is make sure that we still see them, [that] we’re not that far behind. From a technology standpoint, through we’re right up there.”

This project would probably not have occurred without the TIF negotiated with the City of Biddeford:

‘If we hadn’t moved from there over here, my feeling is three or five years [and we] would [have been at] a severe competitive disadvantage. We couldn’t grow; couldn’t be cost-effective. We took a 56,000 square foot building and added 85 (thousand square feet) to it, ... which will allow us to grow well into the future. It’s somewhat larger than we need today, but three - five years from now, we’ll grow into it and it’s very comfortable, ... which is nice because that makes people more efficient” stated Douglas Volk.

From Volk’s perspective, the benefits to Biddeford include:

- ◆ New job creation, and the retention of existing jobs over the next 20 years;
- ◆ Tax base expansion and diversification for Biddeford;
- ◆ Improvement of blighted area (the old building was vacant prior to Volk’s acquisition);
- ◆ Increased economic vitality of the community; and
- ◆ Community involvement of Volk employees (project sunrise, YCTC, YCDC, corporate contributions and involvement in community).

As Douglas Volk explained:

“This Industrial Park had really fallen on some hard times, there’d been several bankruptcies in the Park. We’ve been a shining star in this Industrial Park. So it gives us a chance to really upgrade the whole Park and this facility is very attractive. So it’s an opportunity to bring new investment into the City and to help other businesses [that] may want to look in the area and everybody wins with that.”

Mr. Volk went on to say that:

“I’m on the Board of the Workforce Development Center and Private Industry Council. I certainly strive to be a good corporate citizen, supporting as many organizations as we can: United Way, Project Sunrise, the High School, the York County College Endowment.”

However, there were several cost overruns which occurred, contributing to the need for the TIF. Site development costs exceeded projections due to extra ledge work as well as machinery and equipment price increases that were all unanticipated.

“It was close to a million dollars probably over budget, which is a lot of money, but when we’re talking about equipment in our industry, you can spend that kind of money fairly quickly on equipment. It’s very capital intensive. Of course, we bumped into a lot of ledge out there, which really caused us a lot of aggravation and that wasn’t included in any of the projections or anything. They were blasting out there for weeks” stated Douglas Volk.

The TIF has allowed Volk to expand into new foam products, which are custom designed and value-added from Douglas Volk’s perspective:

“We’re going into a new product line which is something that we probably would never have been able to do. A whole new venture where we use polyethylene polyurethane foam as part of our packaging with high-tech, higher end value products to provide cushioning gradient type protection. ... A little diversification that’s ... allowed us to move more into the value added product line. We have a dust-free environment where we do more with the air so we’re doing more high-quality graphics work.”

“TIF is not the answer but is one piece of the pie” explained Douglas Volk. TIF “makes Maine more economically attractive. ... We needed it. We needed the City behind us. We really did. And I think this showed us that the City was behind us to support this.”

From Douglas Volk’s perspective, the desirability of economic development incentives is great. As he explains:

“Why locate in Maine unless you like the quality of life or you have to be here. Cost-wise you put yourself at a tremendous disadvantage. Labor-wise, I think you’re probably at a big disadvantage, especially as you head north. Your utilities, your transportation --everything is more.”

Mr. Volk went on to explain that:

“Communities in Maine have to offer [TIF]. The reason being is

businesses are going to need some help to make the decisions to either stay in Maine or relocate to Maine because of its higher costs. We need manufacturing jobs in this State. That's where the value-added products that we need are. Once you lose a business, you don't replace it up here and it's a shame. So Alabama and Mississippi and those places, will do anything to get you down there. So we have to do what we can and I would strongly recommend that we continue these types of programs. I think that the payback is there. I don't know what the numbers are, but we all need people there working in this area, supporting all the local businesses in this area - the gas stations, the hardware stores, the restaurants. We just have to continue to make Maine a more economically attractive place to do business.”

C) Lewiston and Lewiston Raceway

The City of Lewiston was one of the first communities to utilize TIF as a financing alternative with the Bates Mill Project. The Lewiston Raceway project, started in 1989 is an excellent example of a district approach to financing traditional infrastructure costs and improvements required to make a large site developable.

Lewiston is the second largest community in Maine located along the Androscoggin River in Androscoggin County. The community has a population of approximately 35,690 people, which accounts for almost 3% of the State of Maine's total population²⁹. While the City has made great strides towards diversifying its economy away from textile industries and into Retail trade, and Health care and social assistance industries, the city has been able to preserve a large Manufacturing presence which accounts for over 4% of the state of Maine's Manufacturing establishments³⁰. However, like many older mill communities, the City has significant infrastructure, which places a drain on City resources.

Overall, the population of Lewiston is older than the statewide average because of a smaller under age (≥ 18 years old) population. The Median Household Income for Lewiston in 1998 was \$27,789, the lowest Median Household Income among the six communities involved in this study at almost \$4,500 below the Statewide Median Household Income of \$32,222³¹. However, Lewiston generates approximately \$593.1 million in retail sales activity, which

²⁹ Census Bureau, Census 2000, Summary File, Lewiston city, Maine.

³⁰ Census Bureau, 1997 Economic data, Lewiston, ME.

³¹ Dept. of Education, Claritas Corp., 1990 Census update.

accounts for more than 4.6% of the statewide total retail sales activity³².

The City of Lewiston has a total property tax assessment of \$33,564,798 with a MIL Rate of 26.02 as of 1998³³. The total tax assessment of Lewiston is almost 4.5% of the total State assessment of \$761,788,820 and their MIL Rate is approximately 8 points higher than the median MIL Rate for the State of Maine³⁴. The 1998 Median Home Value in Lewiston was \$101,529, which approximates the Statewide Median Home value of \$101,415³⁵. Based on the 1998 MIL Rate, the Median Home generated \$2,642 in tax revenue of which 42.3% was used for educational purposes and 57.7% was spent on non-educational purposes³⁶. Lewiston has approved 3 TIF districts over the years, of which all three are active in the municipality. Lewiston has a coordinated TIF Policy with the City of Auburn, which requires companies to report on jobs created or other criteria and establishes a penalty for companies that do not meet set criteria³⁷.

1) Lewiston Raceway

The Lewiston Raceway project is a 66-acre site of the former Lewiston Raceway and mobile home park, which is being redeveloped into a business park with potential build-out of 700,000 square feet of commercial space. "The entire 66-acre parcel is a TIF District, so any building or improvements on this parcel falls into that district." The project was initiated in 1989 and the corresponding TIF has been amended 2 times for new projects since the start-up. Today, the district houses 6 companies, employing approximately 1,200 people from \$7.00 - \$10.00 an hour. Companies include Medaphis, ICT, Peoples Heritage Bank, the State of Maine Departments of Labor and Mental Health, Goodwill Industries Westside Rehabilitation Center, USA Optical and Sysco. These wages are between \$2 - \$4 per hour lower than the 1999 Statewide Average Service Sector Wage of \$11.75 for Workers Employed in Service Industries in Maine³⁸. As Jim Day explained:

³² Census Bureau, 1997 Economic data, Lewiston, ME.

³³ Bureau of Revenue, Valuation Returns, and, MMA, Fiscal Survey.

³⁴ Ibid.

³⁵ Dept. of Education, Claritas Corp., 1990 Census update.

³⁶ Dept. of Education, Web Site, and, MMA, Fiscal Survey.

³⁷ Richard Metivier, Interview by Roger Bondeson, Todd Duchaine and Theresa Savoy, 1998, Phone interview transcript, Maine.

³⁸ Dept. of Labor, 1999 Statistical Handbook, 404.

“This is somewhat of a unique TIF; this was somewhat speculative on the city’s part, however very well defined. Lewiston Raceway was paying \$15,000 in taxes prior to this development and now is responsible for [its tenants pay] over \$500,000 in taxes to the city.”

The purpose of the TIF was for the construction of Mollison Way, including a traffic signal at the park’s entrance and the extension of utilities from Main Street into the park. “The district would receive that incremental increase in value available to it for its calculations on any building, whether I develop it or sell the real estate to someone else who develops that building” stated Mr. Day.

The two amendments to the TIF agreement have been credit enhancements for businesses to locate in the Lewiston Raceway.

“For [Lewiston] to get new companies to want to come here, they need to get a little more competitive in their tax environment and the TIF helped assist that. ... The city wanted to compete, offered an incentive; we in turn reduced our bid by that amount and passed it in” explained Jim Day.

The greatest benefit of TIF to the Lewiston Raceway project has been TIF’s ability to maintain the momentum of development. By using the TIF Amendments to incentivize businesses to locate in the Lewiston Raceway District, Lewiston Raceway and the City of Lewiston can work collaboratively to keep construction costs and times competitive with alternative site locations:

“Combining the TIF district and the sub-division already in place, new tenants are able to develop on this property in one meeting in front of the Planning Board, verses the three meetings a normal project would take. ... People’s decision-making periods are not a year out in advance; they are six months at most. ... TIF helped assist ...[with the] ... \$1.2 million [ICT] project ... that we performed in less than two months, from beginning to end; the Planning Board through building the 500 square foot expansion” stated Jim Day.

The TIF function, improves each business' financial viability of locating in the Lewiston Raceway versus alternative locations. The district could have been developed without the TIF negotiated with the City of Lewiston, but with much greater difficulty. Jim Day explained that:

“...the city invested \$750,000 and we in turn guaranteed payments on the money until such time as the TIF or the increase in taxes paid for the bond payment. We basically, used the city’s borrowing power and their leverage to help position our property at very low interest rates and succeeded.”

From Jim’s perspective, the benefits to Lewiston from this TIF include:

- ◆ New job creation, and the retention of existing jobs over the next 20 years;
- ◆ Tax base expansion and diversification for Lewiston;

- ◆ Improvement of a blighted area; and
- ◆ Economic vitality of a community.

As Jim Day explained:

“The city was able to partner with us in the TIF. They positioned this property for real estate development that would spurn other economic development and economic benefits in...job creation, real estate and personal property. These are all measurable amounts that help justify their financial investment and makes it a better deal for the community.”

Economic development incentives are desirable for Maine because of their ability to leverage investments and level the playing field. However, Maine must:

“Maintain flexibility” stated Jim Day, “I have seen economic times in the 1990’s where...[we]...would have traded a lot just for jobs. I have seen now where they don’t feel that is the important trait.”

Should our economic circumstances change, we must have flexibility in our program policies to adapt to those changes. Rigid policies and guidelines can create barriers to growth and development in an economic downturn. The City of Lewiston and Auburn’s new economic development policy specifically ties incentives to job creation and wage levels. If a project does not meet those specific job creation and wage thresholds, then the incentives are not available.

As Jim Day sees it:

“They have handcuffed themselves so they can’t be flexible for what the economic situations are going to be when it gets presented...they have disincentivized me to spec out a building, which is more taxes today.”

