

Project Report



**PLANNING
DECISIONS**

Research & Planning

An Analysis of the Fiscal & Economic Impact of the "Shops at Biddeford Crossing" Project

**For: The City of Biddeford
205 Main Street
Biddeford, ME 04005-0586**

May 17, 2004

**From: Planning Decisions, Inc.
22 Cottage Road, P.O. Box 2414
South Portland, ME 04116-2414**

363-3541

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For: The City of Biddeford
202 Main Street
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22 Cottage Road, P.O. Box 2414
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I. SUMMARY & CONCLUSIONS

This report assesses the likely fiscal impact on the City of Biddeford of the proposed retail development called "The Shops at Biddeford Crossing." The report is divided into five sections.

Section I. Project Description (pages 3 to 6). This section describes the location of the project, its proposed uses, the investment made to complete it and the likely sales and employment the businesses that locate there will generate.

Section II. Impact on Municipal Revenues (pages 7 to 15). This section lists the likely impact the project will have on the City's various sources of revenue, most importantly its property tax revenues and its state education subsidy revenues.

Section III. Impact on Municipal Services (pages 16 to 24). This section lists the impacts the project will have on the demand for municipal services and thus on the City's expenses.

Section IV. Impact on the Municipal Economy (page 25 to 27). This section examines the recent trends in economic activity in Biddeford and its surrounding areas and estimates the effect this project will likely have on Downtown Biddeford.

Section V. Conclusions (pages 28 to 30). This section combines the revenues and the expenses to estimate the net fiscal impact the project is likely to have on the City.

Net Fiscal Impact	\$335,300	\$24,300 - (\$126,700)
Total Expenses	\$292,400	\$247,400
Total Revenue	\$627,700	\$467,700
Total Expense Impact	\$292,400	\$383,400
Debt Service	\$0	\$80,000
County Tax	\$0	\$11,000
Public Service & Education	\$0	\$21,000
Public Works	\$0	\$0

If the City creates a TIF district to include all of the taxable property created as part of this project, the net fiscal impact on the City will be a gain of approximately \$335,000. If the TIF district covers only 50% of the newly created taxable property, the net fiscal gain will be reduced to approximately \$84,000. If no TIF district is created, the fiscal impact will be a negative \$127,000, largely because of the debt service the City will have to pay to cover its contingent liability on Andrews Road.

SUMMARY OF CONCLUSIONS

Planning Decisions, Inc. conducted its analysis on the basis of the proposed project on its own. The fiscal impact of the project will be affected significantly by the City's decision regarding creation of an associated Tax Increment Financing (TIF) District. Therefore, we present our conclusions for each of three scenarios: with a TIF district for 100% of the new taxable property created; for 50% of the new taxable property created and for no TIF.

Table 1 summarizes our findings.

Table 1
Fiscal Impact of "The Shops at Biddeford Crossing"

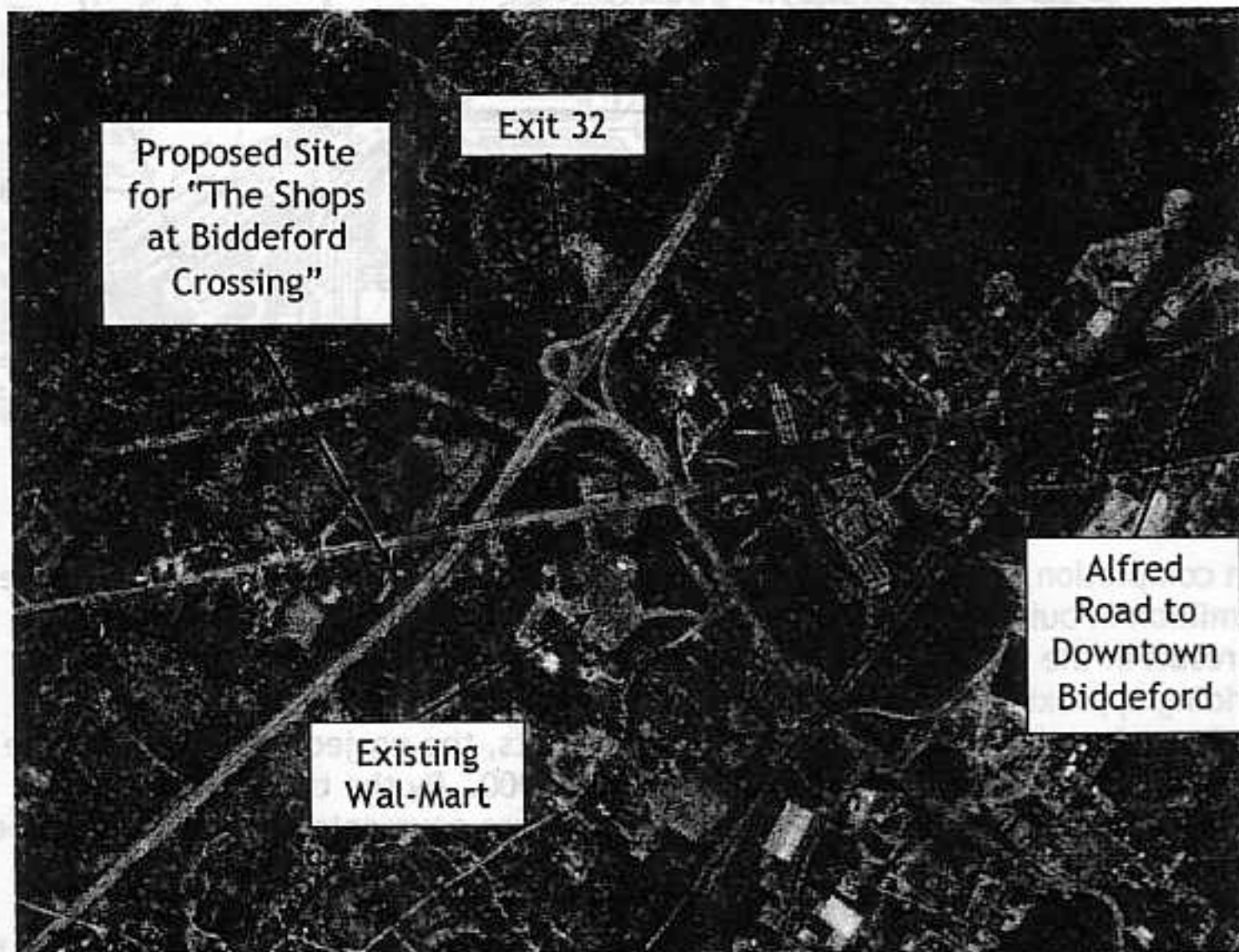
Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
Property Tax Revenues	\$609,700	\$609,700	\$609,700
Excise Tax Revenues	\$0	\$0	\$0.00
State Revenue Sharing	\$18,000	\$1,000	(\$6,000)
State Education Subsidy	\$0	(\$143,000)	(\$286,000)
Other	\$0	\$0	\$0.00
Total Revenue Impact	\$627,700	\$467,700	\$317,700
General Government	\$7,000	\$7,000	\$7,000
Public Services	\$0	\$0	\$0
Public Safety	\$173,100	\$173,100	\$173,100
Public Works	\$112,300	\$112,300	\$112,300
Public Service & Education	\$0	\$0	\$0
County Tax	\$0	\$11,000	\$22,000
Debt Service	\$0	\$80,000	\$160,000
Total Expense Impact	\$292,400	\$383,400	\$474,400
Total Revenue	\$627,700	\$467,700	\$317,700
Total Expenses	\$292,400	\$383,400	\$474,400
Net Fiscal Impact	\$335,300	\$84,300	-\$156,700

If the City creates a TIF district to include all of the taxable property created as part of this project, the net fiscal impact on the City will be a gain of approximately \$335,000. If the TIF district covers only 50% of the newly created taxable property, the net fiscal gain will be reduced to approximately \$84,000. If no TIF district is created, the fiscal impact will be a negative \$157,000, largely because of the debt service the City will have to pay to cover its contingent liability on Andrews Road.

II. PROJECT DESCRIPTION

The "Shops at Biddeford Crossing" is a 462,000 square foot complex of retail stores proposed by Packard Development of Newton, Massachusetts for an eighty acre site on the south side of Route 111 (Alfred Road) approximately one half mile west of Turnpike Exit 32 (formerly Exit 4). Figure 1 shows the site and its surrounding area.

