Opportunity exists here in Island Falls

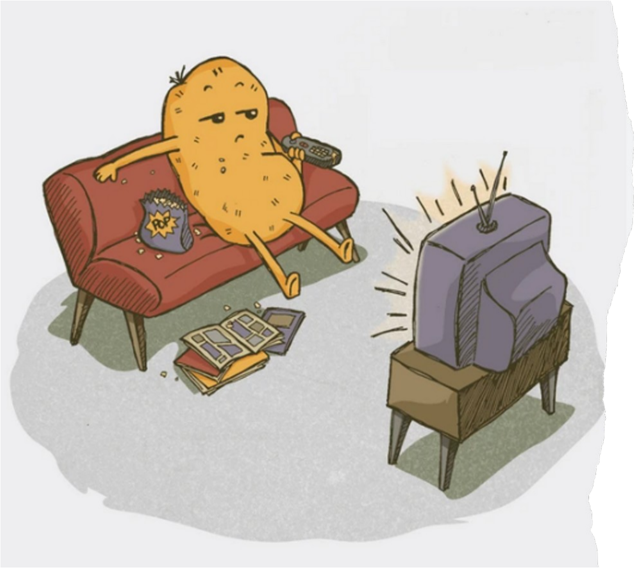
Let’s work together to support a path for Economic Growth!

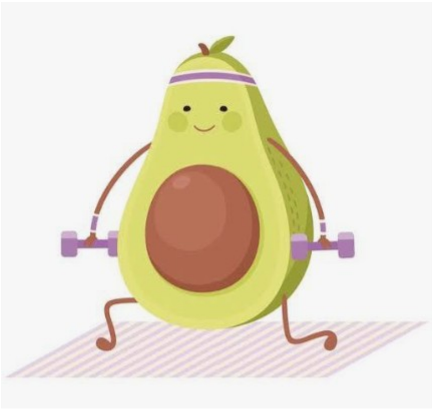
What is Economic Development?

- Definitions
  - Economy: The sum of all transactions
  - Economic Growth: Activities that increase the production of goods and service.

"What a society spends money on matters. When it spends on investment items that yield productivity and income gains, it makes for a better future than when it spends on consumption items that don't raise productivity and income."