D) Portland, and Shipyard Brewing Company and Unum

The City of Portland has approved 8 TIF projects since 1994. For the largest community in the state, TIF has functioned more as a tool for business retention than as a tool for business attraction. But more importantly, Portland has used TIF predominantly for real estate improvement purposes, not as a credit enhancement, although every TIF functions ultimately as a credit enhancement. The two examples below are examples of how the City of Portland has utilized TIF to both attract a business and retain a business.

The City of Portland has a total property tax assessment of \$82,101,684

with a MIL Rate of 24.44 as of 1998³⁹. The total tax assessment of Portland is almost 11% of the total State assessment of \$761,788,820 and their MIL Rate is approximately 6½ points higher than the median MIL Rate for the State of Maine⁴⁰. The 1998 Median Home Value in Portland was \$134,384, which was the highest Median Home value of the six communities in this study and over 32% higher than the Statewide Median Home value of \$101,415⁴¹. Based on the 1998 MIL Rate, the Median Home generated \$3,285 in tax revenue of which 52.3% was used for educational purposes and 47.7% was spent on non-educational purposes⁴². Portland has approved 8 TIF districts over the years, including one to BIW, which is the only company to have historically received TIF from more than one municipality in this study. Portland has a TIF Policy that requires companies to report on the status of their TIF but does not establish a penalty for companies that do meet set criteria⁴³.

Portland is the largest city in the State of Maine located in Cumberland County at the mouth of the Fore River on Casco Bay. The community is the largest community in the State of Maine with a population of approximately 64,249 people, which accounts for more than 5% of the State of Maine's total population⁴⁴. The City is home to several of the State of Maine's largest employers, including the former dry dock facility for Bath Iron Works. As Maine's largest community, Portland functions as the economic center for more than just the surrounding region. While Manufacturing sales/receipts ranked third in the community at \$624.8 million (over 4% of the state total), Retail trade; Professional, scientific & technical services; and Health care & social assistance all ranked higher in the number of establishments, accounting for anywhere from 6% to over 17% of the states industry (see Appendix 5)⁴⁵. Overall, the population of Portland is slightly older than the State average because of a smaller under age (≥ 18 years old) population. The Median Household Income for Portland in

³⁹ Bureau of Revenue, Valuation Returns, and, MMA, Fiscal Survey.

⁴⁰ Ibid.

⁴¹ Dept. of Education, Claritas Corp., 1990 Census update.

⁴² Dept. of Education, Web Site, and, MMA, Fiscal Survey.

⁴³ Mark Jennings, Interview by Roger Bondeson, Todd Duchaine and Theresa Savoy, 1998, Phone interview transcript, Maine.

⁴⁴ Census Bureau, Census 2000, Summary File, Portland city, Maine.

⁴⁵ Census Bureau, 1997 Economic data, Portland, ME.

1998 was \$31,862, just below the Statewide Median Household Income of \$32,222⁴⁶. Additionally, Portland generates approximately \$1.3 billion in retail sales activity (10% of Maine's annual retail sales) and almost \$1.5 billion in Wholesale trade shipments, sales and receipts, which represents over 20% of the statewide wholesale trade activity (see Appendix 6)⁴⁷.

1) Shipyard Brewing Company

Shipyard Brewing company is a bottler and distributor of Micro-brewed beer throughout New England. The company was started as Kennebunkport Brewing Company in 1992 by Fred Forsley and Alan Puglsey at Federal Jack's Brewpub in Kennebunk. In 1994 Fred and Alan spun off the restaurant side of the business to create Shipyard Brewing Co. and relocated the brewery operations to the old Jones & Laughlin foundry site in Portland.

The Portland site had a number of issues including being classified by the Department of Environmental Protection as a Super Fund Site. As such, there were a number of problems, which needed to be overcome in order for the project to move forward. The City of Portland felt that the redevelopment of the then vacant facility warranted their participation and on May 9, 1994 after approximately 5 months of negotiations and hearings, the Portland City Council authorized the TIF. Fred Forsley explained that:

“the real estate here was available at a real reasonable price because the property had been sitting vacant for ten years and it had been badly vandalized and had a lot of problems with vagrants living in and around the property. Additionally, it had a number of environmental issues; substantial contamination problems. So consequently, it would take a unique player to get involved in the site. It probably would be more profitable if we were off in an industrial park someplace. I don't think our costs would be as high, all things considered. In retrospect, I think it was as much of a benefit or more to the City of Portland than the ultimate structure of our business, because we probably would have located in Connecticut and been closer to the major metropolitan markets and gotten that support down there hopefully, with the Shipyard brand.”

All totaled, the project was projected to generate approximately \$1.6 million in new tax revenue from the rehabbed real estate alone over the term of the TIF (11 years). The real estate holding company is to receive 90% of

⁴⁶ Dept. of Education, Claritas Corp., 1990 Census update.

⁴⁷ Census Bureau, 1997 Economic data, Portland, ME.

revenues during years 1-6 and 50% of revenues during years 7-11, which works out to be an effective return of 62% of new tax revenues over the 11 year term. It should be noted that the TIF only relates to the real estate and does not include the estimated \$450,000 in machinery and equipment associated with the brewery operation.

As of 1999, Shipyard employed 20 full time and 3 part time people at an average wage rate of approximately \$11.78 per hour based on the 1999 average workweek of 40.8 hours for Production Workers Employed in Manufacturing Industries in Maine⁴⁸. This wage is just over \$2 per hour lower than the 1999 Average Hourly Earnings of \$13.97 for Production Workers Employed in Manufacturing Industries but almost \$1.60 per hour higher than the Average Hourly Earnings of \$10.19 for Food & Kindred Product Workers in Maine⁴⁹. Approximately 20% of staff are considered management and 90% of staff are skilled, requiring specialized training or certification. The company offers health insurance (85% company paid for family coverage with co-pay), cafeteria plan (pre-tax, dependant care), dental insurance (100% employee paid with no deductible), \$50k in life insurance (100% company paid), paid sick leave and vacation, on-the-job training (management training program), bonus plan based upon evaluations and a 401k.

The purpose for the TIF was to offset the infrastructure and site development costs, required to make the site usable given the environmental contamination. This included the removal of four buildings on the site and the reestablishment of the marker for Longfellow's birthplace.

"Henry Wordsworth Longfellow was born in the house down here that was torn down in the '50" explained Fred Forsley. "There's a rock from his uncle's farm, and there's a plaque that was on the rock. The story was that the plaque was ripped off and was stolen and taken away. When we were renovating the sidewalk, we actually -- Gordon Hurtubise actually ended up uncovering it and we were able to clean it off and re-fix it to the birth site."

The benefits of the TIF to Shipyard were the upgrade of the company's facilities and infrastructure improvements, which have allowed Shipyard to grow and expand production and profitability. The upgraded facilities and

⁴⁸ Dept. of Labor, 1999 Statistical Handbook, 390.

⁴⁹ Ibid.

infrastructure improvements have had a measurable impact on the company's ability to attract national attention and in 1996 Miller Brewing Company established a partnership with Shipyard. While the partnership has not taken Shipyard nationally, it has provided shipyard with access to national programs, products and capital that might not have otherwise been available to a Maine based brewery.

"It's a unique industry in that the better you do the more capital you need for ... more equipment. You never really get to a point when you're growing, you've paid for that equipment and now we're set for a period of time" said Fred Forsley.

This project could not have been done without the incentives package negotiated with the City of Portland because of the extent of the site improvements. Sidewalk improvements cost \$250,000 more than projected.

"We're not about giving away public funds" said Fred Forsley "...but we are about using public funds to increase opportunities for the community. ... We're willing to take a little bit of a risk."

In fact, the costs of the site improvements contributed to Shipyard need to look for the partnership with Miller Brewing Co.

"I felt strongly that a microbrewery would benefit the community by being there, to become a tourist attraction. It could be a good fit because you'd be exposed to a lot of people in a downtown area versus off in an industrial park and I saw it as a real marketing tool" stated Mr. Forsley

Shipyard's redevelopment of the site has:

- ◆ Acted as an anchor for the further rehab and development the neighborhood by other businesses, including:
 - ARI Insurance, and
 - Coffee By Design;
- ◆ New job creation over the next 11 years;
- ◆ Expansion and diversification of Portland's tax base;
- ◆ Improvement of a blighted building/area (new sidewalks, restoration of Longfellow birthplace marker and increased parking); and
- ◆ Economic vitality of community based on:
 - national recognition of product through Miller partnership with 1,000 corporate visitors to Portland during last three years, and
 - public exposure through Orlando Airport Pub;
- ◆ Mitigation and revitalization of a Super Fund Site; and

◆ Corporate citizenship.

As Fred Forsley explained:

“We’ve had national exposure, it’s a tourist attraction. I would guess close to a thousand visitors have been here from New York to Milwaukee. ... It has improved the dilapidated block in the City; two or three [buildings] that were vacant are full -- Coffee by Design, a bakery, and a real estate/insurance company went in and renovated it. ... We’ve become a corporate citizen, [by supporting] the Abyssinian Church, countless nonprofit type events, allowing the police department to park here and [being] a member of the Munjoy Hill Neighborhood Association.

The unforeseen costs had a negative impact on Shipyard’s ability to complete the project. “If I had to do it back over again, I’d do a longer term” stated Mr. Forsley.

“And I would try to have gotten [the TIF] more aggressive because I ended up spending \$250,000 in infrastructure on sidewalks. When I got into the construction, the costs ended up being a lot greater than I thought.”

The USM, SMTC relationship and educational network is critical to our future economic success and needs to be developed further.

“Somehow tying those relationships together to provide...the population, the people that are going to do the job in the future, so that they’re being funneled through to work the opportunities, is tough” stated Fred. “Things like that are huge.”

The desirability of economic development incentives are critical to a small state like Maine. From Fred Forsley’s Perspective:

“It’s crazy, we all grew up here and we want to stay here; but it is very, very difficult. You look at all the taxes we’re paying. And then we look at, the potential of worker’s compensation going up, the unemployment compensation going up, it’s a tough game. I think Maine’s unique in that we’ve been able to keep small business around but people get most upset about TIFs when big companies get it because [people] don’t understand [that] without the TIF [the companies] can go so many other places. It’s tough to balance it because somebody says why should we give a TIF? Without them, I don’t know how a lot of the stuff’s going to get done.”

2) *Unum*

Unum/Provident, formerly Unum Life Insurance Company of America, is a provider of products and services for income and lifestyle protection from the impact of accidents and illnesses. This integrated portfolio of products and services is backed by industry-leading back-to-work resources and disability experience. Unum, located on outer Congress Street in the City of Portland, was

founded over 150 years ago. The company has been located in Maine for the past 110 years and looks to continue that relationship.