Figure 1
Biddeford Crossing Area



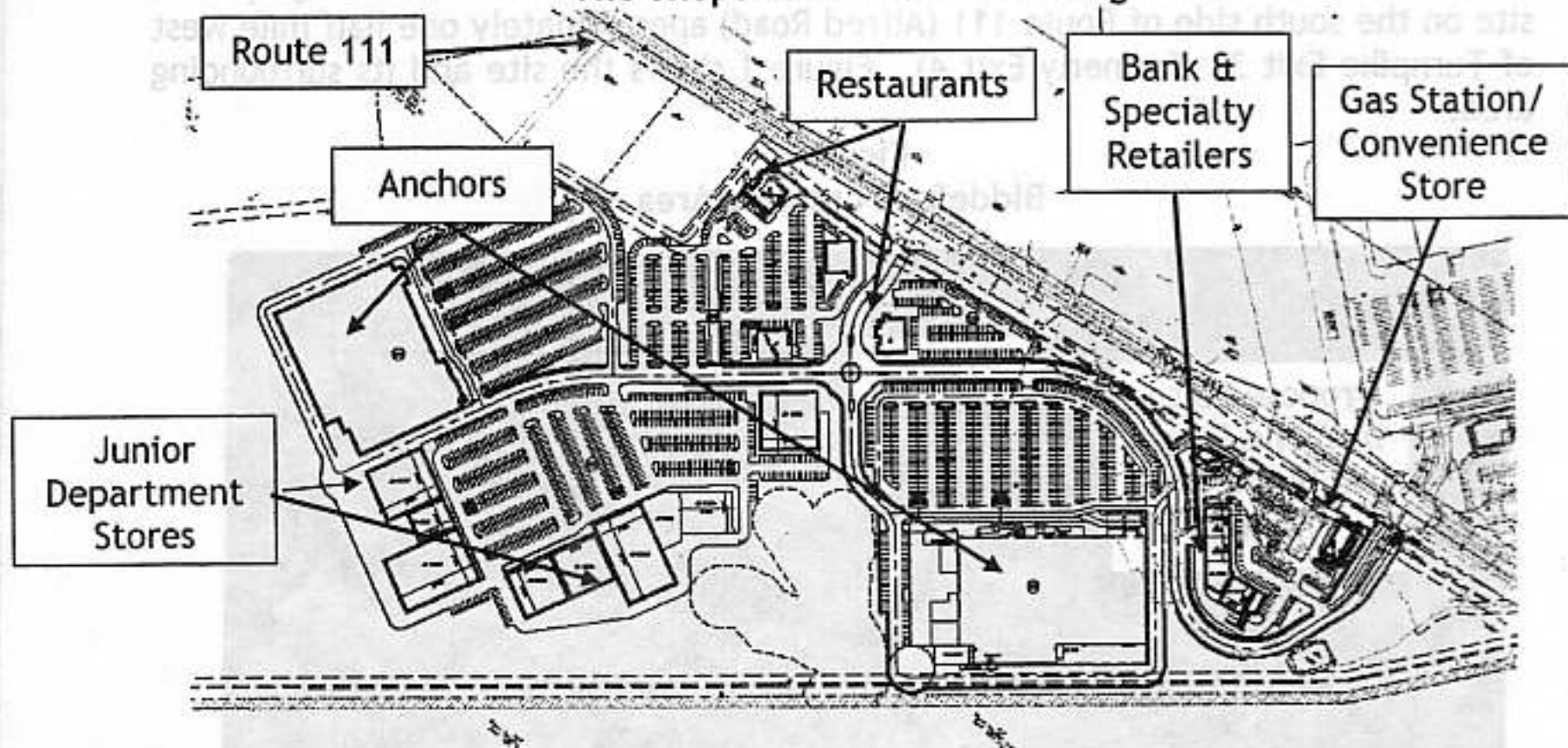
Source: City of Biddeford

The development will feature:

- ✓ two "Big Box" anchor stores encompassing 289,000 square feet (Lowe's and Target);
- ✓ fifteen assorted "Junior Department Stores" and specialty retailers encompassing 138,000 square feet;
- ✓ five restaurants encompassing 27,000 square feet;
- ✓ one gas station/convenience store including a drive through for coffee and donuts encompassing 4,000 square feet;
- ✓ one branch office of a local bank encompassing 4,000 square feet; and
- ✓ parking capacity for approximately 2,225 cars.

Figure two presents a detailed layout of the proposed project.

Figure 2
The Shops at Biddeford Crossing



Source: Gorrill-Palmer Consulting Engineers, Inc.

Upon completion, the project will represent a private investment of approximately \$55 million in buildings, land improvements as well as road and utility upgrades. It will result in the location of 28 businesses generating over \$110 million in sales, providing approximately 680 jobs and paying nearly \$13 million in wages and benefits. Based on comparable 2003 assessments, the project would have made property tax payments to the City of over \$600,000. By the time the project is completed and actual assessments are made, these payments will undoubtedly be much larger. In addition, the project will provide City residents with a much wider range of retail shopping at a much more convenient location. Items and entertainment activities that now require driving to Portsmouth or Portland will be available in Biddeford. Finally, the project will enable the City to reduce greatly the expenses it is likely to incur in the near future to extend water and sewer service to its land off Andrews Road as well as the expense it would incur to widen Route 111 should the development now occurring there proceed in smaller increments.

Table 2 presents a summary of the economic activity likely to occur as a result of this project.¹

¹ Data on square footage by store category were provided by Packard Development. Data on sales, employment and payroll were derived from a number of sources including company data and extrapolations from U.S. Bureau of the Census figures and the Newspaper Association of America.

Table 2
Indices of Economic Activity at "The Shops at Biddeford Crossing"

Store(s)	Sales (\$1,000)	Payroll (\$1,000)	Employees	SF (1,000)
Lowe's	\$32,421	\$3,710	150	165
Target	\$33,605	\$3,246	150	124
Junior Dept. Stores & Misc. Retail	\$33,120	\$3,276	200	138
Restaurants	\$8,100	\$2,441	170	27
Gas Station/Convenience Store	\$897	\$68	5	4
Bank	\$1,994	\$241	6	4
Project Total	\$110,137	\$12,982	681	462

Sources: See footnote 1 above.

As part of its development costs, Packard will assume full responsibility for off-site improvements including the extension of all utilities needed to serve both this project and other developments along Andrews Road as well as all road improvements including traffic signals. This includes approximately \$2.25 million for widening Route 111 and providing traffic signals at the entrance to the project, as well as \$372,500 to extend the water and sewer lines to Andrews Road. Finally, Packard will pay the one-time impact fees listed below.

Table 3
Major One Time Fees Paid for "The Shops at Biddeford Crossing"

Impact Fees	Amount
Sewer Inflow/Infiltration Fee	\$350,000
Sewer Pump Station Impact Fee	\$84,000
City Building Permit Fee	\$192,000
Total	\$626,000

Source: City of Biddeford

As part of this project, the City is proposing to establish a TIF District that will encompass the project site and adjacent properties extending down Andrews Road. The City proposes using some or all of the property tax revenue generated by this development to fund the extension of water and sewer lines from the project site to the 77-acre, City-owned property off Andrews Road. The City Engineering Department estimates that the cost of this further infrastructure investment including a standpipe at the City's site will be approximately \$1.85 million.

This extension would both eliminate a liability the City now faces because of the long-term effects of its former landfill and vastly increase the value of its Andrews Road land. A contingent liability exists for subsurface water contamination from

the City's former landfill situated at the end of Andrews Road. State and Federal environmental agencies have stated that the City will be liable for bringing piped water to those residences whose water supply is contaminated by this plume. Financing extension of a water line through creation of a TIF district associated with the Biddeford Crossing project would be far less expensive for the City than financing the same extension later from municipal tax revenues.

Table 4 summarizes the values of the off-site improvements included in this project.

Table 4
Infrastructure Improvements Related to "The Shops at Biddeford Crossing"

(1) Description	(2) Total Cost	(3) Paid by Packard	(4) City Balance	(5) City Balance w/out Packard
Road Improvements on Route 111	\$2,250,000	\$2,250,000	\$0	\$1,000,000*
Extend Water Line from Home Depot to City Land on Andrews Road	\$1,850,000	\$200,000	\$1,650,000	\$1,850,000
Extend Sewer Line from Home Depot to City Land on Andrews Road	\$520,400	\$172,500**	\$347,500	\$520,400
Total	\$4,620,400	\$2,622,500	\$1,997,500	\$3,370,000
Annual Debt Service	\$370,700	n.a.	\$160,300	\$270,400

Source: data provided by Packard Development and The City of Biddeford. *Column five lists lower costs for City road improvements on the assumption that only widening and light installation would occur under incremental growth instead of the extensive construction of traffic islands and turning lanes that will occur under the Packard development. **Paid by other development.

The total cost of these improvements is likely to be approximately \$4.6 million. Financed at 5% over 20 years, this would cost the City nearly \$371,000 per year. Even assuming that, under a no-Packard incremental growth scenario, the City would spend less on road improvements (Column 5), the total cost would be over \$3 million, and the annual debt service would be approximately \$270,000.

Establishing a TIF District would not change the nature of the project itself. It would, however, significantly affect its fiscal impact. If the district is established, additional property tax revenues generated in it would be used to pay the \$160,300 debt service listed in column (4). In addition, any increase in taxable property created within the district would not be counted by the State or by the County in calculating state revenue sharing, state education funding or the County tax. There fore, Planning Decisions will present its findings under three scenarios: a TIF district for 100% of the taxable property created by the project; for 50% of the taxable property; and for none of the taxable property.