— Ray Dalio



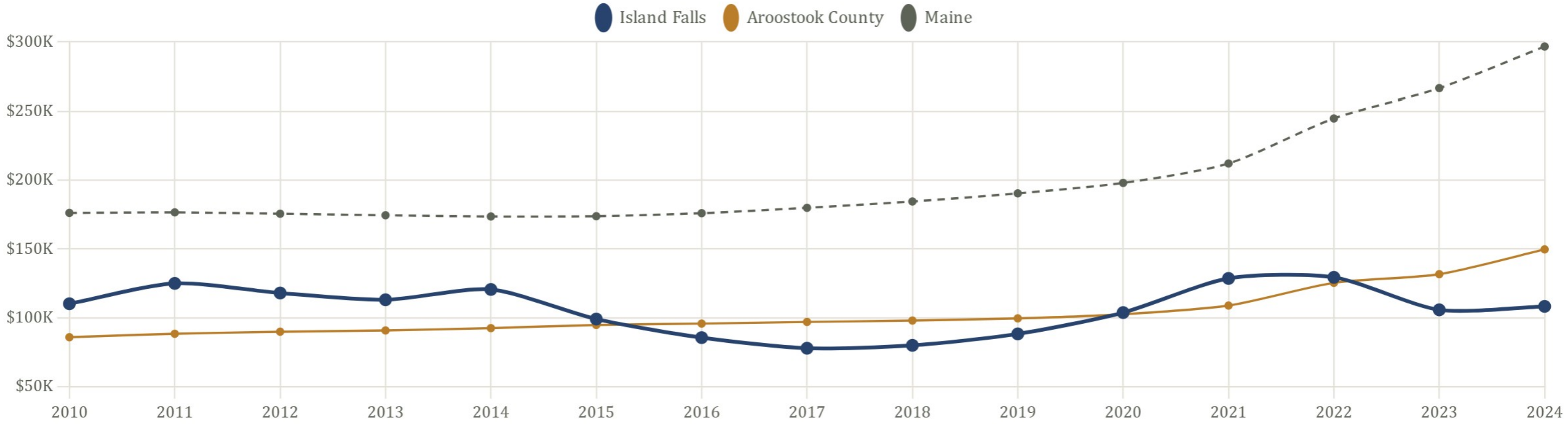


Healthy Economy

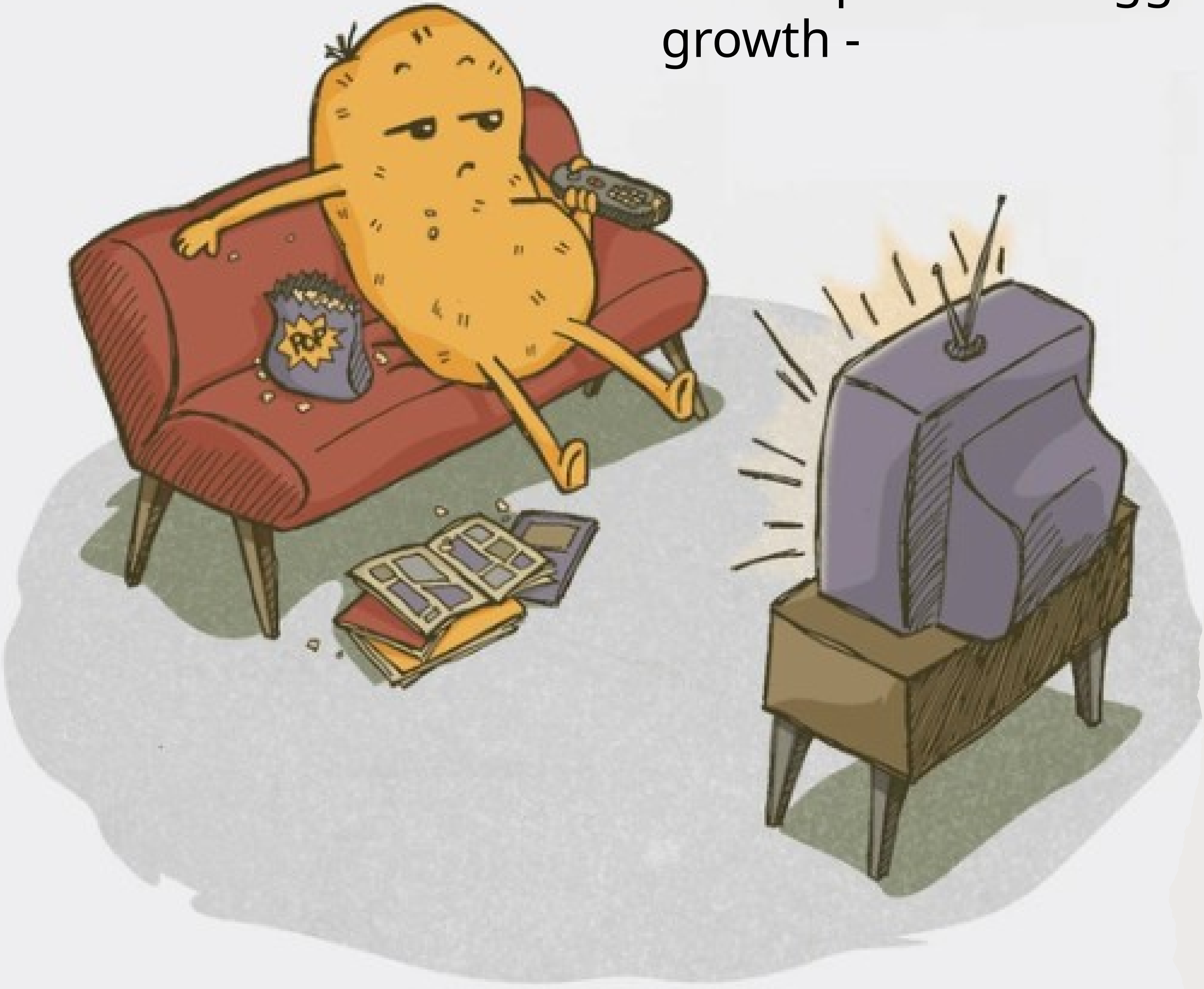
The health of an economy can be identified through an exploration of changes in property values, or the number of growing businesses within a town, state, or country.