In 1993 Unum began to look at office space requirements and expansion possibilities, including opening a new office out of state. When the City of Portland heard that Unum was considering these options, the city approached Unum offering the company a TIF to expand its existing facilities on its outer Congress Street campus. David Brenerman explained:

“The City approached Unum when it found out that we intended to expand and that we weren’t sure where we wanted to expand. So they told us that Tax Increment Financing was available and we applied for it because it reduced the overall cost of building Home Office 3 (HO3). ... The question was did we want to expand here or around here; did we want to expand at one of our other sites in another community [like] South Carolina where we own a major facility and where we had moved our data processing unit; or did we want to continue to lease space. The TIF helped move the decision toward building on the campus in Portland. So it made it a more attractive alternative to the site decision.”

After some negotiations, Unum eventually accepted the City of Portland’s offer in August of 1994. However, with the economy the way it was at that time, Unum postponed construction of the new facility until 1998, at which time Unum broke ground on what was to become the largest office building in the State of Maine at 300,000 square feet. All totaled, Unum’s expansion was projected to be approximately \$36 million, generating an estimated \$13.7 million in new real estate tax revenues to the City of Portland. In return, Unum was to receive 75% of new tax revenues from their investment over the next 15 years.

Today, the operation employs approximately 3,600 people at an average wage rate of approximately \$21.68 per hour based on the 1999 average workweek of 40.8 hours for Production Workers Employed in Manufacturing Industries in Maine⁵⁰. This wage is over \$3 per hour higher than the 1999 Average Sector Wage of \$18.50 for Workers Employed in Finance, Insurance and Real Estate Industries in Maine⁵¹. The company offers health, dental, long term disability and care, life and accidental death & dismemberment insurance, paid sick leave and vacation time, on-the-job training and education reimbursement for bachelor degrees, Day Care center, stock option for officers

⁵⁰ Dept. of Labor, 1999 Statistical Handbook, 390.

⁵¹ Ibid.

and key employees and a 401k plan with 100% company match of first 3% and 50% match of next 2% of employee contributions.

The purpose for the TIF to Unum was to reduce the overall costs of the development that required the extension of public infrastructure, traffic improvements and DEP improvements, which increased costs and produced negative consequences for the project.

“There were some off-site improvements as well as on-site improvements that we wouldn’t have [had] to spend the money [on] if we did this in South Portland or Columbia, South Carolina” stated David Brenerman. ... “We had to do a separate entrance to Unum [and] pay for lights where that new entrance intersects with the new entrance to the airport. We also had to make changes at the intersection on Congress Street and Johnson Road and widen all the way up to our other entrance. So those were costs that were reported as part of the project and they have gone far beyond what we had anticipated. ... Building a building in Maine is more expensive than it is in other places and the TIF reduced the marginally higher costs of building in Maine - so it made it more realistic for us to keep [HO3] here.”

The infrastructure improvements and construction of the new office building, upgraded the company’s facilities and improved the company’s competitive position by centralizing staff, which has increased productivity and profitability through time savings between meetings etc. and in turn has strengthened the long-term security and viability of Unum as a “going concern” for the State of Maine. As Mr. Brenerman explained:

“It has allowed us to build a building that brings more of our employees together in one area rather than having them dispersed around Portland, Westbrook and South Portland. We still are going to have that, but we are going to be able to centralize more people on the campus in Portland. So that lessens costs and saves time because we have people who have to drive from place to place to go to meetings and things and as they say time is money. ... Ultimately it increases profitability. If you can own your own building at a reasonable cost and not have to lease space in the community that will hopefully over time save money.”

While Unum has reduced its middle management layer during 1999 through cost cutting lay-offs and the early retirement of approximately 350 people due to the merger with Provident, Unum’s continued presence in Portland benefits the State through:

- ◆ New job creation, and the retention of existing jobs over the next 15 years (claims area growth of 500 employees in 1999);
- ◆ Tax base security and expansion for Portland through the retention of one of the city’s largest tax payers; and

- ◆ Increased economic vitality of a community, based on:
 - Largest employee/corporate supporter of United Way of Greater Portland,
 - Day of Sharing volunteered at educational, cultural and social service organizations, and
 - Community involvement and contributions through Unum Foundation.

Whether this project could have proceeded without the TIF negotiated with the City of Portland is too difficult to answer because of how early TIF was offered in the site search process. Unum has always been interested in and committed to Portland, the issue has usually been a question of finances.

“The offer of the TIF came so early in the process that we almost didn’t have those choices to make” said David Brenerman. “Portland became viable financially and so I think we always wanted to, if we could, commit to Portland because many of our employees are here. South Carolina and other places that we could have gone are financially quite attractive, but ... when the TIF was offered and we worked out all the other numbers, it made Portland financially viable.”

However, TIF has provided an incentive to the newly formed Unum/Provident to maintain its presence in Portland because of the size of the investment. Therefore, the benefits of economic development incentives can never be set in stone because of the unpredictability of the future.

As David Brenerman explained, the desirability of economic development incentives as a subsidy will never change:

“Tax Increment Financing provides communities with the only method that they have to attract business, whether it be location, relocation, expansion. 20 years ago, communities built industrial parks and that was their way of attracting business. Put in the water and the sewer and power and come on in and locate in Portland or in Biddeford, and that was the subsidy. The new type of subsidy now is the TIF and I think it’s just as appropriate now to try to encourage businesses to expand or to locate in Maine.”

David Brenerman went on to explain that:

‘There’s not too many ways that you can use the property tax within the [Maine] Constitution - to provide incentives to businesses to locate. I think Tax Increment Financing seems to be the best way. Ideally, there would be no government involvement in trying to get businesses to locate anywhere. If the business wants to do it, it’ll do it. But in reality, we’re competing all over the world for business. And it’s not just Westbrook against Portland or Lewiston versus Auburn, or Lewiston versus Portland. It’s Portland versus Geneva, or Portland versus Columbia, South Carolina. It’s the kind of thing you hate to see, which is everybody else is

doing it so I have to do it. But that's the real world and if Maine doesn't have any incentives, then business would be encouraged to go elsewhere."

"It really doesn't matter what the business is, even if they have a lot of employees here" said Mr. Brenerman. "They can always put a branch somewhere else and hire people in that community. With computers, electronics and telecommunication systems, you don't have to have everybody in the same place. But people can be anywhere and so if Maine is behind the times, if the communities don't have a way to get people to come, then we will lose out in the long run in developing business in the State."

"The other tax programs – BETR – are very valuable" explained David Brenerman. "If you're not going to get rid of the taxes on machinery and equipment, then the BETR program is the next best thing. And obviously considering the amount of cost to the State's Treasury, the program is popular and businesses are increasing their investment in machinery and other equipment, so that demonstrates the value of the program. There's only so much you can do with taxes...to attract business."

David Brenerman concluded that flexibility is critical to the success of the program:

"Given some rational guidelines that are fair for businesses, TIFs are an appropriate way to get businesses to a community. I don't see, in Maine, what else you can do" stated Mr. Brenerman. "I think sometimes people want these programs to be a quick fix; if we give you a TIF, then we'll have 700 new jobs. Hopefully over time, there will be new jobs because the business expanded in a certain place; a whole new business came in and built a new building or bought a new piece of equipment. But the number of jobs that you add shouldn't necessarily be a condition of getting a TIF. I think you have to look at other factors."

E) Sanford and Rainbow Rugs, Inc.

The Town of Sanford has utilized TIF on a limited basis to attract and retain business activity in the community's industrial parks. The first use of TIF in the Town was five years ago to a privately held European company, which occupied an existing building near the Sanford Airport. Sanford, like other former mills towns in the State of Maine, has struggled since the exodus of the textile and shoe industry during the 1950's and 60's. Sanford, has made great strides towards reversing those loses through the development of industrial parks. Today, Sanford has a number of large high tech manufactures, which comprise the core industries, along with Retail trade and Health care & social assistance

as the largest employers⁵².

Sanford is a large manufacturing community located in the center of York County, accounting for almost 3% of the state's manufacturing employment⁵³. The community has a population of approximately 20,806 people, which accounts for almost 1.6% of the State of Maine's total population⁵⁴. The City is home to a large manufacturing base for York County built around several major high-tech, manufacturing companies. Overall, the population of Sanford is younger than the State average because of a larger under age (≥ 18 years old) population. The Median Household Income for Sanford in 1998 was \$30,035, below the Statewide Median Household Income of \$32,222⁵⁵. Additionally, Sanford generates approximately \$112 million in retail sales activity, which accounts for less than 1% of the statewide total retail sales activity⁵⁶.

The City of Sanford has a total property tax assessment of \$14,841,445 with a MIL Rate of 20.17 as of 1998⁵⁷. The total tax assessment of Sanford is almost 2% of the total State assessment of \$761,788,820 and their MIL Rate is approximately 2 points higher than the median MIL Rate for the State of Maine⁵⁸. The 1998 Median Home Value in Sanford was \$101,804, which is slightly above the Statewide Median Home value of \$101,415⁵⁹. Based on the 1998 MIL Rate, the Median Home generated \$2,053 in tax revenue of which 51.5% was used for educational purposes and 48.5% was spent on non-educational purposes⁶⁰. Sanford has approved 4 TIF districts over the years, of which 1 was to a business locating in Sanford from another municipality in Maine. Sanford has a TIF Policy, which requires companies to report on jobs created or other criteria but does not establish a penalty for companies that do meet set criteria⁶¹.

⁵² Census Bureau, 1997 Economic data, Sanford, ME.

⁵³ Ibid.

⁵⁴ Census Bureau, Census 2000, Summary File, Sanford town, Maine.

⁵⁵ Dept. of Education, Claritas Corp., 1990 Census update.

⁵⁶ Census Bureau, 1997 Economic data, Sanford, ME.

⁵⁷ Bureau of Revenue, Valuation Returns, and, MMA, Fiscal Survey.

⁵⁸ Ibid.

⁵⁹ Dept. of Education, Claritas Corp., 1990 Census update.

⁶⁰ Dept. of Education, Web Site, and, MMA, Fiscal Survey.

⁶¹ Richard Stanley, Interview by Roger Bondeson, Todd Duchaine and Theresa Savoy, 1998, Phone interview transcript, Maine.

1) Rainbow Rugs

Rainbow Rugs is a European company, which manufactures and distributes inexpensive floor coverings. The company started in Sanford over ten years ago as a distributor of finished products, manufactured in Belgium. Approximately eight years ago, the company built their current facility and began to import products that were then finished in Sanford and shipped across the country. Today, Rainbow Rugs handles the entire manufacturing process from loom to finish to wholesale or retail direct from its Sanford facility. The company employs 102 people at an average wage rate of approximately \$8.80 per hour based on the 1999 average workweek of 40.8 hours for Production Workers Employed in Manufacturing Industries in Maine⁶². This wage does not reflect any fringe benefits and is over \$5 per hour lower than the 1999 Average Hourly Earnings of \$13.97 for Production Workers Employed in Manufacturing Industries in Maine⁶³. Approximately 10% of staff are considered management and 30% of staff are skilled, requiring specialized training or certification. The company offers health (100% company coverage for employees) and dental insurance, paid vacation, on-the-job training and 100% educational course reimbursement, which equates to approximately a 23.5% load of wages annually.