III. IMPACT ON MUNICIPAL REVENUE

The first question this report is intended to answer is, "How will the 'Shops at Biddeford Crossing' project affect the City's revenues?"

Table 5 lists the City's major revenue sources as given in its most recent Annual Financial Report.²

Table 5	
Principal Sources of Revenue, City of Biddeford, 2003	
Source	Amount (\$1,000)
Taxes	\$26,688
Property Taxes (net of TIF)	\$23,972
Excise Taxes & Other	\$2,716
Licenses, Permits & Fees	\$816
Intergovernmental	\$11,682
State Education Allocation	\$7,617
Education Debt Service	\$820
State Revenue Sharing	\$1,659
State Road Assistance	\$159
Other Intergovernmental	\$1,427
Other Revenue	\$1,061
Public Works	\$97
Education Tuition & Fees	\$435
Other	\$529
Investment Income	\$78
Total Revenue	\$40,325

Source: Annual Financial Report, 2003, p. 58-59.

The major impact of this project on the City's revenues will occur through the addition to taxable property it will provide and through the resulting effects on state assistance. Each of these impacts will be treated in turn. Its impact on Licenses, Permits & Fees, on "Other" Revenue and on Investment Income is likely to be insignificant.

1. Property taxes

As noted in the project description presented above, "The Shops at Biddeford Crossing" represents an investment of over \$55 million. The first task of this part of the analysis is to estimate how this investment will translate into taxable

² Runyon Kersteen Ouellette, Certified Public Accountants City of Biddeford, Maine, Annual Financial Report, June 30, 2003. This same firm has prepared similar reports for many years. As part of this report, Planning Decisions reviewed these reports for the past ten years. Data on city revenues and expenditures come from these reports unless otherwise cited.

property and tax revenue for the City. We will do this for land, buildings and personal property by identifying comparable properties within the City and applying their tax treatment to the values identified for this project.

It is important to note here that Packard's investment includes approximately \$3 million that will be paid for water, sewer and road improvements that will not become taxable property. More importantly, Packard's budget represents an estimate based on current and projected construction costs. Planning Decisions' analysis of comparable assessed values, on the other hand, is based on the most recent data available from the City Assessor, i.e., the values certified for the City's fiscal year 2003 on April 1, 2002. Thus, for purposes of this analysis, we presume that the proposed development did in fact exist on that date and would have been assessed comparably to other like properties. This will certainly be less than Packard's current projected investment total, but will serve the purpose of estimating the project's net fiscal impact by treating all revenue and expenses as if they had occurred in fiscal year 2003.

It is also important to note the difference between City and State assessments of property value. For purposes of calculating state revenue sharing and the state education funding formula, the State Bureau of Taxation examines actual sales in each city and town and sets the so-called State Equalized Valuation. This often differs from the City's valuation.

Table 6 below presents the 2004 State Valuation for Biddeford.

Table 6
City and State Valuation of Commercial/Industrial Property

Category	City Assessment	State Valuation	City to State Ratio
Land	\$95	\$109	87%
Building	\$237	\$272	87%
<u>Personal Property</u>	<u>\$117</u>	<u>\$135</u>	<u>87%</u>
Total	\$449	\$516	87%

Source: City of Biddeford, Assessor's Office and State of Maine, Bureau of Taxation.

For purposes of estimating the property tax revenue generated by the proposed project, we use the City's assessment records. For purposes of calculating state intergovernmental funding, however, we will increase that value by the "City to State ratio" noted in Table 6.

a. land

Table 7 presents the data on land valuation comparable to that where "The Shops" will be built. Figures in *bold italics* present our estimate of property tax revenue to the City.

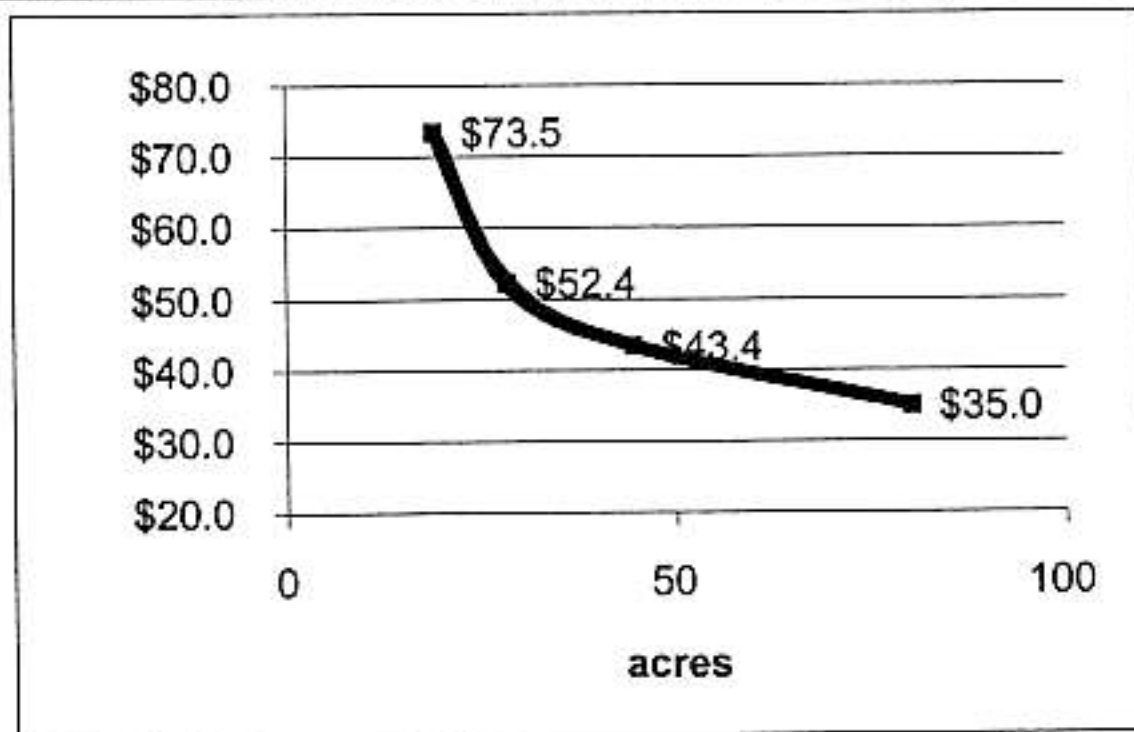
Table 7
Land Valuation for "The Shops at Biddeford Crossing" Project

Map	Block/Lot	Location	Name	Land Value (\$1,000)	acres	Land Value per Acre
2	24 to 34	547 to 583 Alfred	"The Shops"	\$2,814	80.4	\$35,000
2	58	525 Alfred	Wal-Mart	\$1,931	44.5	\$43,423
2	37	540 Alfred	Home Depot	\$1,485	28.3	\$52,399
2	37/2	528 Alfred	Kohl's	\$1,396	19.0	\$73,474

Source: City of Biddeford Tax Assessor's Office.

Rows three, four and five present data on the location, size and valuation of properties comparable to the site to be developed under this proposal. Columns six and seven show that there is a pattern of diminishing assessed value per acre as the size of the site increases. This pattern is further illustrated in Figure 3.

Figure 3
Relationship Between Parcel Size and Value per Acre, Biddeford, 2003



We estimated a value of \$35,000 per acre as a reasonable extrapolation of the pattern evident in similar properties. This yields an estimated taxable land value for this project of \$2,814,000.

b. Buildings

Table 8 presents the data on building valuations comparable to those projected for "The Shops at Biddeford Crossing." Figures in *bold italics* present our estimate of property tax revenue to the City.

Table 8
Building Valuation for "The Shops at Biddeford Crossing" Project

Map	Block/Lot	Location	Name	Building Value (\$1,000)	SF (1,000)	Building Value per SF
a. Big Box Anchors						
			Lowe's & Target	\$11,560	289	\$40.00
2	58	525 Alfred	Wal-Mart	\$8,791	208	\$42.26
2	37	540 Alfred	Home Depot	\$5,333	148	\$36.03
b. Junior Department Stores & Shops						
			Linens 'N Things etc.	\$8,280	138	\$60.00
2	55	510 Alfred	Shaw's Plaza	\$3,860	56	\$68.93
20	26/1	416-420 Alfred	Staples Plaza	\$4,065	152	\$26.74
c. Restaurants						
			Chilly's etc.	\$3,348	27	\$124.00
2	58/1	517 Alfred	Wendy's	\$403	3	\$134.33
20	26/1	416-420 Alfred, bld 3	99 Pub	\$767	6	\$127.83
28	57	349 Alfred	Buger King	\$376	4	\$94.00
d. bank						
			local bank	\$421	4	\$105.20
20	25	417 Alfred	Biddeford Saving	\$263	2.5	\$105.20
e. Gas Station/Convenience Store						
			gas & donut drive through	\$380	4	\$95.00
2	56/2	513 Alfred	Irving Station	\$269	2.9	\$92.76
20	10	394 Elm	Mobil Station	\$102	1.3	\$78.46
Total Estimated Building Value for the Project				\$23,989	462	\$51.92

Source: City of Biddeford Tax Assessor's Office.

