

## **Lewiston-Auburn, Maine**

### **A Novel Tax Sharing Experiment**

The City's of Auburn and Lewiston, Maine have been working cooperatively for many years. The communities operate and maintain an airport; a water pollution control facility; a transit authority, a 9-1-1 center; a joint economic development organization; even a small railroad spur. The communities have mutual aid, joint purchasing and run an annual municipal auction of surplus material. These are some examples of joint ventures, however, in recent years the plan in which cooperation existed was raised a notch when the communities decided to develop land at the airport into industrial space and share the costs and revenue from development.

#### **“Early History”**

Prior to World War II the airport serving the Cities of Auburn and Lewiston was privately owned and operated. With the war came a need for existing airport space, which could be used to hurriedly train pilots into combat readiness. Hence, the Federal Government secured the Airport from its private operators for the duration of the war. After the war the Federal Government deeded the Airport and adjacent land to the twin Cities and a private operator was contracted with to oversee the operation. This arrangement lasted until the mid fifties when, after the Council's expressed dissatisfaction with the operators performance the operator's agreement was terminated and a joint authority between the two Cities was set-up to manage the Airport. It is this arrangement, established in the fifties, which exists today.

#### **“Development of the Industrial Airpark”**

In the early days following municipal takeover of the Airport, both City Councils were convinced that the ideal use of the land adjacent to the Airport would be for development of a vocational rehabilitation center. Unsuccessful efforts were focused in that direction. One of the drawbacks to developing that area was the lack of public facilities as the Airport got its water from a nearby stream and utilized a septic tank for sewerage disposal.

In 1967 the Auburn Sewerage District received an Economic Development Administration Public Works Title I Grant which allowed for the extension of sewer along the Hotel Road area which runs adjacent to the airport (See Exhibit #1). After construction some discussions between the two Cities were held to develop the Industrial Park but these failed due to the lack of agreement on how to pay for the cost of development. In 1978 the Airport received a grant from the EDA Section 304 Governor's Discretionary funds to conduct a feasibility study on extending water and sewer services into the industrial park as well as complete preliminary engineering design for the industrial park's development. This study started building the momentum which would ultimately lead to the Tax Sharing Agreement.

#### **“Legislative Mandate”**

In 1973, Title 30, Chapter 240-B, Section 4996, was enacted by the State of Maine Legislature which set the tax-sharing framework in place. The Legislature denied the purpose of tax sharing “...to increase the likelihood of orderly development and to

provide an incentive for coordinated multi-community economic development by permitting 2 or more communities to share their tax base."

The public law states in Section 4997, that any two or more municipalities may enter into an agreement to share all or part of assessed valuation on commercial, industrial or residential property in a community. A final component of the law calls for use for the valuation and mil rate of the community in which the property is located in determining taxes. This brief law, enacted in 1973, set forth the mechanism in which the Auburn-Lewiston Tax Sharing arrangement came about.

### **"Tax Sharing Arrangement"**

Even though the development plan was complete, the twin Cities had yet to reach agreement on a means of financing the Industrial Airpark's development and a means to share the revenue from the facility. During negotiations the City of Lewiston pointed out that by extending water and sewer to the Airport site other industrial areas in Auburn might also benefit at the expense of the City of Lewiston. With recognition of this possibility, the parties agreed to include approximately 130 acres of land to the proposed development site. This land was referred to as the "spin-off area" or "sphere of influence."

### **"The Formula"**

Since land in which the Industrial Airpark was situated was in the City of Auburn, both communities felt that Auburn's share of tax revenue should be higher to pay for the added costs of police, fire and public works services to the area. These types of services represented thirty percent of the Auburn municipal budget. Therefore, in the agreement Auburn received thirty percent of the tax revenue generated "off-the-top." Since the land was co-owned equally by both Cities it was agreed that both parties would split the remaining tax revenue on a fifty-fifty basis. In total, Auburn received sixty-five percent of tax revenue and Lewiston thirty-five.

In the "sphere of influence" area Auburn again receives thirty percent of all revenue generated off-the-top, while the balance is split on seventy-five percent (Auburn), twenty-five percent (Lewiston) basis.

The formula for sharing revenue in the Industrial Airpark will be reviewed every five years while the portion which deals with the "sphere of influence" area will be re-examined in fifty years.