The purpose of the TIF was to encourage Rainbow Rugs to locate its new US production process in Sanford instead of Burlington Vermont.

“Before the new looms came they had scheduled eight looms to Burlington at a yarn manufacturing plant” explained Gary Garrison. “The Town of Sanford wouldn’t allow a yarn manufacturing plant because of the tower that you need to have for the polypropylene pellets and the airport being so close. ... The recession started in ’93 - ’94 ... [and] ... Sanford said wait a minute, why don’t you come to the building, put your looms in place; we have this [thing] called a TIF [that] will help you defray some of the costs you’ve already acquired.”

The benefits of TIF and the commitment of Sanford to Rainbow Rugs are the improved competitive advantages and strategic positioning the expanded facility provides. The expanded facility will further improve profitability and the long-term security and viability of Rainbow Rugs as a “going concern” for the Town of Sanford. As Gary Garrison stated:

“It’s meaningful to the point that Sanford and Rainbow Rugs have a

⁶² Dept. of Labor, 1999 Statistical Handbook, 390.

⁶³ Ibid.

partnership together in keeping this business here. ... It's a relationship bond and so forth to being committed to staying. ... Overall, does the TIF money make a difference whether we're ... able to do some special things here in the building that we would not be able to do? Most definitely."

Without the TIF, the expansion would not have occurred in Sanford, and there is a question whether Rainbow Rugs would still exist in Sanford. From Rainbow Rugs' perspective, the benefits to Sanford include:

- ◆ New job creation (added over 80 new jobs since the TIF was implemented);
- ◆ Tax base expansion and diversification for Sanford; and
- ◆ Economic vitality of a community, (based on employment story and estimated multiplier effect from employment at Rainbow Rugs).

"What I mean is that we're tied in with the Town" said Gary Garrison. "We are able to do those extra things with that ... for training, schools and 401-K participation by the employees. Those three things add up to just about the TIF value."

Mr. Garrison felt strongly that the State of Maine lacks financial commitment and coordination of economic development incentives. As he put it:

"I don't think the State of Maine ... has done everything it possibly can do for business growth in this State. ... For small to medium companies that are going to be hiring between 10 and 35 employees where the wages are very good, ... we haven't done the job we should do in this State. And there's all these resources, all scattered about, and they're nice resources, and if you add them all together you have something significant, but, ... they're fighting for themselves. ... When the State goes out to acquiring new businesses or retain existing businesses ... it's a very fragmented approach ... it's not the field of dreams."

Gary went on to state that:

"the overall structure of state economic development activities in the State of Maine needs to become more centralized and user friendly. I don't know if it's the best thing for [communities to] fight over the same company" stated Gary Garrison. "I don't know if that's always in the best interest of the State overall or the town itself. You both might lose and then the company's going to go somewhere where none of your constituents can commute to. ... Second thing is, in talking with ... [local development]... there is a high level of frustration in acquiring dollars and acquiring programs."

Economic development incentives are necessary in Maine as far as Mr. Garrison was concerned, but:

"when it comes to Tax Increment Financing, all that is, is a piece of the pie. All it is, is one more bullet in the chamber to get the company into a town. If the town doesn't match up with the company, no matter what tax

participation the Town's going to give, the company's not coming. If it doesn't have enough electric on the grid, if it doesn't have the right building, if it doesn't have the right people, if it's too close to the river, it's not going to work. All it is, is a piece of the pie. ... It's not going to mean anything to a new business coming in the State unless the whole package makes sense."

F) South Portland and Fairchild Semiconductor

The City of South Portland has experienced dramatic growth around the Maine Mall and Portland Jetport. The location benefit of the jetport has provided opportunities that most other communities in the state can not exploit. As such, South Portland has been able to use this benefit to attract new businesses, like Fairchild Semiconductor. However, that benefit can only be exploited to a certain degree, and other benefits must eventually be added to the mix to retain and attract new investment. The Fairchild Semiconductor TIF is an example of how South Portland has used TIF to retain a high tech industry, and leverage new investment within the community.

South Portland is a large community in Cumberland County, located across the mouth of the Fore River from Portland. The community has a population of approximately 23,324 people, which accounts for less than 2% of the State of Maine's total population⁶⁴. The City is home to the State of Maine's two largest semiconductor manufacturers. However, Retail trade; Professional, scientific & technical services; and Accommodation foodservices are the three largest employment sectors in the community generating a combined \$162.2 million in payroll annually.⁶⁵ Overall, the population of South Portland is older than the State average because of a smaller under age (≥ 18 years old) population. The Median Household Income for South Portland in 1998 was \$38,980, over 20% higher than the Statewide Median Household Income of \$32,222⁶⁶. Additionally, South Portland generates approximately \$719.5 million in retail sales activity, which accounts for almost 6% of the statewide total retail sales activity (see Appendix 6)⁶⁷.

The City of South Portland has a total property tax assessment of

⁶⁴ Census Bureau, Census 2000, Summary File, South Portland city, Maine.

⁶⁵ Census Bureau, 1997 Economic data, South Portland, ME.

⁶⁶ Dept. of Education, Claritas Corp., 1990 Census update.

⁶⁷ Census Bureau, 1997 Economic data, South Portland, ME.

\$40,139,961 with a MIL Rate of 23.50 as of 1998⁶⁸. The total tax assessment of South Portland is almost 5.3% of the total State assessment of \$761,788,820 and their MIL Rate is approximately 4½ points higher than the median MIL Rate for the State of Maine⁶⁹. The 1998 Median Home Value in South Portland was \$124,597, which is significantly higher than the Statewide Median Home value of \$101,415⁷⁰. Based on the 1998 MIL Rate, the Median Home generated \$2,928 in tax revenue of which 47.1% was used for educational purposes and 52.9% was spent on non-educational purposes⁷¹. South Portland has approved 4 TIF districts over the years, 3 to businesses and 1 to encourage development of an area. South Portland did not have a TIF Policy with public benefit, reporting or penalty criteria at the time that this study occurred⁷².

1) Fairchild Semiconductor

Fairchild Semiconductor is the world's leading company focused on design and manufacture of high performance semiconductor products for multiple end markets. Fairchild offers the world's largest portfolio of high performance, multiple-market products for use in computers, telecommunications, automotives, and other consumer and industrial applications.

Fairchild Semiconductor is the culmination of a private initiative by Sherman Mills Fairchild to create a new process for the manufacture of transistors. In 1957, Mr. Fairchild sponsored a group of young scientists including Robert Noyce and Gordon Moore, (founders of Intel Corporation) to develop, mass produce and market semiconductor components. Two years later, the Planar process was introduced and has become the fundamental method of producing transistors and integrated circuits.

Fairchild opened its South Portland facility back in 1962, which is now the oldest fabrication facility in the world. National Semiconductor (a spin-off of Fairchild Semiconductor in 1967) bought Fairchild in 1987 and maintained the operation in South Portland. In 1997, Fairchild Semiconductor was spun-off as a

⁶⁸ Bureau of Revenue, Valuation Returns, and, MMA, Fiscal Survey.

⁶⁹ Ibid.

⁷⁰ Dept. of Education, Claritas Corp., 1990 Census update.

⁷¹ Dept. of Education, Web Site, and, MMA, Fiscal Survey.

⁷² Ralph St. Pierre, Interview by Roger Bondeson, Todd Duchaine and Theresa Savoy, 1998, Phone interview transcript, Maine.

separate corporation from National Semiconductor with the South Portland location becoming the World-Wide Headquarters for all Fairchild Semiconductor operations.

As of 1999, the corporation employed 1,180 people at an average wage rate of approximately \$18.85 per hour based on the 1999 average workweek of 40.8 hours for Production Workers Employed in Manufacturing Industries in Maine⁷³. This wage is almost \$5 per hour higher than the 1999 Average Hourly Earnings of \$13.97 for Production Workers Employed in Manufacturing Industries in Maine⁷⁴. Approximately 10% of staff are considered management and 100% of staff are skilled, requiring specialized training or certification. The company offers health (80% paid by company), dental, life, disability and accidental death & dismemberment insurance, paid vacation, on-the-job training, 100% education reimbursement, a Site University (SMTC and USM are on-site for training and 2-year degrees), profit sharing (5% of base pay plus over-time and shift differential if company goal is met), 401k (75% match up to 6% of base pay), fitness center and stock options, which all add up to approximately \$20 million in fringe benefits annually.

In 1994, while the current Fairchild facility was part of National Semiconductor, the City of South Portland was approached by then National Semiconductor staff for financing options to attract an expansion investment that National Semiconductor was planning. At the time, there were two other facilities located in Texas and Scotland competing for the expansion plans of the 6 inch FAB. National could not obtain adequate financing through others means to make the expansion in South Portland viable. The South Portland staff understood the strategic significance of the expansion to the financial viability of their FAB and lobbied both the City of South Portland and National Semiconductor for the expansion. The TIF was capped at approximately \$4 million over 10 years and has not been amended from its original terms.

The benefits of TIF to Fairchild are the improved competitive advantages and strategic positioning of Fairchild that the upgraded facilities and infrastructure improvements allowed. The upgraded facilities have improved Fairchild's

⁷³ Dept. of Labor, 1999 Statistical Handbook, 390.

⁷⁴ Ibid.

competitive advantages and strategic position by reducing the costs of production, diversifying products and sales (Transfer of Analog and Mixed Signal products to SP), and increasing productivity (shift from 4" to 6" wafer increased product output 5 fold) thereby improving profitability and the long-term security and viability of Fairchild as a "going concern" for the State of Maine. The TIF has also allowed FSC to reinvest in Research and Development of new products that it would otherwise have not been able to invest in. But more importantly, the TIF strengthened Fairchild's relationship with the community of South Portland.

According to David Henry:

"The greatest value of the FSC TIF was in the commitment from, and lines of communication with, a city and state that is interested in, and concerned about the economic well-being of the businesses located within its community. The process of seeking the TIF was an eye opening experience for FSC to the community and FSC's place in it."

The 6" FAB in 1994 may have occurred without the TIF, however, without the 1994 TIF the 8" FAB project with National Semiconductor would not have occurred.

"Overall, there does not exist the critical mass of skills, expertise and labor force to support the existence of the FSC and National operations within the State of Maine" stated Todd Smith.