Together, these comparable values applied to the Biddeford Crossing project indicate an increase of nearly \$24 million in taxable building property.

c. personal property

Table 9 presents the data on personal property valuation comparable to that projected for "The Shops at Biddeford Crossing." Figures in *bold italics* present our estimate of property tax revenue to the City.

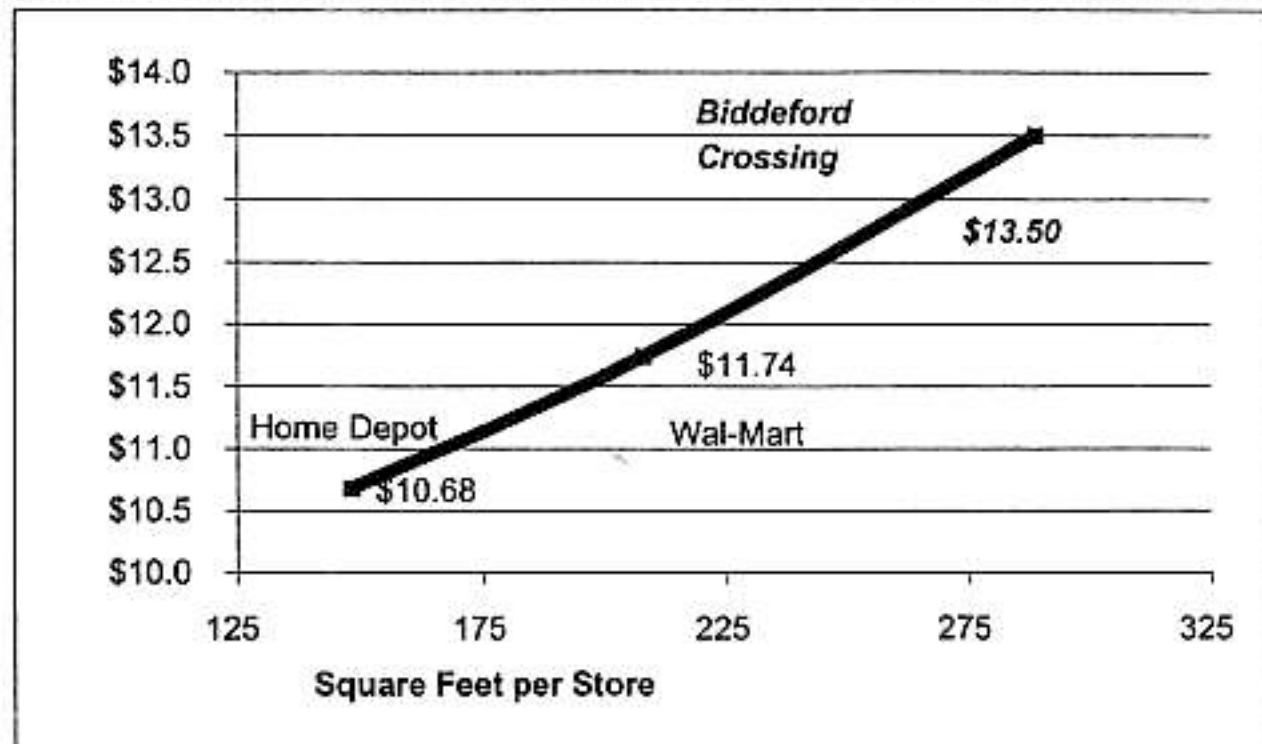
Table 9
Personal Property Valuation for "The Shops at Biddeford Crossing" Project

Map	Block/Lot	Location	Name	Personal Property (\$1,000)	SF (1,000)	Value per SF
a. Big Box Anchors						
			Lowe's & Target	\$3,902	289	\$13.50
2	58	525 Alfred	Wal-Mart	\$2,441	208	\$11.74
2	37	540 Alfred	Home Depot	\$5,333	148	\$10.68
b. Junior Department Stores & Shops						
			Linens 'N Things etc.	\$1,656	138	\$12.00
20	26/1	416-420 Alfred	Staples Plaza (Fashion Bug)			\$10.00
c. Restaurants						
			Chilly's etc.	\$1,161	27	\$43.00
2	58/1	517 Alfred	Wendy's	\$130	3	\$43.33
20	26/1	416-420 Alfred, bld. 3	99 Pub	\$188	6	\$31.33
28	57	349 Alfred	Buger King	\$129	4	\$32.25
d. bank						
			local bank	\$192	4	\$48.00
20	25	417 Alfred	Biddeford Saving	\$120	2.5	\$48.00
e. Gas Station/Convenience Store						
			gas & donut drive through	\$600	4	\$150.00
2	56/2	513 Alfred	Irving Station	\$553	2.9	\$190.69
20	10	394 Elm	Mobil Station	\$130	1.3	\$100.00
Total Estimated Personal Property Value for the Project				\$7,511	462	\$16.26

Source: City of Biddeford Tax Assessor's Office.

Two points deserve explanation with respect to personal property. First, there were few direct comparisons for the "Junior Department Store" category, so we applied a value slightly higher than that currently applied to the Fashion Bug shop—\$12 per square foot instead of \$10 per square foot—on the grounds that the new shops at Biddeford Crossing will be somewhat larger and have more fixtures and equipment. Second, it is evident that there is a tendency within the Big Box Anchor category for the value of personal property per square foot to increase as store size increases. Figure 4 illustrates this pattern.

Figure 4
Relationship Between Store Size and Value of Personal Property



Together, these comparable values applied to the Biddeford Crossing project indicate an increase of approximately \$7.5 million in taxable personal property.

The total impact of this project on property tax revenues would be the total assessed value it creates less the value now assessed on the property as it exists times the current tax rate. The total assessed value of property to be created by this project would be approximately \$34.3 million. Subtracting the \$1.8 million currently assessed on the property yields a net increase of approximately \$32.5 million. Multiplying this times the City's FY 2003 tax rate of \$18.76 per thousand yields a net increase in property tax revenues of approximately \$609,000.

It is important to reiterate here that this is not a projection of what the City's property tax revenues might be when the project is assessed in the future, but an estimate of what they *would have been* had the property existed in FY 2003.

Table 10 summarizes these data.

Table 10
Net Impact of "The Shops at Biddeford Crossing" on Property Tax Revenues

Property	Size	Value (\$1,000)
Land	80.4 acres	\$2,814
Buildings	462 th SF	\$23,989
a. Big Box Anchors	289 th SF	\$11,560
b. Junior Department Stores & Shops	138 th SF	\$8,280
c. Restaurants	27 th SF	\$3,348
d. Branch Bank	4 th SF	\$421
e. Gas Station/Convenience Store	4 th SF	\$380
Personal Property	462 th SF	\$7,511
a. Big Box Anchors	289 th SF	\$3,902
b. Junior Department Stores & Shops	138 th SF	\$1,656
c. Restaurants	27 th SF	\$1,161
d. Branch Bank	4 th SF	\$192
e. Gas Station/Convenience Store	4 th SF	\$600
Total		\$34,314
less existing taxable value		\$1,843
Net Increase in Taxable Property		\$32,471
times existing tax rate (\$ per 1,000)		\$18.76
Net Increase in Property Tax Revenue		\$609

Source: Biddeford Assessor's Office

2. Excise Taxes

Most businesses in the "Shops at Biddeford Crossing" project will lease any vehicles used. By and large, these vehicles will be registered outside Biddeford. Therefore, the project is unlikely to generate any additional excise tax revenue.³

3. State Revenue Sharing

Through its Revenue Sharing program, the State shares 5.1% of its sales and income tax revenues with municipalities. Distribution is based on population and adjusted by a relative property tax rate calculated on the basis of a town's adjusted state valuation. In short, a municipality's portion of the revenue sharing fund is proportional to its share of the State's total population adjusted by its relative property tax burden.

We project that the "Shops at Biddeford Crossing" will add approximately \$37.4 million to the City's state valuation with no appreciable effect on its population. We also project that it will also add a maximum of approximately \$474,000 to the

³ This conclusion is based in large part from information provided by the City Tax Collector.

City's expenses. Running these two changes through the State's revenue sharing formula indicates that the City will lose approximately \$6,000 in state revenue sharing funds as a result of this project. If, however, the City creates a TIF district for the project, the additional property it creates will not be added to the City's total for revenue sharing purposes. The expenses associated with the project will, however, be included in the tax burden calculation. Thus with a TIF district, the City would see an increase in state revenue sharing of approximately \$21,000. If the TIF covered one half the newly created property, the City would gain approximately \$1,000 in additional revenue sharing funds.