02 **Median home values** *Town vs. Aroostook County vs. Maine*

Island Falls (2024)	Aroostook County (2024)	Maine (2024)
$108,300	**$149,700**	**$296,600**
-1.7% since 2010		



Let’s explore our biggest challenge to economic growth -



Our downtown parcels are not performing at their best/highest capacity.

Why Care?

- WE ALL BENEFIT!!
- The largest contributor to household wealth stems from Home Equity. Higher Prices attract buyers. Lower Prices attract sellers.
  - This largest contributor to municipal budgets are Parcels of Land with the most desirable attributes i.e. waterfront, downtown center, accessibility
  - Island Falls has many attributes that make it a desirable place to live, work and play. By investing in our downtown, we adapt poor performing lots and turn them into high contribution Parcels of Land.
  - Bring low performing lots to their full potential will increase the long-term demand for all Parcels of Land.
- More resources for all.
- Improved quality of life for our community members.

What happens in an Economic Decline?

- High Building Vacancy
- Limited Job Opportunities
- Declining Contribution Sources
- Limited Investment Activity

There is an economic weight imposed on the community as the remaining property owners shoulder the weight of the budget, all while facing declining demand for their properties.

Confirmation?

- **Many Underperforming Properties**
- **High Mill Rate/Taxes**
- Suppression of resources.
- Fleeting talent.
- Aging population
- Low demand
- Poor housing stock
- High Business Turnover

- Economic decline

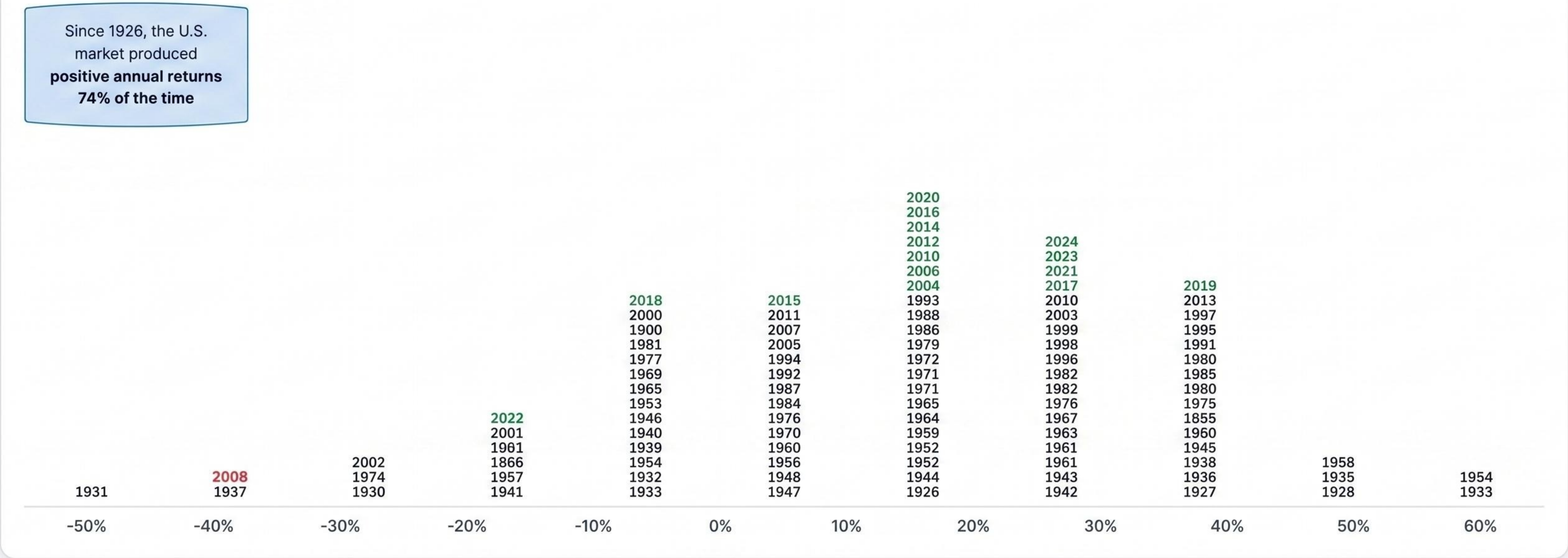



VOLATILITY & TAIL EVENTS

S&P 500 annual *returns*.

99 years (1926–2024). Every year sits in the bin matching its return. 2008 is in **red**; the most-recent decade in **green**. Hover any year for the exact return.