Ms. Harrison went on to explain that:

"...this South Portland facility would not be as viable, profitable or successful an operation without the 6" FAB and therefore Fairchild Semiconductor might not be in Maine without the 1994 TIF. As citizens of the State of Maine, we would not be living here, working for Fairchild were it not for the commitment and investment of the City of South Portland in Fairchild Semiconductor."

From FSC's perspective, the benefits to South Portland and the state include:

- ◆ New job creation, and the retention of existing jobs over 10 years;
- ◆ Tax base expansion and diversification for South Portland;
- ◆ Economic vitality of a community, based on :
 - The establishment of the Red Bank Community Center;
 - New Fire Station
 - The multiplier effect of FSC employment, outsourcing of projects and spin-off businesses; and
 - Sewer expansion and upgrades; and
- ◆ Community involvement (FSC employees volunteer approximately 3-5,000 hours annually), which focuses on four areas:

- United Way;
- Environment;
- Science and Technology in Schools; and
- Greater Portland area in general.

“South Portland, Maine and Fairchild are globally competitive because of the strong community and schools, which support Fairchild” explained Pat Cope.

Fran Harrison noted that:

“FSC has established linkages with photographers, printers and video marketers throughout the State of Maine. This Outsourcing has a significant multiplier effect on the economy.”

“Maine has benefited from the location of technology and equipment technicians and reps in Portland who would not otherwise be located here except for the presence of Fairchild and National [like] Lucent Technologies. ... Quatic is [an example of] a spin-off design firm started by several former Fairchild employees” stated Paul Lones

However, David Henry expressed his frustration about some peoples’

simplified view of TIF as nothing more than corporate welfare:

“There is a Zero-Sum Game mentality, which exists in this state with regards to TIF. Economic development (TIF and other business incentives) is an investment now in order to receive lower taxes or more services in the future. TIF is the only mechanism available to communities to conduct economic development as long as the state [of Maine] appropriates funds based upon [real estate] valuations.”

Maine should have “greater development and promotion of smaller business incentive programs” explained Steve Goodwin “Most TIF’s are successful, but are not promoted.”

Economic development incentives are essential to the prosperity of the Maine economy. David Henry emphasized that: “the state and city must be competitive with other cities and states, just like businesses must be competitive.”

“The number of jobs isn’t everything – the quality of jobs is as important.” stressed Todd Smith.

David Henry concluded by stating that: “Maine must have a more collective focus on education, to develop an incubator environment like Silicon Valley.”

V. OVERALL CASE STUDY RESULTS:

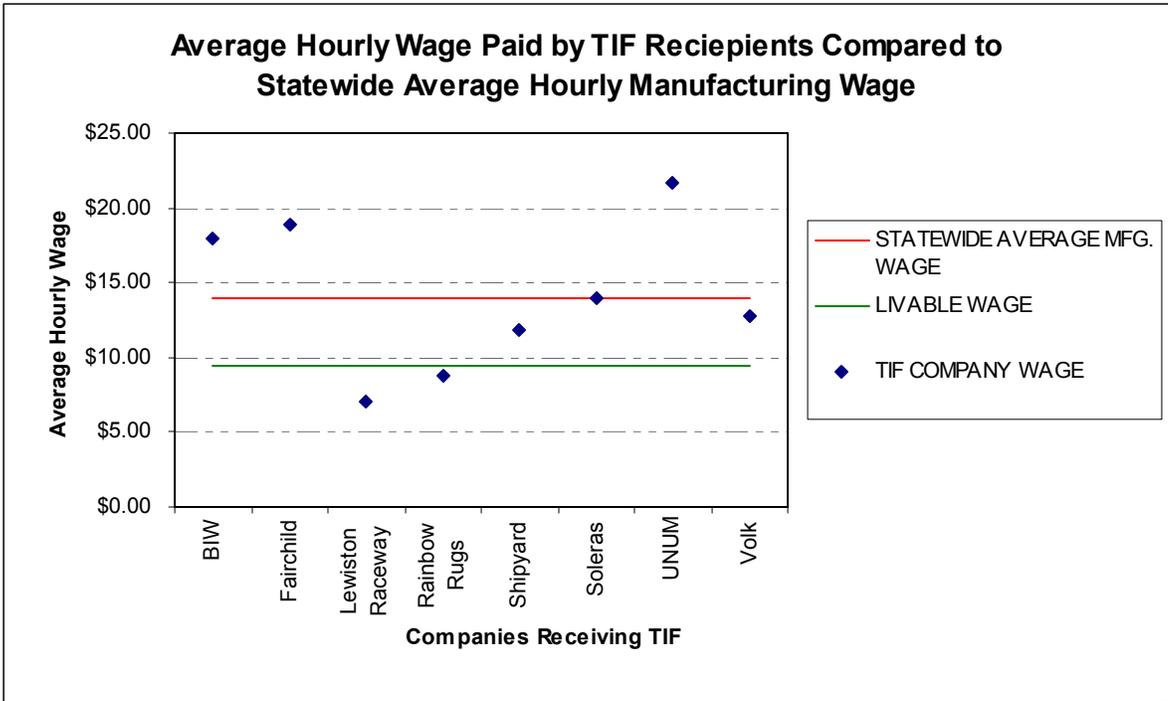
The success of any program will be relative to its environment. Sustainability is crucial to the economic stability and viability of Maine. In times of economic recession or depression, maintaining or slowing the rate of unemployment may be the measure of a successful program. As a rural state, Maine must look beyond the obvious to find new ways of measuring and evaluating the costs and benefits of economic development incentives.

In the cases reviewed above, TIF was utilized as a credit enhancement for the business 75% of the time. All of the projects involved either the upgrade or expansion of a facility and infrastructure. Would the projects have occurred without TIF? Three said no, one said probably not, one could not answer the question, one said probably yes and only two said yes, but with difficulty. If we assume that the business that could not answer the question was a yes, then 50% of the projects would have been completed without TIF. The question that wasn't asked of those businesses that answered affirmatively was would those projects have been successful and be in operation today if not for TIF.

Excluding job creation, most of the businesses identified: improved competitive position of the business; diversification of product and sales; and increased profitability, as the intangible benefits to the business that are missed when simply counting jobs. More specifically, the birthplace marker of Maine's poet laureate, Longfellow was replaced by one TIF and a major industry was retained as a "going concern" in Maine's economy because of another TIF. These intangible benefits can not be measured through counting job creation or retention. These benefits can have huge economic, fiscal and psychological impacts on a community and the State of Maine.

On average, businesses involved in TIF pay a livable wage as defined by the Maine Economic Growth Council, which equaled an hourly wage of \$9.48 in 1999⁷⁵.

⁷⁵ According to the Maine Economic Growth Council, *Measures of Growth 2001*, (Performance Measure #27, p. 14), an annual livable wage for 1999 was \$20,107.65 for a family of two, or a wage that pays at least 85% above the poverty line (established by the U.S. Department of Labor) for a family of two.



Source: Business Interviews; Department of Labor, The Maine Employment Statistical Handbook: 1999, (Augusta, Maine: Division of Labor Market Information Services, November 2000), 390; and, Maine Economic Growth Council, Measures of Growth 2001, (Augusta, Maine: Spectrum Printing and Graphics, January 2001).

Additionally, the TIF companies involved in this study provide a wide range of benefits to their employees as the table below illustrates.

Benefits	Availability
Health Insurance	100%
Dental Insurance	100%
Life Insurance	43%
Accidental Death & Disability Insurance	43%
Long-term Disability/Care Insurance	14%
Cafeteria Plan (Medical/Dependant Care Reimbursement)	14%
Day Care & Fitness Center	29%
Vacation/Sick Leave	100%
On-the-Job Training/Ed. Reimbursement/Scholarship for children	100%
Bonus plan/Profit Sharing/Stock Option Plan	57%
401k Retirement Plan	57%

Source: Business Interviews

Most of the projects discussed above identified the expansion and diversification of the host community's tax base, increased tourism and consumer spending through the multiplier effect, as well as the improvement of blighted areas, including the redevelopment and use of a Super Fund Site in one case, as benefits from TIF.

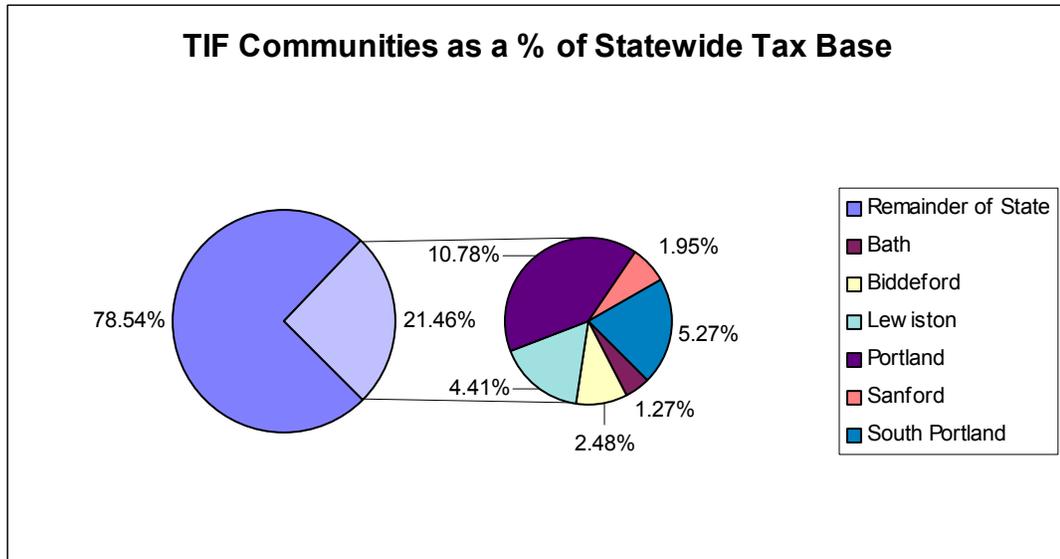
Overall, the six communities involved in this study each function to a certain degree as an urban center, which generates some level of spread effects to the surrounding communities. An urban center is defined as a community or city within a

region, which serves "...as the source of required services and as the market for its products, whether for direct consumption, for further processing, or for export to other regions."⁷⁶ This role in the regional economy is illustrated by the following tables and graphs.

MUNICIPALITY	1990 Census	% of State Total	2000 Census	% of State Total	1997 Shipments/Sales/Receipts	% of State Total
BATH	9,799	0.80%	9,266	0.73%	\$130,023,000	0.27%
BIDDEFORD	20,710	1.69%	20,942	1.64%	\$633,068,000	1.32%
LEWISTON	39,757	3.25%	35,690	2.80%	\$897,324,000	1.88%
PORTLAND	64,358	5.27%	64,249	5.04%	\$4,705,684,000	9.84%
SANFORD	20,463	1.67%	20,806	1.63%	\$454,884,000	0.95%
SOUTH PORTLAND	23,163	1.90%	23,324	1.83%	\$1,957,596,000	4.09%
TIF TOTALS	178,250	14.59%	174,277	13.67%	\$8,778,579,000	18.35%
STATE TOTALS	1,222,000	100.00%	1,274,923	100.00%	\$47,837,355,000	100.00%

Source: US Bureau of the Census, 1997 Economic Census data. Some data withheld from Municipal figures to avoid disclosing individual companies.