4. State Education Subsidy

The State distributes General Purpose Aid (GPA) to education to all school districts in the State according to a formula that is based on two factors: a municipality's per pupil property tax valuation compared to the state average; and its median income compared to the state average.

In 2003/04, a town or SAD whose taxable property per student—its so-called "tax capacity"—and whose median income both equaled the state average received 37.2% of its school operating expenditures from the state, up to a total of \$4,816 per student.

In Biddeford, the property value per student used in last year's formula was \$481,200, 15% above the state average of \$418,774. Biddeford's median income of \$29,929 was 4% below the state average of \$31,348. Therefore, the state paid only 29.7% of Biddeford's school operating expenditures.

A development's impact on the state education subsidy will depend on the dual effects of its increase in property values and any change it makes in the number of pupils. A \$37.4 million addition to taxable property represents a 2.4% increase in the City's current state valuation of \$1,587 million and hence an equivalent increase in its tax capacity per student. Recalculating the state subsidy formula based on this increase in tax capacity per pupil would reduce Biddeford's state education allocation by approximately \$286,000. Another way of looking at this effect is to say that this project would create the capacity to enroll an additional 65 students at no loss of state subsidy. If this additional taxable property were included in a TIF district, the City would lose no education subsidy funds. If one half of the property were included in the district, it would lose \$143,000.

8. Summary of Revenues

Table 11 summarizes the revenue impacts of this project.

Table 11
Estimated Municipal Revenue
Generated by the "Shops at Biddeford Crossing"

Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
Property Tax Revenues	\$609,700	\$609,700	\$609,700
Excise Tax Revenues	\$0	\$0	\$0.00
State Revenue Sharing	\$18,000	\$1,000	(\$6,000)
State Education Subsidy	\$0	(\$143,000)	(\$286,000)
Other	\$0	\$0	\$0.00
Total	\$627,700	\$467,700	\$317,700

In sum, the total on-going annual revenue to Biddeford that would have been generated by this project without creation of a TIF district would have been approximately \$318,000. With creation of the TIF district, the increased annual revenue would have been approximately \$628,000. If the TIF district had covered only one half of the newly created taxable property, the net revenue increase to the City would have been approximately \$468,000.

IV. IMPACT ON MUNICIPAL SERVICES

Introduction

The need for municipal services is driven by many factors. The need for education, for instance, is driven by the number of students. The need for plowing and road repair is driven by the City's miles of roadway and volume of traffic. The need for parks, libraries and social services is driven by the size of the population. The need for police and fire service is driven by the number of households, the amount of property and the volume of economic activity. Assessing the fiscal impact of a particular project is largely a question of determining how it will affect these "drivers" of demand for municipal services.

Table 12 lists some of the "drivers" of demand for municipal services for the Biddeford area at their 2003 values.

Table 12⁴

Socio-economic Indicators, City of Biddeford, 2003	
Item	FY 2003
Population	21,069
Housing Units	9,700
School Enrollment	2,946
Taxpayers (total parcels)	7,533
Employment (2002)	10,957
Retail Sales (Biddeford ESA, \$ m)	\$543
City Capital Assets (\$ m)	\$33
Taxable Property (\$ m)	\$1,292
Commercial/Industrial Property (\$ m)	\$449
Commercial/Industrial %	35%

Sources: See footnote below.

Determining the impact of "The Shops at Biddeford Crossing" on demand for City services is largely a question of estimating which drivers they will affect and to what extent.

Before making that estimate, it is important to distinguish two ways of looking at the cost of providing additional municipal services—the direct out-of-pocket cost and the fully allocated cost. This distinction is best understood through an

⁴ Population and housing units are from projections made by the Maine State Planning Office. School enrollment is from the Maine Department of Education. Employment is from the Maine Department of Labor and refers to jobs located in Biddeford regardless of where the employees live. Retail sales is from the Maine State Planning Office and is for the Biddeford sales area which includes Bar Mills, Biddeford, Buxton, Dayton, Hollis, Limington, Old Orchard Beach and Saco. Other data come from the Biddeford Assessor's Office.

example. The widening of Alfred Road (Route 111) from Five Points to the Turnpike amounts to an addition of approximately 3.5 lane miles to the City's road network. The Biddeford Public Works Department has estimated that the additional annual direct cost of maintaining this roadway will be approximately \$11,800.⁵ This cost, moreover, is attributable not to any one project but to the development of the entire corridor. In 2003, the assessed value of taxable property along this corridor amounted to approximately \$164 million. Allocated equally, the direct incremental cost of maintaining the roadway amounts to about \$0.07 per \$1,000 of the area's assessed value.

This direct incremental cost, however, does not represent the *entire* cost of providing DPW services to the area. The full cost must include some portion of the cost of staff plus maintaining and amortizing equipment. Dividing the 2003 DPW expenditure of \$3.8 million by the City's total tax base of \$1,292 million indicates a cost of \$2.94 per \$1,000 of assessed value. Applying this rate to the \$164 million assessed value of the Route 111 corridor area indicates a fully allocated cost of approximately \$482,000. This cost as well cannot be attributed to any one project but must be allocated to all the property in the area.

In sum, a complete fiscal impact analysis of a project must consider not simply the additional direct costs that the project might cause but also the project's share of the overall costs of maintaining municipal services at a given level. In the analysis that follows, we assume that the level of service remains constant, i.e., that the cost of providing service to the "Shops at Biddeford Crossing" does not come simply from reducing services a little bit everywhere else in the City.

Our analysis will look at each major area of City expense and estimate how the "Shops at Biddeford Crossing" project will affect them. Where a direct incremental cost can be identified, we will note it. But our assessment of the overall fiscal impact of the project will be based on our estimates of the fully allocated costs. These are determined by our judgements regarding the "drivers" most appropriate to each category of spending.

Table 13 below summarizes Biddeford's expenditures for the fiscal year ending June 30, 2003. Column one lists the category of spending, column two the amount spent, column three the amount spent divided by the total number of taxpayers in the City, column four the amount spent divided by the total value of taxable property in the City. Columns five and six list "drivers" we believe are the best available determinants of spending in each category.

⁵ Memorandum from Guy Casavant, Director, Biddeford Department of Public Works, March 24, 2004.

Table 13
Municipal Expenditures, Biddeford, FY2003

Item	amount (\$1,000)	per taxpayer	per \$1,000 property	driver used	Value of driver
General Government	\$5,514	\$732	\$4.27	cost per taxpayer	\$732
Public Services	\$1,887	\$250	\$1.46	cost per person	\$90
Public Safety	\$5,584	\$741	\$4.32	cost per taxpayer plus cost per \$1,000 property plus cost per \$1,000 retail sales	mix
Public Works	\$3,789	\$503	\$2.66	cost per \$1,000 property value plus cost per \$1,000 retail sales	mix
Education	\$21,451	\$2,848	\$16.60	cost per pupil	\$7,127
Debt Service	\$1,033	\$137	\$0.80	cost per \$1,000 long term debt	\$43
Total	\$40,674	\$5,399	\$31.48		

Source: City of Biddeford Annual Financial Report, 2003, p. 59-61.

The "Shops at Biddeford Crossing" will affect several categories of City expense. For each category, Planning Decisions will estimate the demand for services generated by this project. This estimate will include not just the incremental cost of providing service to the project but also the project's share of covering the total cost of each category of service.

1. General Government

General Government expenditures include the Mayor and City Manager, the City Clerk and Tax Collector, Code Enforcement, Finance, Elections, Planning & Economic Development and General Administration. It is the cost of administering City Government. In FY 2003, Biddeford spent approximately \$5.5 million on General Government, including Employee Benefits and the County Tax. The need for General Government is driven largely by the number of taxpayers. Each voter, taxpayer or household tends to require the same service regardless of the value of property or size of household. Dividing the \$5.5 million General Government expense by the 7,533 City taxpayers yields a per taxpayer cost of \$732 per year. While "The Shops at Biddeford Crossing" is likely to demand more general city services during its development, over the long run, it is unlikely to require more general governmental service than any other taxpayer. From the perspective of land and perhaps buildings, the project is likely to involve only one taxpayer. For personal property, however, it could involve as many as 28 taxpayers, one for each of the possible businesses that could locate there. For purposes of this analysis,

we will treat the project as 10 taxpayers and assign a General Government cost of approximately \$7,000.

2. Public Safety

Public Safety includes Police, Fire, Communications, Emergency Management and Animal Control. In 2003, it amounted to approximately \$5.6 million. The demand for Public Safety can be thought of as comprising two components: an insurance component and a service component. Everyone benefits from the presence of the Police and Fire Departments. All people and property are more secure because they are protected even if they never call either department. This is the insurance component of the service and is best allocated among all taxpayers on the basis of both average cost per taxpayer and average cost per value of taxable property.

The service component of Public Safety refers to the calls answered, the accidents investigated, the rescues made, the fires extinguished. This component is driven largely by economic activity. The more the traffic, the more the sales activity, the more congestion and people attracted to an area, the greater the demand for Public Safety services. Also, the more the people and economic activity in an area the longer the response time to deliver service. Both of these factors drive the need for both more staff and more equipment.