- Economic decline is a normal.



Sources: S&P Dow Jones Indices, A. Damodaran (NYU Stern). Annual total returns 1/1/1928 – 12/31/2024.

Past performance does not guarantee future results. Indices are unmanaged and cannot be invested in investly

To understand the challenges, we have to understand the relationship between human behaviors, investments and credit.

Primary drivers for shaping economic decisions

1. Economic Profit or Return on Investment-

2. Life Experience as Return (LEAR) –

3. Philanthropic Motivation –

- Many buildings in our downtown are in such disrepair that the cost to develop is greater than the project's ending value.

- There are two sides to this equation
  1. Cost to Produce
  2. Ending Value (the collateral)

Cost to Produce

- The cost to produce is made up of wages and supplies. Business owners and investors have very limited influence. While at times, wages may appear more competitive to alternative locations within the State, this cost is increased in Island Falls as time and resources are spent on supply delivery.

Ending Value (Collateral)

- Ending Value carries with it the most likely possibility for us to impact change.

Project Ending Values – A Challenge to Overcome

- Appraisals and tax assessment are used for the purpose of determining property values.
  - Suppressed comparables suppress credit and investment, and lead to lower Parcel Contributions.

- In our Downtown, we face the challenge of declining property values.
  - Economic Weight on the remaining properties (increased tax burden)
  - Affordability decreases - continuing the downward pressure on the health of the economy.

Town Parcels = Resources For Our Community

Parcel Contributions

The level of benefits or resources generated by a parcel. These can be direct and financial, or indirect and non-financial.

Direct Contributions

Measurable financial benefits: real estate tax, personal property tax on business assets, sales tax on goods and services, income tax from employment.

Indirect Contributions

Non-financial, unmeasurable benefits: public gardens, walking paths, information centers, community gathering spaces.

Town Identity?

The Power of Unfair Advantage

- Certain Properties demand more influence on the neighborhood than others!
  - Anchor Properties
  - Critical Lots

Anchor Property

A Parcel of Land with Parcel Attributes that have an outsized impact on the Parcel Market Values of nearby properties or an entire neighborhood or town. These properties significantly influence the economic health of surrounding areas.

Critical Lots

A Parcel or Parcels of Land that, due to their Parcel Attributes, demand an increased emotional response relative to other Parcels during the same experience. This allows for the memory or recall of the experience to produce a stronger image relative to memory or recall of other nearby or neighboring properties.

As memories of experiences are recalled, they reinforce both positive and negative bias. Critical Lots create a vibe.

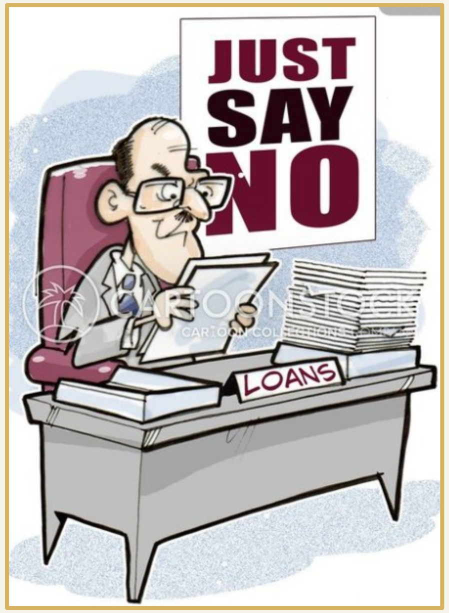
*There are many critical lots that present an image to the minds of the passersby. Are we projecting

“Credit is the most important part of the economy, and probably the least understood” – Ray Dalio

Total Available Credit	=	(Project’s Ending Market Value* what the completed project is worth	–	Required Owner’s Equity) the owner’s required contribution	–	Total Cost to Produce Project all costs required to complete

* Project Ending Market Values reflect assumptions about the values of assets used for collateral and the projected cash flow — Cash Is King!