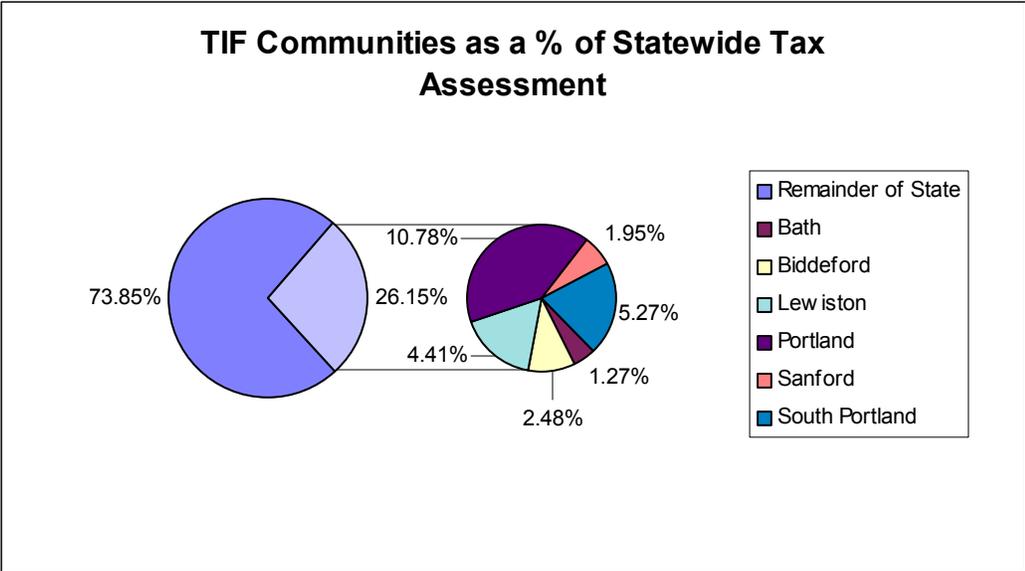
These communities represent approximately 14% of the State of Maine's population yet account for over 18% of Maine's total Shipments, Sales & Receipts activity (see Appendix 6 for more detail).



Source: Maine Bureau of Revenue Service, Municipality Valuation Returns, and, Maine Municipal Association, Annual Fiscal Survey of Municipalities.

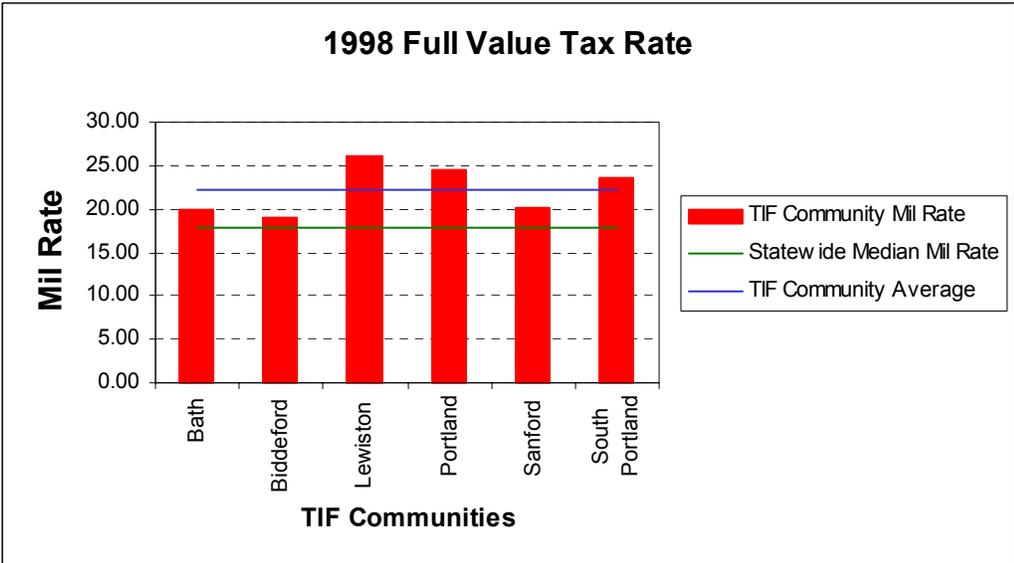
Additionally, these communities account for over 21% of the state's Property Tax Base, while generating over 26% of Maine's Property Tax Assessment.

⁷⁶ Benjamin H. Higgins, Donald J. Savoie, Regional Development Theories & Their Application,



Source: Maine Bureau of Revenue Service, Municipality Valuation Returns, and, Maine Municipal Association, Annual Fiscal Survey of Municipalities.

Because of this function or role as an urban center, these communities must support larger infrastructure and support services for its citizens and the region. This additional infrastructure, may create added costs and burdens on the local property tax base, thereby requiring a higher tax rate than the surrounding communities and region. This premise may explain why these six communities all have higher Mil Rates than the median Mil Rate for the State of Maine.



Source: Maine Bureau of Revenue Service, Municipality Valuation Returns, and, Maine Municipal Association, Annual Fiscal Survey of Municipalities

(New Brunswick, New Jersey: Transaction Publishers, 1995), p. 107.

The average Mil Rate for these six communities equals 22.18, which is over 4 points higher than the median Mil Rate statewide of 17.97.

Manufacturing and supporting services as well as Health care & social assistance are dominant economic forces in these communities as indicated below by the degree of their location quotient above 1.00 for that sector. (see Appendix 5 for more detail). Additionally, all of these communities, excluding South Portland, have at least one regional hospital demonstrating their role as an urban center in their region.

MUNICIPALITY	Mfg. Location Quotient	Wholesale Location Quotient	Rtl. trade Location Quotient	Profssnl. Location Quotient	Eductn. Location Quotient	Health cr. Location Quotient	Total Location Quotient
BATH	0.59	0.71	1.04	2.17	0.90	2.26	1.01
BIDDEFORD	2.34	1.23	1.13	0.92	1.82	2.42	1.97
LEWISTON	1.77	1.41	1.16	1.16	0.71	1.98	3.82
PORTLAND	0.92	1.89	0.83	2.39	1.63	1.46	11.08
SANFORD	2.20	0.83	1.21	1.38	2.21	2.16	1.63
SOUTH PORTLAND	0.80	1.74	1.56	1.32	2.66	1.18	3.72
TIF TOTALS	1.24	1.60	1.06	1.81	1.67	1.66	23.23
STATE TOTALS	n/a	0.59	0.98	0.64	0.79	0.80	1.00

Source: US Bureau of the Census, 1997 Economic Census data.

Obviously, the business community supports TIF but not because of the “welfare nature of the incentives. Economic development incentives can be important to the success of business because of location issues like utility costs and taxes related to operating in the State of Maine. Additionally, most businesses view TIF as a partnership with their host community. As Todd Smith explained:

“Maslow’s Hierarchy of Needs applies to the business world. Tax incentives address a business’ basic need for survival, profitability. Tax incentives become critical to a company’s ability to survive during economic crises. South Portland’s TIF illustrates the city’s commitment to and investment in Fairchild Semiconductor, much like a parent’s commitment to and investment in its children. Good and bad things happen, changes happen, which can not be predicted. TIF is an on going relationship between a community and its’ businesses. That relationship is a matter of timing and reciprocity.”

In the case of Fairchild Semiconductor, the National Semiconductor expansion would not have occurred were it not for the first TIF to Fairchild. David Henry explained that:

“FSC would most likely have proceeded with its business plans if the TIF had been denied. However, without the TIF for the 6” FAB, South Portland and Maine would not have been in the running for the 8” FAB.

The FSC TIF was a factor in the National project, but BET was a greater factor in the National project.”

The business community identified the following areas that might provide some improvements to tax incentives in the State of Maine:

- ◆ The MEMIC model for providing workers’ compensation insurance may be a good tool for the State to evaluate for providing incentives.

“One of the things that I think has been missing in Maine to improve our economy is an investment strategy” explained Kevin Gildart. “If you took some State money ... and put that in a straight quasi-government agency or a private one, as close as you can get to it, with the State money going in and create that opportunity for financing where the holes are right now ... that allows for private investment - or would enhance private investment. Have that institution have the requirement to pay that money back to the State, but also do it in such a way that you create a model so you attract other people who are in that business that aren’t doing that business in Maine right now. So then it becomes competitive and the State with a small investment or a community with a small investment has now created a competitive environment that fills in some of the holes that we have in our economic system in this State that allows for investment.”

- ◆ Circumstances should drive requirements; economic times and conditions will dictate the situation and need for incentives; i.e. job creation vs. job retention.

As David Brenerman stated:

“I don’t think we can necessarily tie TIFs to new jobs, that’s not appropriate either [but] I think maintenance of jobs is important. Keeping a company that might move to another state is important, even if the number of jobs that it might have here are fewer. Because for the economic vitality of the communities, having the businesses there is important. So I think every case is different, and you can’t just have a general rule that says you only get a TIF if every dollar translates into new jobs. It just doesn’t work that way.”

- ◆ Make the process user friendly and accessible; clearly define objectives and streamline the process.

“Making it more accessible, that’s really the biggest thing” explained Fred Forsley. “I mean, I had to struggle and fight and I was a smart enough business guy to hire a consultant. ... So it got done in probably a three to five month period, but if I didn’t have the ability to articulate and not quit, I might have been less persistent if I had not felt strongly that this would be successful and in no process do you get unanimous support. I think somebody has to be there so [the business] has somebody pulling and pushing it along.”

- ◆ Prevent competition between communities within the State; Jobs should not be the only consideration.

“I wish there were a way to keep communities from competing against

each other, within Maine. That wasn't the case in our TIF. As I said, Portland came forward so early that, we never really got to see what [other communities] had to offer. ... I'm not sure that most people would want to use the tax incentives to attract a business from one city to another. I don't think that was what the Legislature intended when they passed the law in the first place" stated David Brenermen.

- ◆ Need to improve the structure of economic development activities to be more centralized and user friendly.

"There needs to be a specific division within the government that is for business facilitation. And within that, there should be two separate departments: one for business retention, and one for business growth and new businesses. Two separate approaches to it. ... All the resources should be lined up behind them in a very, very functional format. Not FAME, not Economic Development. Not credits from the town or the State and so forth. It needs to be a very thought-out plan. Scaled down and extremely focused" said Gary Garrison

- ◆ Data accumulation on successful TIF projects needs to occur. State needs to make a commitment to TIF, TIF needs certainty.