One way of assessing the demand for Public Safety is to allocate portions of the total cost to different "drivers." Table 14 presents this analysis.

Table 14
Demand for Public Safety

(1)	(2)	(3)	(4)	(5)	(6)
Public Safety Cost (\$1,000)	share of total	driver definition	driver value	Project amount (\$1,000)	Cost
\$2,792	50%	cost per taxpayer	\$371	10	\$3,700
\$2,234	40%	per \$1,000 taxable property	\$1.73	\$32,471	\$56,100
\$ 558	10%	per \$1,000 retail sales	\$1.03	\$110,137	\$113,300
\$5,584	100%				\$173,100

Column (1) lists the City's total expenditure for Public Safety in 2003 divided into the percentage distributions listed in column (2). Column (3) lists the definitions of the driver of demand for each component, and column (4) lists the value of the driver. Column (5) lists the amount of each driver that this project will generate, and column (6) lists the cost associated with each, rounded to the nearest hundred.

This analysis says that 90% of the cost of Public Safety represents its "insurance" function and thus should be allocated on the basis of number of taxpayers and value of assessed property. Allocating 50% of the total Public Safety cost of \$5,584,000 to each of the City's 7,533 taxpayers amounts to a per taxpayer cost of \$371. Allocating 40% on the basis of the value of property protected and dividing by the City's total property value of \$1,292 million yields a cost per \$1,000 of property of \$1.73. Multiplying this by the \$32.5 million of taxable property created by the project indicates a cost of \$56,100. Finally, allocating 10% as representing the service call portion of the expense and dividing this by the area's \$543 million of retail sales yields a value of \$1.03 per \$1,000 of retail sales. Multiplying this cost driver by the \$110 million retail sales anticipated for this project indicates a cost of \$113,000.

Clearly the most significant element of cost here is that portion associated with increased economic activity. In effect this says that the greatest impact of the project will be in the increased demand for service for this area.

This conclusion is consistent with the pattern of public safety calls. Citywide, calls for Public Safety assistance (police and fire) increased 10% between 1999 and 2003, rising from 35,385 to 38,899. At the same time, however, calls to the Biddeford Crossing area (the corridor from the Five Points Shopping Plaza out Alfred Road past the site proposed for this project) increased 83% from 934 to 1,705.⁶

The cumulative effects of increasing winterization of homes near the ocean on the east side of the City and the commercial development on the west side has been to pull public safety officers in opposite directions and reduce response times. While no one project alone is the cause of this effect, its impact is clear. At some point the City will have to establish a substation of some sort in the western commercial district. While it would be unfair to charge any one development for the costs of this expense, it is important that the City recognize these "invisible" costs and begin to consider how to finance such a needed improvement and how to allocate its costs to all taxpayers in the area.

3. Public Works

Services provided by the Biddeford Public Works Department (DPW) include street, sidewalk, park and cemetery maintenance, solid waste management, engineering and administration. In 2003, the City spent approximately \$3.8 million on these services. Excluding parks and cemetery work and solid waste management which would be unaffected by this project, the total was approximately \$2.6 million.

⁶ Information provided by the Biddeford Police Department.

The need for DPW services is driven by the extent and age of City assets to be maintained plus the wear and tear they experience each year. The task of allocating these costs to individual projects is complicated by the fact that the incremental cost of one additional project and the activity it generates is generally quite small while the total impact over time is quite large. For example, the City has spent approximately \$460,000 upgrading the Five Points intersection and Route 111 out to Shaw's Supermarket. Annual maintenance costs associated with this 3.5 lane-mile expansion will be \$11,800.⁷ No one project created these costs. All projects together did. The question is how to estimate the total costs of developing an entire area and how to allocate some portion of them to each project as it comes on line rather than abruptly increasing taxes as the need becomes critical.

One way to approach this task is to examine the pattern of DPW costs per \$1,000 of assessed non-residential property value. In 1996, DPW expenses (less Parks, Cemetery and Solid Waste Management) amounted to \$1.89 per \$1,000 of assessed non-residential property value. By 2003, that figure had risen to \$2.03. Over the same period, the total value of assessed property value in Biddeford had increased 28%, the value of commercial/industrial property had increased 65% and the value of commercial/industrial property in the Biddeford Crossing area (From Five Points to Andrews Road) had increased 176%. This indicates that incremental development along the Alfred Road corridor has contributed to raising the average cost of providing DPW services to all non-residential taxpayers.

Looked at in this way, it is apparent that some combination of cost per dollar of assessed value and cost per dollar of retail sales offers the best way to capture the apparently rising marginal cost of providing DPW services. Table 13 illustrates this concept. As is true with Public Safety, it illustrates the importance of the marginal cost of serving the demand created by increased commercial activity. It indicates that, on the basis of a full cost allocation analysis, the "Shops at Biddeford Crossing" are likely to increase DPW expenses by approximately \$112,000.

Table 15
Demand for Public Works

(1)	(2)	(3)	(4)	(5)	(6)
Public Works share of Cost (\$1,000)	total	driver definition	driver value	Project amount (\$1,000)	Cost
\$2,355	90%	per \$1,000 taxable property	\$1.82	\$32,471	\$59,200
<u>\$ 262</u>	<u>10%</u>	per \$1,000 retail sales	\$0.48	\$110,137	<u>\$53,100</u>
\$2,617	100%				\$112,300

⁷ Memorandum from Guy Casavant, Director, Biddeford Public Works Department, March 24, 2004.

4. Wastewater

The City of Biddeford operates its wastewater treatment plant as a self-supporting, non-governmental enterprise. User fees are set so as to cover capital and operating costs. A major upgrade of the system was required by State and Federal environmental regulators to separate storm-water runoff from sanitary waste and to increase the capacity of the treatment plant. These improvements were undertaken separately from any development on the Route 111 corridor, but have had the effect of providing the underlying capacity to accommodate the growth of that area.

Extension of the sewer system and associated pumping stations from the Thatcher Brook Business Park to the site of the proposed "Shops at Biddeford Crossing" project has been paid by the City as part of the development of the Business Park and by the developers of the other projects in the area (Wal-Mart, Home Depot, Kohl's). In addition, Packard Development will pay impact fees associated with connecting to the sewer system of approximately \$436,000.⁸ In short, the project will cover any capital expenses associated with its connection to the sewer system.

Based on current water usage fees and the anticipated use at the proposed project, the "Shops at Biddeford Crossing" will generate annual revenues of approximately \$78,400 for the sewer system. Based on current treatment costs, the anticipated water-flow generated by the project will cost approximately \$73,400 annually. In short, the sewer system should be able to handle the demands of this new project at no fiscal loss to the City.

5. Public Service & Education

The need for Public Service and Education spending is driven largely by the City's residential population. While the "Shops at Biddeford Crossing" will provide nearly 700 jobs, examination of the economic evidence from the recent past indicates that this activity is unlikely to increase the City's population. Table 16 summarizes the evidence.

Table 16
Indices of Economic Change, Biddeford Labor Market Area, 1996-2003

Item	1996	2003	% change
Retail Sales (\$m)	\$359	\$543	51%
Civilian Labor Force	38,620	42,930	11%
Share of York County	41%	41%	0%
Employed	37,230	41,350	11%
Unemployed	1,400	1,590	14%
Unemployment Rate	3.6%	3.7%	3%

Source: Maine State Planning Office and Maine Department of Labor.

⁸ Memorandum from Tom Milligan, Director, Biddeford City Engineer, March 26, 2004.

While retail sales in the Biddeford area increased over 50% between 1996 and 2003, the area's labor force increased only 11%. It's share of the York County labor force remained unchanged at 41%, and Biddeford's unemployment rate increased slightly over the period.

It is interesting to note that while commercial activity in the Biddeford area has been booming, school enrollment has been essentially flat over the past several years.

Table 17
Biddeford School Enrollment, 1999 to 2003

year	number	% change
2003	3,010	0.4%
2002	2,999	0.4%
2001	2,988	1.9%
2000	2,931	-1.4%
1999	2,972	n.a.

Source: Maine Department of Education

Thus, it is likely that the new jobs created by this project will be filled either by existing Biddeford residents or by people commuting from the surrounding communities. Therefore it is unlikely that this project will have any significant impact on the City's Social Service or Education expenses.

It is also important to re-emphasize here the dual nature of the project with respect to education. As noted in the analysis of City revenues above, any increase in the City's taxable property base will reduce the amount of education subsidy Biddeford receives from the state. Therefore the conclusion to emphasize here is that, while this project is unlikely to increase school enrollment, the City could enroll up to 65 additional students at no net fiscal loss in the sense that they would simply offset the impact of increased property values in the education formula.

6. County Tax

The amount Biddeford pays to York County would increase as a result of this development because the City's share of the County's total tax base would increase. The increased valuation of approximately \$37.4 million created by this project would increase the City's share of the County valuation from 8.235% to 8.400%. This, in turn, would increase the City's county tax expense by approximately \$22,000 annually.⁹

⁹ material provided by York County Treasurer.