### **"Development of the Industrial Airpark"**

Buoyed by the successful tax sharing agreement, the two Cities began to look towards securing funding to develop the parks' infrastructure. In June of 1979, the Industrial Airpark received the number one priority in the Androscoggin Valley Regional Planning Commissions annual update of its Overall Economic Development Plan. By the fall the City's had filed a profile with the Economic Development Administration notifying the agency of its intent to file an application for funding. By late winter of 1980 the application was submitted and approved by the EDA. Construction commenced in the summer of 1980 and was completed in late spring of 1981.

### **"Fruits of Labor"**

To date three firms have located in the Industrial Airpark. They generate approximately \$20,000 in tax revenue. In October of 1983 a \$90 million Ethanol Plant will be constructed, principally within the sphere of influence but also utilizing some of the Airpark lots. This development will generate approximately \$1.5 million dollars in property tax revenue. It is obvious that as the Ethanol Plant comes along the success of the Industrial Airpark is assured.

### **"Benefits from Tax Sharing"**

The Auburn-Lewiston experience should serve as a catalyst for others to look introspectively to determine what benefits might be derived from working cooperatively with each other. Communities are not economically interdependent from one another. IF communities recognize this then fragmented, splintered growth, often accompanied by expensive service demands will not occur.

Other advantages to tax sharing include:

1. reducing interjurisdictional competition;
2. relief of property tax burden by stimulating controlled growth;
3. reduces the incentives for fiscal zoning;
4. aids in environment preservation;
5. preserves the autonomy of local taxing units;
6. improves tax equity within the affected region;
7. provides a way for local government to share in the resources generated by the growth of the area.

Successful communities in the eighties will only grow if they can creatively tackle the fiscal limitation placed upon them. Novel approaches such as tax sharing help meet that challenge.

### **Air Park Development Costs and Tax Sharing Plan**

Because of the joint ownership of the Airport it has been suggested that tax revenues derived from development of the industrial air park be split between the Cities of Auburn and Lewiston. However, because Auburn provides services to the area, Auburn should first be reimbursed the costs of these services (Police, Fire, Highway and other property related services). In the 1979-80 budget these services comprise 30% of the budget. It is recommended that this formula be reviewed every five years to determine if the percentage is still viable.

The following projects the tax revenues which might be derived from the air park. If we assume development will bring \$130.662/acre of value (the experience of the Lewiston Industrial Park) the following are projected tax revenues from the Air Park:

$$\begin{array}{r} \$ 130,662 \text{ value/acre} \\ \times \quad \underline{85.55 \text{ acres}} \end{array}$$

|    |              |                   |
|----|--------------|-------------------|
|    | \$11,178,134 | total value       |
|    | x            | .020 tax rate     |
|    | <hr/>        |                   |
| \$ | 223,560      | total taxes       |
| \$ | 67,068       | Auburn (30%)      |
| \$ | 145,413      | Total to Auburn   |
| \$ | 78,245       | Total to Lewiston |

This tax sharing formula presumes that the two cities will split the local share of the developmental costs of the Air Park on a 50-50 basis.

**Spin-Off Benefits:**

If Lewiston also pays their share of bringing utilities to the site, they should also get a return on other development (other than the Air Park) which result from the utility extension. In this area it is recommended that Auburn again get 30% of the tax revenues "off-the-top" and the remainder be split on a 75% Auburn/25% Lewiston basis. The area which is recommended for this sharing plan is shaded on the attached map.\* Spin-off benefits will be shared for a period of fifty years.

An example of this formula is as follows:

- 1) Taxes on building in this area - \$100,000
- 2) Auburn takes off 30% for services - \$30,000
- 3) Lewiston gets 25% of remaining - \$17,500
- 4) Auburn would receive remaining funds - \$52,500
- 5) Total Allocation
  - Auburn - \$82,500
  - Lewiston - \$17,500

\*One thousand foot radius from boundary of Air Park, starting with lot 50 and continuing east northeasterly for a 1000 foot radius from the Lewiston Junction Road to the junction with West Hardscrabble Road.