"Data Accumulation on successful TIF projects for use as a 'Best Practices' Guide for communities" should be compiled according to Steve Goodwin. "The State must make a commitment to the long-term use of TIF. There must be certainty that TIF will exist as an incentive for the business community to utilize as they grow and expand within the State"

VI. CONCLUSIONS AND RECOMMENDATIONS:

We live in a capitalist society and in today's global market, capital will flow to where the greatest return on the investment can be obtained. The key is for the State of Maine to look at alternative returns to investment beyond just the tax incentives. TIF is not the answer but is one piece of the pie.

"It's one piece of the financing package. I think that it makes you more worthy of bank financing, knowing that you received it. And the projections and the forecasts look a lot better knowing that you're already receiving TIF funds. It makes you more attractive to a bank" said Douglas Volk.

It is the only vehicle available to communities as long as the state appropriates funds based on real estate valuation. TIF is a single, blunt instrument for municipalities to use in economic development where a set of tools is needed. Because of that, the State of Maine needs to look at ways to

- ◆ Improve TIF as an effective tool;
- ◆ create new economic development tools for municipalities and the state to utilize; and

- ◆ implement complimentary strategies for fiscal relief and investment in municipalities.

Some of the suggested improvements outlined in this study would be a good starting point for discussions.

Jobs should not be the only measure:

- ◆ Fairchild Semiconductor - has lost 800 jobs in the last 10 years (a 30% decrease in employment), yet increased average wages by 35%;
- ◆ Unum/Provident - were it not for the TIF incentive to construct the new Unum building on outer Congress Street, would they still be in Maine at their current employment level?
- ◆ BIW – The dry-dock expansion in Portland did not create the jobs projected because of changes in federal requirements governing naval repair activities but it did allow BIW to compete successfully for the Aegis Destroyer, which BIW can not completely construct in Bath because of the bow sonar cone before the land-level facility expansion.

This study underscores the importance of emerging views of when economic development incentives do and don't make sense. As we've highlighted here, there do exist other returns to a business, a community and the state beyond simple job creation and retention. To focus on that benefit blindly, misses the "Big Picture". What is the benefit to a neighborhood that returns an environmentally contaminated site to a working facility? What is the cost to a community that loses a business that contributes between 3,000 and 5,000 hours of volunteerism and has donated over \$100,000 annually and 100 personal computers to support the local school? What is the benefit to a region that preserves a business in its core industry cluster? What is the benefit to a region or the State that stabilizes or strengthens the competitive advantages of a business in a community's core industry cluster, making it less susceptible to economic downturns? What is the benefit to the State of having a more skilled and productive workforce? What is the benefit to a community that turns vacant land or facilities into productive tax producing real estate? What is the benefit to a community, region or the State when a community supports (invests in) a business through tax incentives thereby creating a sense of shared destiny between the business and the community?

Can we truly say without a doubt that the other benefits discussed in this paper do not have a tangible impact? Yes, there are costs to any incentive provided by a community or the State. The ultimate question however, is when do the benefits (those more intangible benefits highlighted in this paper in addition to jobs) outweigh the costs of the incentives. Counting jobs does not accurately assess the full impact or benefit or cost of an incentive.

Ronald Pollina in his article, "The Clients", concludes that "...the most effective incentives are those that address the specific needs of the corporation..." Flexibility of policies and programs is critical to the State of Maine's ability to adapt to the changing economic conditions and provide appropriate and targeted incentives to address the business community's needs. However, how do we maintain the public's trust and provide economic development incentives without counting jobs?

To resolve this dilemma between capitalism and accountability, a more comprehensive costs/benefit analysis format needs to be developed to more accurately assess the impact of tax incentives on a community and the State as a whole. The format should establish general guidelines for evaluating the public benefit of economic development incentives, similar to those recommended by the Minnesota Corporate Subsidy Reform Commission or as outlined below:

- Focusing Economic Development Incentives to Areas of High Unemployment;
- Enhancing Areas' Economic Competitiveness;
- Conducting Solid Evaluations of Current Economic Development Efforts; and
- Integrating Workforce/Human Development Efforts with Local Economic Development Efforts.⁷⁷

It is clear from the opposition to incentives and the focus on **JOBS, JOBS, JOBS**, that the state and municipalities need to more clearly communicate the context and issues surrounding the provision of incentives in Maine. Framing benefits and costs and defining the circumstances more clearly would assist communities with better evaluation and communication of decisions to provide economic development incentives. This standardized framework should be established by the State of Maine for uniform application and evaluation by municipalities in conceptualizing the issues and developing the qualitative and quantitative data for evaluating options, thereby promoting local values (see Appendix 7 for example of framework).

Finally, a detailed cost/benefit analysis of Tax Increment Financing in Maine as a case study should be conducted that applies this standardized framework and measures the actual benefits and costs derived by and to the municipality and the business. However, before we can conduct this type of analysis, the methodology to evaluate the qualitative benefits from the various perspectives as well as the quantitative effects like home value trends needs to be developed.

⁷⁷ George A. Erickcek, "'Smart' Economic Development." Employment Research, W.E. Upjohn Institute for Employment Research, (April 2001).

Economic development should integrate labor, education, government and business concerns into a cohesive policy and program that accomplishes the greatest benefit for the cost. The use of “guiding principals” like those recommended by the Minnesota Corporate Subsidy Reform Commission or as outlined by George Erickcek can improve the effectiveness, understanding and acceptance of economic development incentives through improved communication and leadership. As Erickcek concludes, “an effective economic development program depends on communities’ ability to link businesses, governments, and other stakeholders effectively, and that this effort will depend upon community leadership.”⁷⁸ In short, this study illustrates that the whole has the potential to be greater than the sum of the quantifiable parts.

⁷⁸ Ibid.

County	Municipality	ContactName	InterviewDate	Company	FirstName	LastName	JobTitle
Sagadahoc	Bath	John Bubier	June 10	Bath Iron Works	Kevin	Gildart	VP Human Res.
York	Biddeford	Robert Dodge	June 24	Volk Packaging	Douglas	Volk	President
York	Biddeford	Robert Dodge	June 2	Soleras	Dean	Plaisted	President
Androscoggin	Lewiston	Greg Mitchell	May 26	Lewiston Raceway	James	Day	Owner
Cumberland	Portland	Mark Jennings	June 22	The Shipyard Brewing Co.	Fred	Forsley	President
Cumberland	Portland	Mark Jennings	June 22	The Shipyard Brewing Co.	Christopher	Kelley	Controller
Cumberland	Portland	Mark Jennings	July 16	Unum Life Insurance Co. of America	David	Brenerman	Second Vice Pres.
York	Sanford	Richard Stanley	June 2	Rainbow Rugs, Inc.	Gary	Garrison	President
Cumberland	South Portland	Alan Brigham	June 4	Fairchild Semiconductor	Fran	Harrison	Corp. Commun.
Cumberland	South Portland	Fran Harrison	June 4	Fairchild Semiconductor	Todd	Smith	Human Res.
Cumberland	South Portland	Fran Harrison	June 4	Fairchild Semiconductor	Paul	Lones	Dir. Foundry
Cumberland	South Portland	Fran Harrison	June 4	Fairchild Semiconductor	Steven	Goodwin	Org. Mgr.
Cumberland	South Portland	Fran Harrison	June 4	Fairchild Semiconductor	Tracey	Grover	Syst. Tech.
Cumberland	South Portland	Fran Harrison	June 4	Fairchild Semiconductor	Pat	Cope	
Cumberland	South Portland	Fran Harrison	July 14	Fairchild Semiconductor	Dave	Henry	Comptroller

Appendix 4
BUSINESS TAX INCREMENT FINANCING QUESTIONS

Company: _____

Interview Date: _____

Person(s) Interviewed: _____

BACKGROUND: *IF THE ANSWER IS NOT KNOWN IN ADVANCE, ASK:*

1. Can you describe the nature of Fairchild Semiconductor in general terms?
2. How long has Fairchild Semiconductor been operating in Maine? In this South Portland?
3. Approximately how many people does Fairchild Semiconductor employ on a full and part time basis?
Full Time: _____ Part Time: _____
4. What percentage of jobs would be considered management? _____
Skilled labor: _____ Semi-skilled: _____

JOB QUALITY

5. Excluding top management, what is the average wage paid at Fairchild Semiconductor?
6. What benefits does your company provide to employees?
___ Health Insurance; describe (who is eligible, family coverage, co-pay requirement, etc.):
___ Dental Insurance
___ Paid Vacation, describe (how long to qualify, number of weeks):
___ On the Job Training, describe:
___ Other Educational Assistance, describe:
___ Other:
7. Do most employees have an opportunity to advance within Fairchild Semiconductor? Explain.
8. Do you believe that skills learned on the job are portable to other businesses and marketable?

INCENTIVES

9. Why did Fairchild Semiconductor seek a tax increment financing arrangement with South Portland?
___ Could not obtain adequate financing through any other means
___ Competitors had received Tax Increment Financing
___ Needed public infrastructure to develop the site
___ Other, please explain:
 10. Did the TIF agreement meet Fairchild Semiconductor's needs? (Ask them to explain, e.g., not enough \$s up front, less than requested, etc.)
-

Appendix 4
BUSINESS TAX INCREMENT FINANCING QUESTIONS

11. What benefits to Fairchild Semiconductor would you attribute to TIF?

- Upgrade of company facility:
- Infrastructure improvements:
- Improved competitive position
- Increased profitability
- Product/Sale diversification:
- Increased productivity:
- Improved management/operations practices and/or business planning
- Other, please explain:

12. Would you have proceeded with your business plans in South Portland if TIF had been denied? (Possible responses yes, definitely; probably, but on a smaller scale; probably not; definitely not)

13. In your view, what public benefit was provided to South Portland for Fairchild Semiconductor receiving business incentives?

- New Jobs created
- Retention of existing Jobs
- Expanded/diversified tax base
- Improvement of blighted building/area
- Increased economic vitality of the community
- Other, please describe:

14. If you have added or retained any jobs as the result of participating in a tax increment financing arrangement with South Portland, what is the approximate average wage?

Remind person you are interviewing that we are interested in many possible benefits, not just jobs. Then ask:

15. Have there been any costs to Fairchild Semiconductor beyond those foreseen as part of the tax increment financing agreement?

16. Have there been any unforeseen changes to Fairchild Semiconductor, which have impacted South Portland and the TIF agreement?

17. As a representative of a business, do you believe the tax increment financing program should be continued in Maine in its present form? Why or why not?

18. As a Maine taxpayer, do you believe the tax increment financing program should be continued in Maine in its present form? Why or why not?

19. Are there any improvements that could be made to TIF that would make it a better tool for fostering sustainable economic development?

20. Do you have any additional comments or suggestions that you feel may be appropriate or applicable to the use of TIF in Maine?