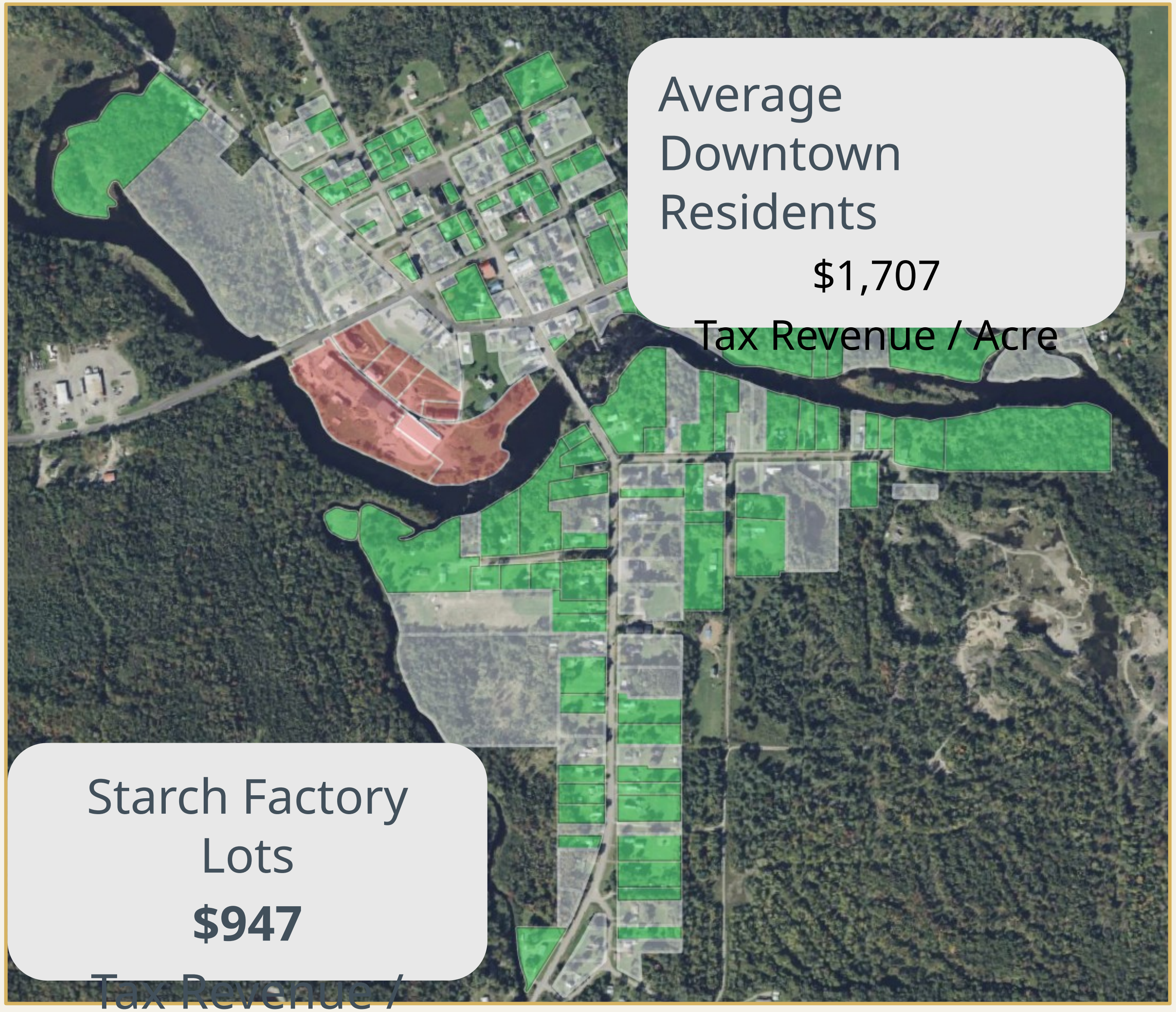
When a gap exists: If the Project’s Ending Market Value minus Required Owner’s Equity is *less than* the Total Cost to Produce Project, the right side of the equation is negative — meaning no credit is available. The individual or entity must contribute their own capital to close the gap, reducing what needs to be borrowed until the equation balances. This contribution comes at a loss.