7. Debt Service

As noted in Section I, Table 3 above, The City now is liable to extend water service to residents of the Andrews Road area whose wells will be contaminated by pollution from the City's former landfill. Depending on the extent of the roadwork the city does while making this extension, the annual debt service cost to the City will be between \$150,000 and \$250,000. This is relevant to an analysis of "The Shops at Biddeford Crossing" project because it would enable the City to create a TIF district encompassing this area and finance all or a portion of this infrastructure work from property tax revenues generated in the area. In short, this project could, if combined with a TIF district, enable to avoid a cost of between \$160,000 and \$260,000. For purposes of this analysis, we will use the lower number.

8. Summary of Expenses

Table 18
Estimated Municipal Costs of the "Shops at Biddeford Crossing"

Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
General Government	\$7,000	\$7,000	\$7,000
Public Services	\$0	\$0	\$0
Public Safety	\$173,100	\$173,100	\$173,100
Public Works	\$112,300	\$112,300	\$112,300
Public Service & Education	\$0	\$0	\$0
County Tax	\$0	\$11,000	\$22,000
Debt Service	\$0	\$80,000	\$160,000
Total	\$292,400	\$383,400	\$474,400

In sum, we anticipate that, without a TIF district, the total on-going annual cost to Biddeford of the proposed "Shops at Biddeford Crossing" project will be approximately \$474,000. With creation of a TIF district financing one half of the infrastructure extension, we anticipate that total costs would drop to approximately \$383,000. Finally, if TIF financing is used to finance the entire infrastructure expansion, the cost to the City would drop to approximately \$292,000.

V. IMPACT ON THE MUNICIPAL ECONOMY

One of the concerns expressed about the extensive retail development in the outer Alfred Road area is that it will have a detrimental effect on Biddeford's existing retailers, particularly those in the downtown area. Two pieces of evidence indicate that this concern is unwarranted, at least at this time.

The first source of evidence is the findings from two surveys of downtown businesses. The first was conducted by Planning Decisions, Inc. in 1995. The second was conducted by the City of Biddeford's Planning Department in 2002 and again in 2004. According to these surveys, a total of 88 businesses entered Downtown Biddeford between 1995 and 2004 while 78 businesses left, indicating a net gain of 10 businesses in the Downtown. Looking at the more recent period, 2002 to 2004, the period when the biggest of the Alfred Road stores came on line, shows no negative effects on the Downtown. Over this period, 19 businesses entered the Downtown while 9 left, still showing a net gain of 10 businesses.¹⁰

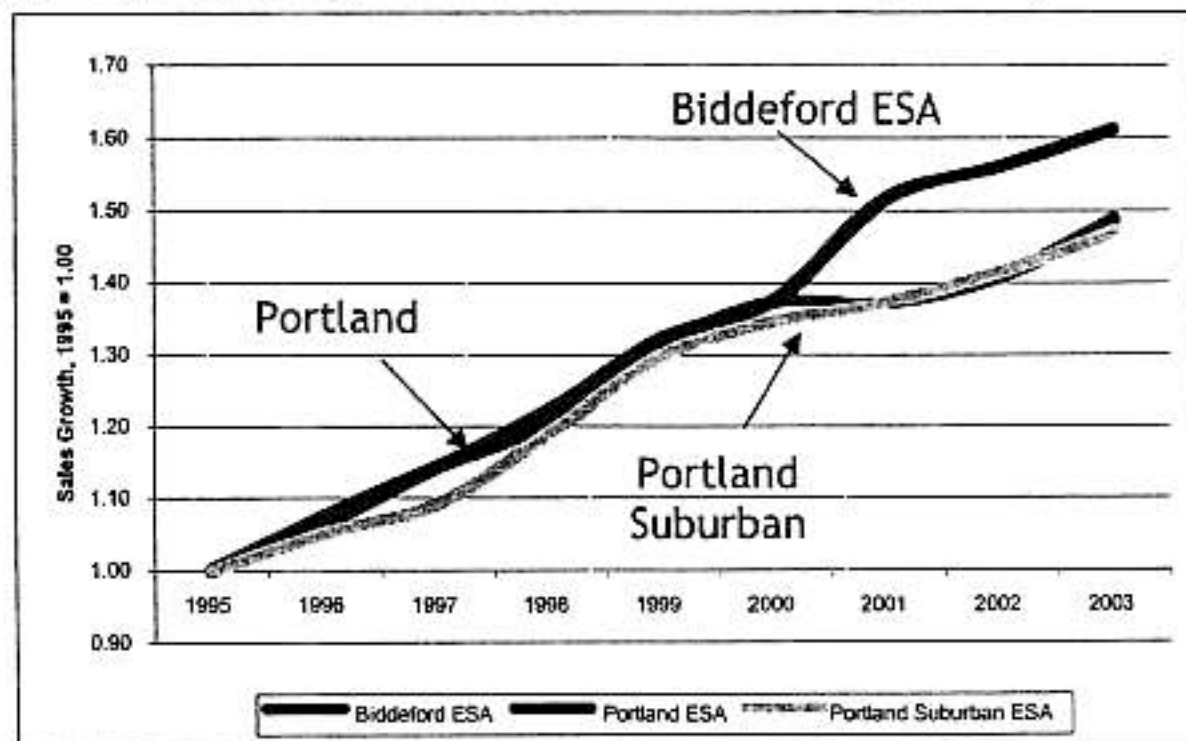
In total, Downtown Biddeford currently has 185 businesses, 7 government agencies and 10 places of worship.

The second source of evidence is the retail sales data published by the Maine State Planning Office. Figure 5 presents a picture of the sales trends for the Biddeford Economic Summary Area (ESA) and its neighboring areas, the Portland ESA and the Suburban Portland ESA.¹¹

¹⁰ Survey results provided by the City of Biddeford Department of Community and Economic Development, April 20, 2004.

¹¹ Maine State Planning Office <http://www.state.me.us/spo/economics/economics/retailsales.php>
The Biddeford Economic Summary Area (ESA) includes Bar Mills, Biddeford, Buxton, Dayton, Hollis, Limington, Old Orchard Beach and Saco.

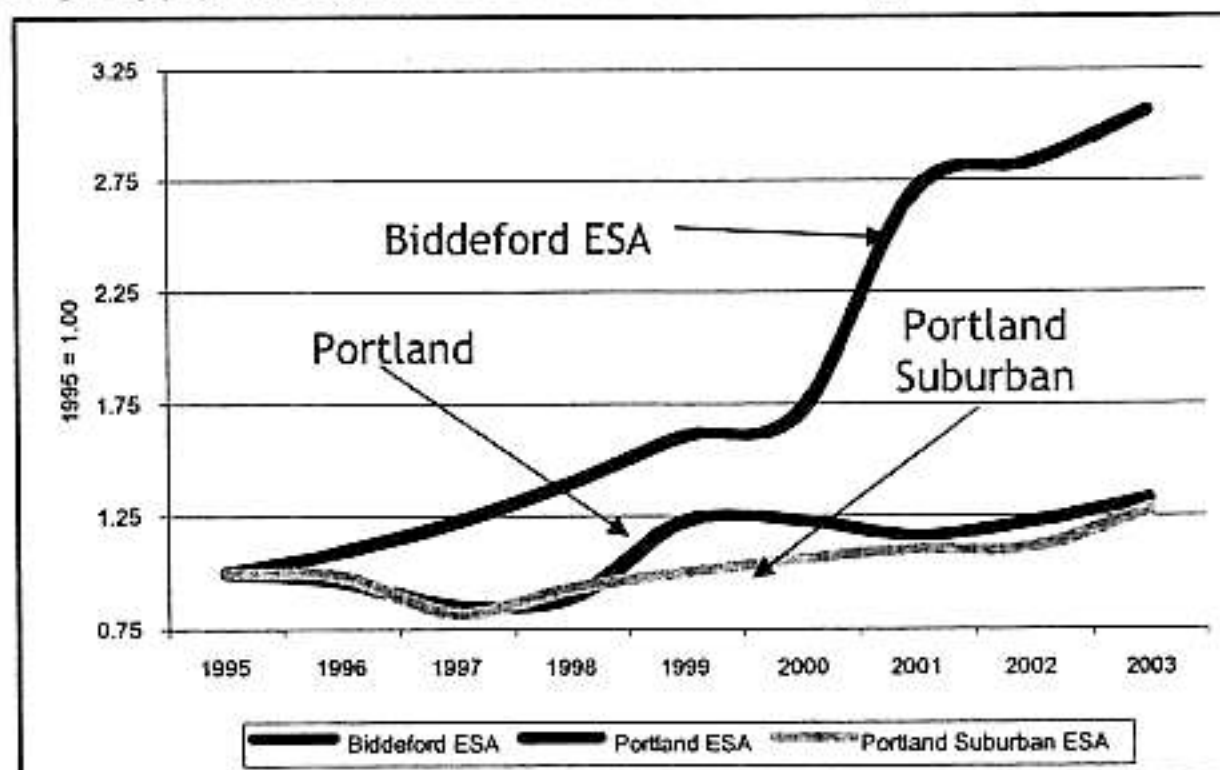
Figure 5
Patterns of Retail Sales, Biddeford and Surrounding Areas, 1995 to 2003



It is clear that the three areas grew in a very similar fashion from 1995 to 2000 and that Biddeford's growth increased rapidly since that time, while the other two areas saw a drop-off in their growth.