**Development Costs:**

This tax sharing formula presumes that the two cities will split the local share of all developmental costs of the Air Park on a 50-50 basis. With the total developmental costs (including utility service) being \$1,800,000, the cost sharing would be as follows:

|           |                  |
|-----------|------------------|
| EDA Grant | \$ 1,440,000     |
| Auburn    | 180,000          |
| Lewiston  | <u>180,000</u>   |
| <br>TOTAL | <br>\$ 1,800,000 |

## **Agreement**

### **Development of Auburn-Lewiston Industrial Air Park**

*Adopted October 1979*

Whereas, Section 1951 of Chapter 203 of Title 30 MRSA permits municipalities to make the most efficient use of their powers by enabling them to cooperate with other municipalities on the basis of mutual advantage; and

Whereas, Section 4996 of Chapter 240-B of Title 30 of MRSA permits two or more communities to provide for orderly development by sharing of tax base; and

Whereas, the Cities of Lewiston and Auburn and the Auburn-Lewiston Airport Board of Directors wish to cooperate and participate jointly in the development of the industrial air park located at the Auburn-Lewiston Airport; and

Whereas, the Cities of Auburn and Lewiston and the Auburn-Lewiston Airport Board of Directors agree to support the development of the industrial air park as one method of promoting orderly economic development of the area;

Now, therefore, the following agreements have been made regarding contributions to the development of the air park and tax base sharing of the resulting tax revenue:

1. In recognition of the fact that the City of Auburn will be obliged to provide police, fire, and highway services to the presently developed facilities within the Airport and to developments which subsequently locate in the proposed air park and of the fact that the cost of these enumerated services represents approximately 30% of Auburn's total budget, the City of Auburn shall receive annually the first 30% of the personal property and real estate property taxes attributable to any development in the air park subsequent to the date of this agreement.
2. The local cost of developing the industrial air park will be paid by the Auburn-Lewiston Airport which in turn will continue to be funded on a 50-50 basis by the Cities of Lewiston and Auburn. All revenues from personal property and real estate taxes from development at the air park subsequent to the date of this agreement after deduction of the first 30% as provided in paragraph 1, shall be divided equally between the two cities.
3. Assessment, collection, and payment of the taxes shall be performed by the City of Auburn in accordance with the provisions of 30 M.R.S.A. §4997.
4. In any case where utilities have been extended to the air park and the cost of such utility extension has been paid for jointly by the Cities of Lewiston and Auburn directly, or indirectly through contributions to the budget of the Auburn-Lewiston Airport, the City of Lewiston shall be entitled to share in the tax revenues generated by the area which is served by such utility extension. The tax revenues resulting from such area will be divided on a ratio of 75% - 25% between Auburn and Lewiston after first deducting 30% payable to the City of Auburn in recognition of its obligation to provide police, fire and

highway services to such area. The provision of this paragraph providing for the sharing of tax revenues resulting from developments located outside the air park shall apply only to developments located within the area adjacent to the Lewiston Junction Road illustrated on the attached map and bounded as follows:

Easterly by a portion of the westerly right-of-way line of the West Hardscrabble Road;

Southerly by a portion of the southerly right-of-way line of the Lewiston Junction Road;

Easterly by a curved portion of the easterly right-of-way line of the Grand Trunk Railroad;

Southerly by a portion of the southerly property line of the Gladys E. Thurston property, described in a deed recorded in the Androscoggin Registry of Deeds, Box 960, Page 752

Westerly by a line parallel to and 1000 feet westerly from a portion of the easterly right-of-way line of the Grand Trunk Railroad;

Northerly by a line parallel to and 1000 feet northerly of a portion of the southerly right-of-way line of the Lewiston Junction Road.

5. Amendment of this agreement may be made upon affirmative action of the governing bodies of each of the parties.
6. This agreement is made fro a term of fifty years commencing on the date of execution thereof, and may be extended beyond said fifty year term on the mutual agreement of the parties.
7. The Cities shall also share the revenues from excise taxes assessed on motor vehicles, aircraft, or other such personal property located at the Air Park Industrial Park in accordance with the following formula: the first 40% of such tax revenues shall be paid outright to the City of Auburn; the next 25% of such tax revenue shall be paid to the City of Lewiston; the balance of the excise tax revenues shall be held in trust by the Directors of the Auburn-Lewiston Municipal Airport to manage and invest the same and to pay the principal and accrued income of the trust fund thus established for infrastructure improvements at the Airport and any enhancement of the same. No such payment shall be made, however, unless it shall first have been approved by the City Councils in both Lewiston and Auburn. Income from the trust fund thus created shall be added to the principal of the fund as it accrues and shall be managed, invested, and paid out in the same manner and n accordance with the same terms as the principal of the fund. *(This paragraph was added June 19, 1989)*