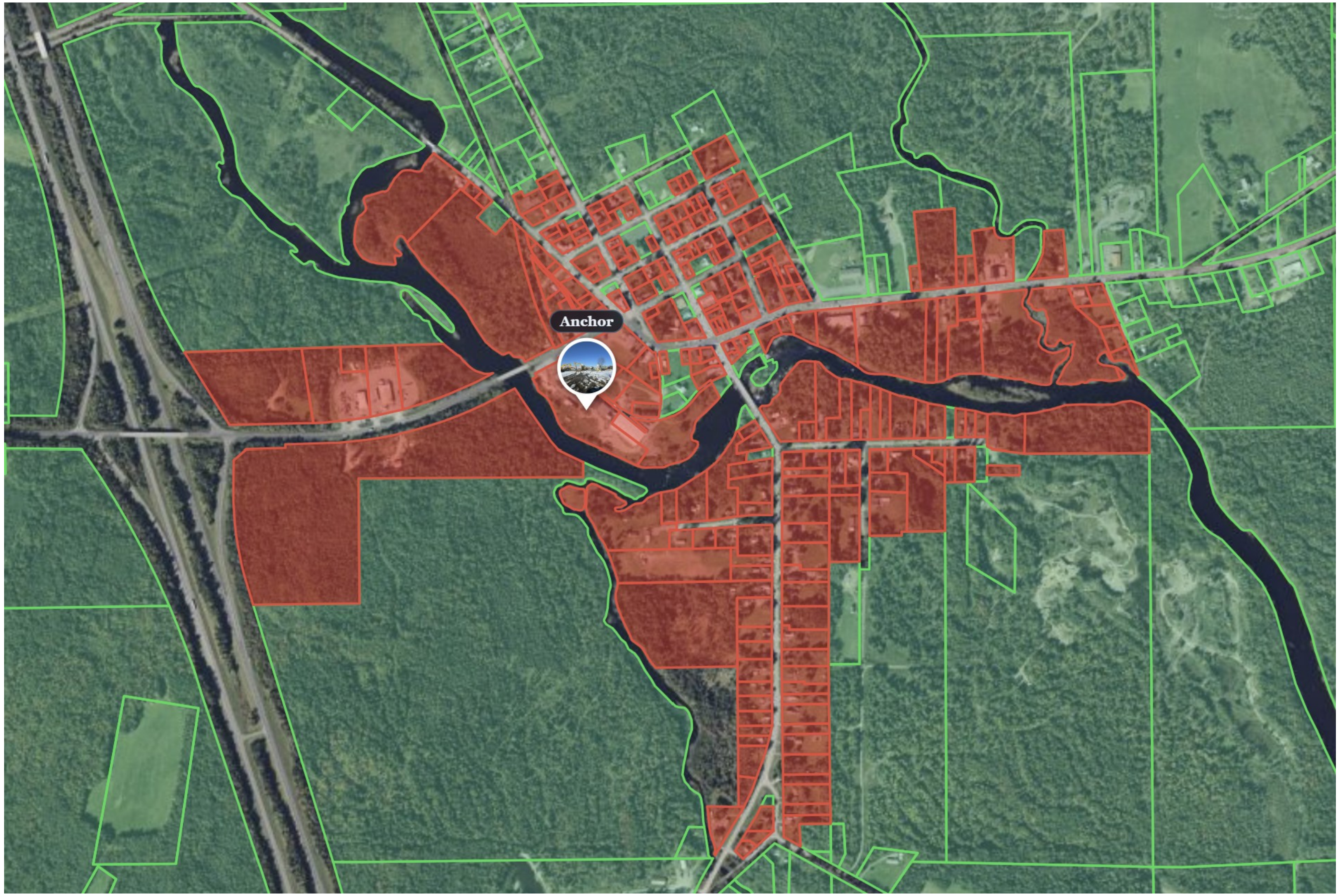
* This is a simplification of the credit approval process but holds true to the relationship between credit and the require collateral.

STARCH FACTORY LOTS

- Downtown core is anchored by the old starch factory
  - Located on prime property, waterfront, and immediate downtown access
  - Situated ideally, these lots should reflect higher values accordingly
- Does not generate tax revenue representative of downtown lots
  - Downtown Residents generate the most property tax revenue per acre ~ around $**1707** per acre
  - The starch factory generates <u>**44%**</u> less than similar lots



Down Town Zone



MAINE TIF CALCULATOR

Projection Tool

Planning defaults are illustrative only and do not represent an approved Island Falls TIF district.

✓ Inputs are automatically saved between sessions

Original Assessed Value (OAV)

$ 17,876,800

New Investment

$ 5,000,000

Investment Year

5

Year 0: Investment at the *beginning* of the TIF (value captured from Year 1).
Year 1+: Investment at the *beginning* of that year (e.g., Year 1 = end of Year 0).