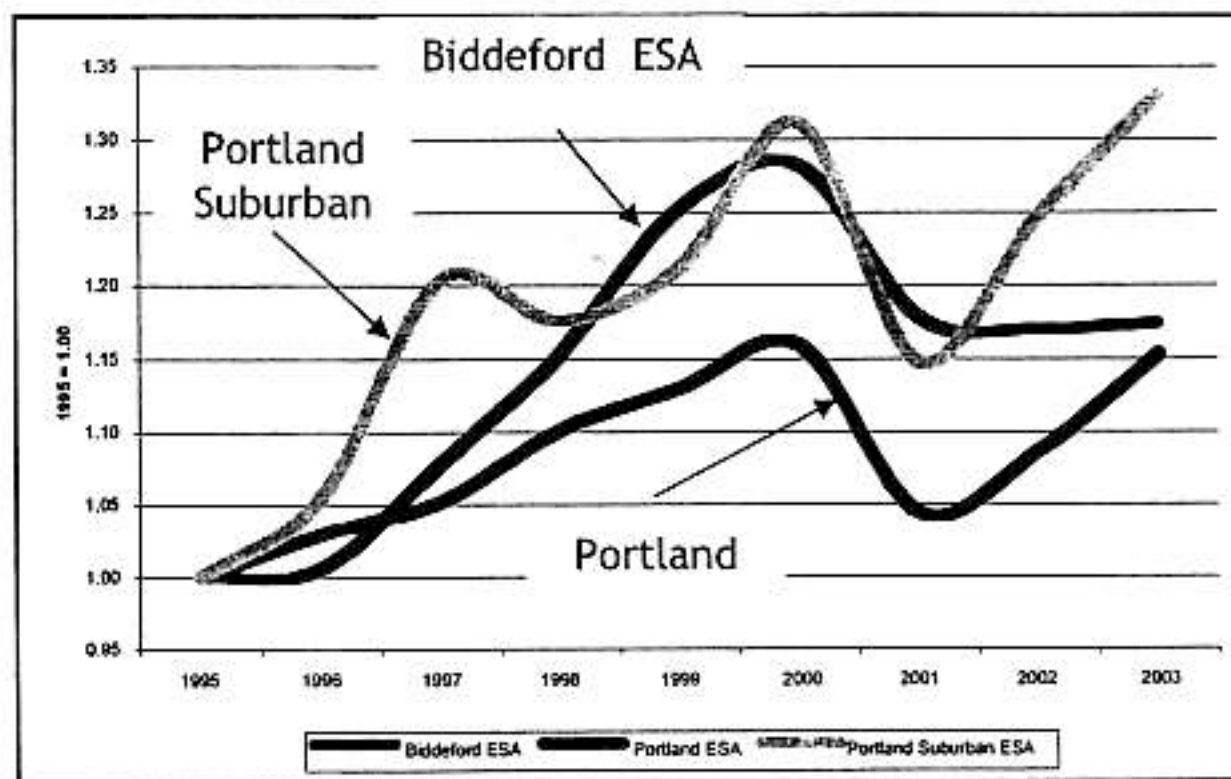
This pattern is even more evident is examining the trend for sales of Building Supplies.

Figure 6
Building Supply Sales, Biddeford and Surrounding Areas, 1995 to 2003



A completely different pattern is apparent in the recent history sales of taxable food items.

Figure 7
Sales of Taxable Food Items
Biddeford and Surrounding Areas, 1995 to 2003



In the case of food sales, all three areas exhibit a similar pattern until 2001 when sales in the Biddeford ESA do not take off in the same way that is apparent in the other two areas.

In sum, it is apparent that retail sales in the Biddeford area have continued to grow over the period since the opening of the new "Big Box" stores along Alfred Road and that, if anything, the Biddeford area has been taking sales from its surrounding areas.

VI. CONCLUSIONS

The "Shops at Biddeford Crossing" is a 462,000 square foot complex of retail stores proposed by Packard Development of Newton, Massachusetts for an eighty acre site on the south side of Route 111 (Alfred Road) approximately one half mile west of Turnpike Exit 32 (formerly Exit 4).

The development will feature:

- ✓ two "Big Box" anchor stores encompassing 289,000 square feet (Lowe's and Target);
- ✓ fifteen assorted "Junior Department Stores" and specialty retailers encompassing 138,000 square feet;
- ✓ five restaurants encompassing 27,000 square feet;
- ✓ one gas station/convenience store including a drive through for coffee and donuts encompassing 4,000 square feet;
- ✓ one branch office of a local bank encompassing 4,000 square feet; and
- ✓ parking capacity for approximately 2,225 cars.

Upon completion, the project will represent:

- ✓ An investment of over \$55 million in buildings, land improvements and road and utility upgrades;
- ✓ The location of 28 businesses generating over \$110 million in sales, providing approximately 680 jobs, paying nearly \$13 million in wages and benefits and making property tax payments to the City of approximately \$610,000.

The impact of the project on City revenue will depend in large part on whether or not it is accompanied by creation of a TIF district.

Table 19
Estimated Municipal Revenue
Generated by the "Shops at Biddeford Crossing"

Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
Property Tax Revenues	\$609,700	\$609,700	\$609,700
Excise Tax Revenues	\$0	\$0	\$0.00
State Revenue Sharing	\$18,000	\$1,000	(\$6,000)
State Education Subsidy	\$0	(\$143,000)	(\$286,000)
Other	\$0	\$0	\$0.00
Total	\$627,700	\$467,700	\$317,700

The project will generate nearly \$610,000 in additional property tax revenues. This increase, through the inter-governmental effects of the school funding

formula and the state revenue sharing program, will lead to a loss of state funds of approximately \$392,000, resulting in a net revenue gain of approximately \$318,000. If a TIF district is created, the increased property value will not be used in the state calculations, and the revenue gain for the City will be approximately \$628,000. Creating a TIF district to "shelter" one half of the additional taxable property will result in a revenue gain to the City of approximately \$468,000.

Planning Decisions estimates that the project will increase demand for City services by approximately \$292,000. If a TIF district is not created, this cost will increase by approximately \$182,000 as a result of the debt service necessary to cover the cost of the City's contingent liability on Andrews Road as well as the larger County tax bill resulting from the City's increased share of the total value of County taxable property.

Table 20
Estimated Municipal Costs of the "Shops at Biddeford Crossing"

Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
General Government	\$7,000	\$7,000	\$7,000
Public Services	\$0	\$0	\$0
Public Safety	\$173,100	\$173,100	\$173,100
Public Works	\$112,300	\$112,300	\$112,300
Public Service & Education	\$0	\$0	\$0
County Tax	\$0	\$11,000	\$22,000
Debt Service	\$0	\$80,000	\$160,000
Total	\$292,400	\$383,400	\$474,400

The greatest impact of the project will be on demand for Public Safety and Public Works services. These will not be affected by existence of a TIF district.

Combining the revenue and expense effects indicates that the project's overall net fiscal impact depends on creation of the TIF district.

Table 21
Estimated Municipal Costs of the "Shops at Biddeford Crossing"

Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
Total Revenue	\$627,700	\$467,700	\$317,700
Total Expenses	<u>\$292,400</u>	<u>\$383,400</u>	<u>\$474,400</u>
Net Fiscal Impact	\$335,300	\$84,300	(\$156,700)

Without the TIF, the net fiscal impact of this project will be a loss of approximately \$157,000. With the TIF, the net impact will be a gain of approximately \$335,000. With a TIF covering one half of the additional property created, the net fiscal impact will be a positive \$84,000.

It is important to reiterate here the meaning of net fiscal impact. This analysis is based on the assumption of maintaining current levels of service. It is not a projection of what expenses the City actually will incur. The City could choose to make no additional expenditures as a result of this project and simply force existing staff and equipment to cover the increased demand as best they could. This, however, would lower the current level of service, most importantly in the response times of Public Safety crews. It would also ignore the future capital costs for new road equipment and new Public Safety substations that full development of the Biddeford Crossing area will eventually require. In short, the fiscal impact noted here is our estimate of the costs that will be required to maintain current levels of service not our projection of what actually will be spent.

Because this project is likely to draw on the consumer base of the greater Biddeford area, including the Portland and Suburban Portland Economic Summary Areas (ESA's), we anticipate that the project will not have a detrimental impact on existing businesses in Downtown Biddeford.