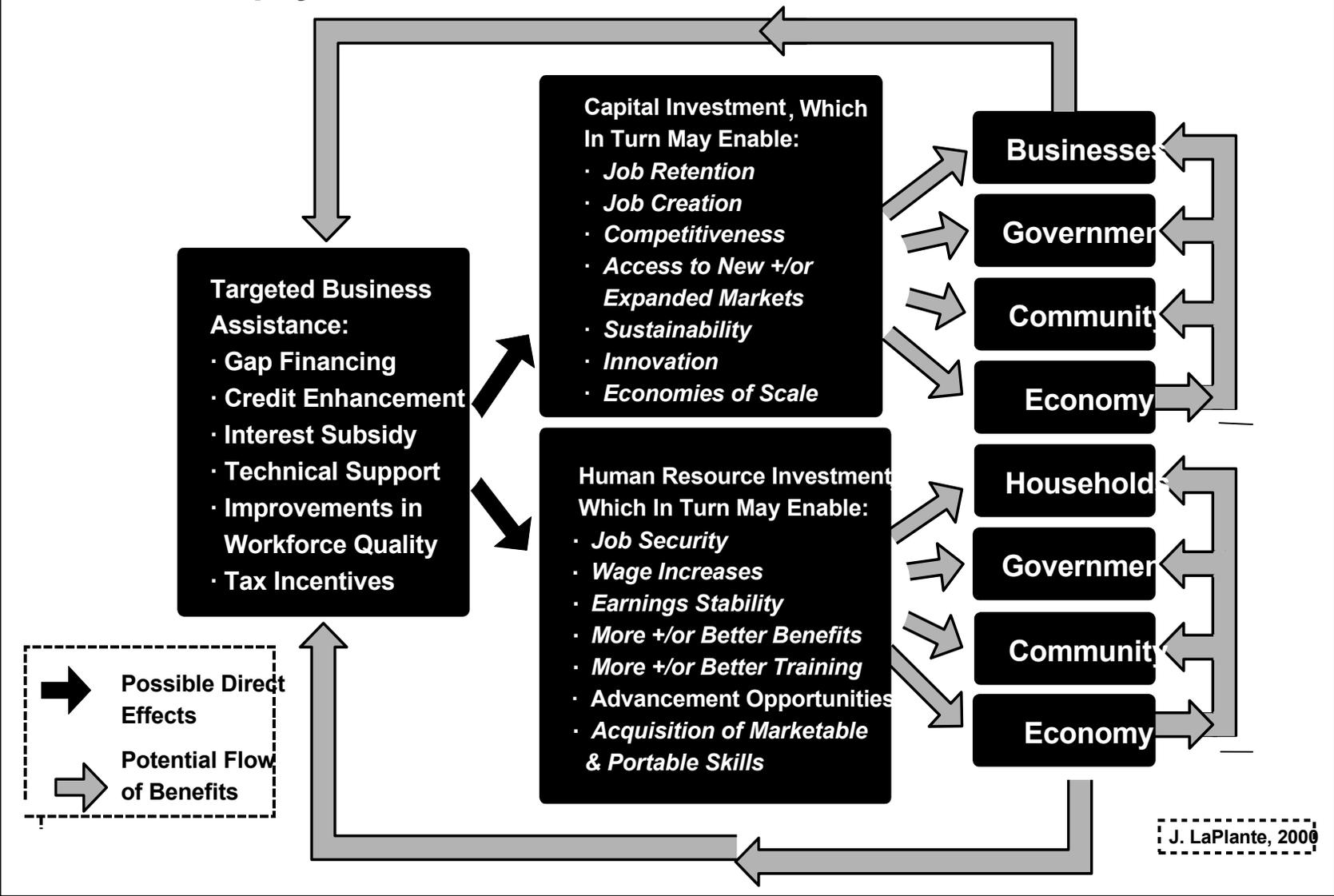
Appendix 5; NAICS Establishments

	NAICS Industry Code	31-33	42	44-45	53	54	56	61	62	71
	Industry Description	Manufacturing	Wholesale trade	Retail Trade	Real estate, rental & leasing	Professional, scientific & technical services	Administrative, support, waste management & remediation srvs.	Educational services	Health care & social assistance	Arts, entertainment & recreation
BATH	Number of Establishments	7	8	48	16	36	8	1	40	5
	Location Quotient	0.59	0.71	1.04	1.83	2.17	0.97	0.90	2.26	1.47
	% of State	0.39%	0.46%	0.68%	1.19%	1.41%	0.63%	0.58%	1.47%	0.95%
BIDDEFORD	Number of Establishments	54	27	102	20	30	12	4	84	5
	Location Quotient	2.34	1.23	1.13	1.17	0.92	0.74	1.82	2.42	0.75
	% of State	2.98%	1.56%	1.44%	1.49%	1.18%	0.95%	2.33%	3.08%	0.95%
LEWISTON	Number of Establishments	79	60	202	50	73	47	3	133	10
	Location Quotient	1.77	1.41	1.16	1.51	1.16	1.50	0.71	1.98	0.77
	% of State	4.36%	3.48%	2.86%	3.72%	2.86%	3.70%	1.74%	4.88%	1.91%
PORTLAND	Number of Establishments	119	233	422	172	436	168	20	284	38
	Location Quotient	0.92	1.89	0.83	1.79	2.39	1.85	1.63	1.46	1.01
	% of State	6.57%	13.50%	5.97%	12.81%	17.08%	13.24%	11.63%	10.41%	7.25%
SANFORD	Number of Establishments	42	15	90	14	37	10	4	62	3
	Location Quotient	2.20	0.83	1.21	0.99	1.38	0.75	2.21	2.16	0.54
	% of State	2.32%	0.87%	1.27%	1.04%	1.45%	0.79%	2.33%	2.27%	0.57%
SOUTH PORTLAND	Number of Establishments	35	72	265	36	81	41	11	77	8
	Location Quotient	0.80	1.74	1.56	1.12	1.32	1.34	2.66	1.18	0.64
	% of State	1.93%	4.17%	3.75%	2.68%	3.17%	3.23%	6.40%	2.82%	1.53%
TIF COMMUNITIES	Number of Establishments	336	415	1,129	308	693	286	43	680	69
	Location Quotient	1.24	1.60	1.06	1.53	1.81	1.50	1.67	1.66	0.88
	% of State	18.54%	24.04%	15.96%	22.93%	27.16%	22.54%	25.00%	24.94%	13.17%
MAINE	Number of Establishments	1,812	1,726	7,074	1,343	2,552	1,269	172	2,727	524
	Location Quotient	0.00	0.59	0.98	0.72	0.64	0.71	0.79	0.80	1.02
	% of US	0.00%	0.38%	0.63%	0.47%	0.41%	0.46%	0.51%	0.51%	0.66%

Appendix 6; NAICS Sales

	NAICS Industry Code	31-33	42	44-45	53	54	56	61	62	71
	Industry Description	Manufacturing	Wholesale trade	Retail Trade	Real estate, rental & leasing	Professional, scientific & technical services	Administrative, support, waste management & remediation srvs.	Educational services	Health care & social assistance	Arts, entertainment & recreation
BATH	Shipments/Sales/Receipts	Withheld *	Withheld *	\$74,813,000	\$5,465,000	\$25,753,000	\$3,250,000	Withheld *	\$15,643,000	Withheld *
	Location Quotient	0.00	0.00	2.16	3.34	7.79	1.15	0.00	3.58	0.00
	% of State	0.00%	0.00%	0.59%	0.91%	2.12%	0.31%	0.00%	0.97%	0.00%
BIDDEFORD	Shipments/Sales/Receipts	\$295,578,000	\$64,957,000	\$180,568,000	\$7,746,000	\$12,097,000	\$3,594,000	\$443,000	\$41,796,000	\$1,523,000
	Location Quotient	1.58	0.67	1.07	0.97	0.75	0.26	0.91	1.96	0.45
	% of State	2.10%	0.89%	1.42%	1.29%	1.00%	0.34%	1.21%	2.60%	0.60%
LEWISTON	Shipments/Sales/Receipts	Withheld *	Withheld *	\$593,116,000	\$16,373,000	\$153,395,000	Withheld *	\$526,000	\$97,348,000	\$4,395,000
	Location Quotient	0.00	0.00	2.48	1.45	6.73	0.00	0.76	3.23	0.92
	% of State	0.00%	0.00%	4.66%	2.72%	12.62%	0.00%	1.43%	6.05%	1.73%
PORTLAND	Shipments/Sales/Receipts	\$624,864,000	\$1,477,494,000	\$1,292,308,000	\$163,382,000	\$363,945,000	\$284,813,000	\$2,689,000	\$244,975,000	\$19,074,000
	Location Quotient	0.45	2.06	1.03	2.76	3.04	2.77	0.74	1.55	0.76
	% of State	4.43%	20.22%	10.15%	27.15%	29.94%	27.29%	7.32%	15.23%	7.50%
SANFORD	Shipments/Sales/Receipts	\$272,270,000	Withheld *	\$111,968,000	\$5,663,000	\$10,132,000	\$2,614,000	\$384,000	\$27,349,000	Withheld *
	Location Quotient	2.03	0.00	0.92	0.99	0.88	0.26	1.10	1.79	0.00
	% of State	1.93%	0.00%	0.88%	0.94%	0.83%	0.25%	1.04%	1.70%	0.00%
SOUTH PORTLAND	Shipments/Sales/Receipts	Withheld *	\$881,625,000	\$719,796,000	\$42,619,000	\$63,411,000	\$33,178,000	\$8,126,000	\$82,576,000	\$3,238,000
	Location Quotient	0.00	2.95	1.38	1.73	1.27	0.78	5.40	1.25	0.31
	% of State	0.00%	12.07%	5.65%	7.08%	5.22%	3.18%	22.11%	5.13%	1.27%
TIF COMMUNITIES	Shipments/Sales/Receipts	\$1,192,712,000	\$2,424,076,000	\$2,972,569,000	\$241,248,000	\$628,733,000	\$327,449,000	\$12,168,000	\$509,687,000	\$28,230,000
	Location Quotient	0.46	1.81	1.27	2.18	2.82	1.71	1.80	1.73	0.60
	% of State	8.46%	33.18%	23.34%	40.09%	51.72%	31.38%	33.11%	31.69%	11.10%
MAINE	Shipments/Sales/Receipts	\$14,097,609,000	\$7,305,592,000	\$12,737,087,000	\$601,701,000	\$1,215,623,000	\$1,043,573,000	\$36,752,000	\$1,608,360,000	\$254,412,000
	Location Quotient	0.00	0.46	1.32	0.64	0.54	0.90	0.63	0.98	0.76
	% of US	0.00%	0.18%	0.52%	0.25%	0.21%	0.35%	0.25%	0.38%	0.30%

Framework for Identifying Potential Return on Taxpayer Investment



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