Mill Rate (FY2025)

19.5

Term (Years)

30

Base Growth Rate (%)

2

Annual growth for existing properties

Investment Growth Rate (%)

GOOD

BASELINE

OAV Only @ 2%

$3,684,007

No new investment

Final: $31,746,420

BETTER

INVESTMENT

+ Invest @ 2%

$6,966,920

Investment at base growth

Final: $39,949,450

BEST

GROWTH

+ Invest @ 4%

$12,019,545

Investment lifts district

Final: $64,914,243

+$8,335,537 vs Baseline

+$5,052,624 vs Investment

INVESTMENT VALUE	GROWTH BOOST	ADDITIONAL TIF
$5,000,000	**+2.0%**	**+$8,335,537**

General Fund Revenue

$10,457,928

Base taxes + Uncaptured

Total Tax Revenue

$22,477,473

TIF + General Fund

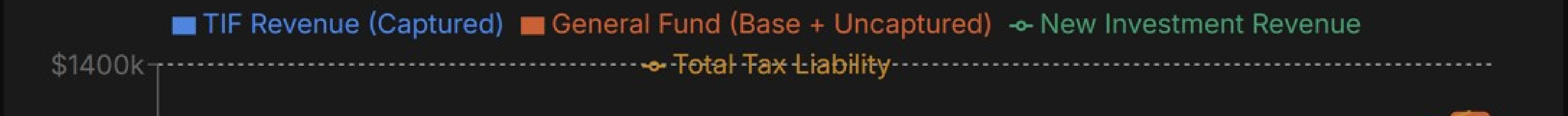
Investment TIF Contribution

$4,320,396

36% of TIF revenue

Projections

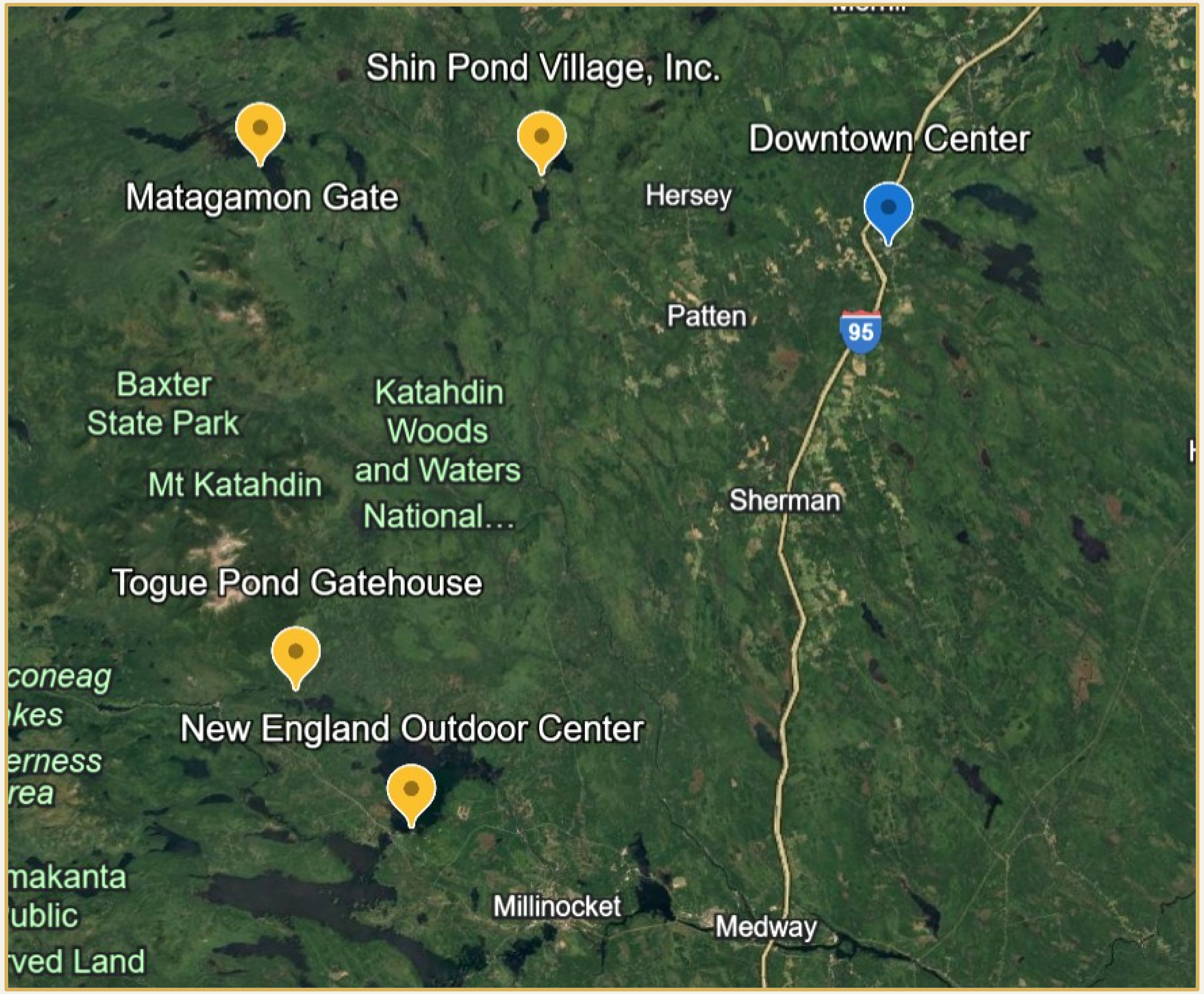
GRAPH | TABLE | INVESTMENT IMPACT | TIMING



Nearby Models of Success

DOES OPPORTUNITY EXIST?

- Look at town attributes
- **Location! Location! Location.!**
- Highway access. Two lakes. A major river system. Thousands of acres for everything Maine outdoors! Clean. Close to Sate Park. Close to Woods and Waters National Monument.



HOW SO?

- Look at nearby models of success
  - New England Outdoor Center – Lodging & Event Center, Brewery & Restaurant
    - Year around demand for lodging has encouraged the recent developments that have translated into a Brewery/Restaurant & Event Space
  - Shin Pond – Lodging & Development of Event Center
- **Competitively speaking, Island Falls should be competition!**

- **Can anything be done? Are we pass the point of no return?**
  - **Let’s look at models**
    - **During periods of economic decline, steps are taken to stimulate economic activity.**
      - **Our central bank, the Federal Reserve, takes steps to increase the money supply.**
      - **Government spending helps recharge the economic engine during economic recessions and has been the standard tool aiding in the road to from decline to growth.**

- **Economic conditions are always changing. Adapting is the key to Economic Growth!**

- **If you can’t find a model, BE A MODEL**

- **So, why doesn’t some entrepreneur run a business in the old Starch Factory?**
  - **This is highly unlikely! Well, as it sits today anyway… As economies change, entrepreneurs are motivated by the expected results from -**
    - **Economic profit. The cost to purchase and clean up the current property is far greater than what it would cost to start new.**
      - ***<u>Entrepreneurs (creditors/investors) avoid losses!</u>***

- **Can we start small? See how it goes?**

- Public private partnerships working together can fix the BIG problems.
- With the big problems fixed, the rest will happen naturally through private investment.

If left ignored, a suppression of growth will push encourage an environment lacking maintenance and private investment.

Take the first step in moving our town into the future and capitalize on the opportunity that we all agree exists.

1. The first step in resolving our anchor property problem is to create an economic development arm to facilitate negotiations regarding the purchase, clean up, and rebuild of our valuable downtown. With this step, obtain a $3,000,000 commitment

2. Step two – harness the benefits of a TIF, allowing us the greatest return of our investment that can help support growth for a period of up to 30 years.

What is the Solution?

Option 1: Leave As Is

$0 Upfront Cost

Continued suppression of economic activity.

Impact: Nearby property values remain depressed, brain drain continues to push out the town's most successful youth, and the town's image continues to deter investment within the downtown zone.

Option 2: Adapt

Create an economic development arm to harness our current resources for the prudent redevelopment of our downtown anchor property. Invest town resources in ways that close the gap.

Impact: Opens the door to private investment. Increase demand for our valuable assets. Benefits businesses, creates jobs, new hard working community members, increases property values town-wide, and generates sustainable growing tax revenue for our future!

The Answer: Strategic Municipal Investment

It is reasonable to expect that any path forward will require **a strategic investment by the town** to close the gap between the cost to develop and the project's ending value—an investment that will pay for itself many times over through increased tax revenue, property values, and community prosperity.