



Memorandum

To: Chair Park, Vice Chair De Chant and Members of the City Council
CC: Peter Owen, City Manager
Date: June 14, 2021
From: Brenda Cummings, Assessor
RE: **Summary of Property Tax Settlement Agreement with BIW**

The City of Bath Assessor and Bath Iron Works Corporation (“BIW”) have reached an agreement regarding BIW’s just value for the shipyard’s real and personal property. As a result, the overall valuation of the shipyard will be reduced from \$640 million to approximately \$509 million for Tax Year (TY) 2020 (April 1, 2020 assessment date). The City’s Assessor has the legal authority and obligation to determine just value of real estate and business personal property in the City.

How we got here:

- BIW submitted an abatement request for TY 2019 in March 2020 and again for TY 2020 in March 2021, proposing a value of approximately \$287 million. BIW sought an abatement of about \$256 million each year in assessed value (\$512 million total over two years).
- The City took the abatement request very seriously and closely reviewed BIW’s proposed valuations. The City contracted with Bernstein Shur as legal representation for review of the abatement requests. Marshall & Stevens, a nationally recognized appraisal firm, also was hired to analyze the valuation of BIW’s property and to advise the City on valuation methodologies going forward.
- For over a year (and during the pandemic), the City Assessor and our consultants thoughtfully reviewed every parcel of BIW’s real estate, reexamined each item of BIW’s reported personal property, and met with BIW representatives and BIW’s appraisers, with the goal of ensuring BIW’s assessment was reflective of just value and fair and equitable.
- To resolve the matter without further costs and risk, the parties agreed to mediation. Mediation took place in May 2021, resulting in this agreement, which sets forth BIW’s revised just valuation.

The agreement:

- The revised valuation of BIW’s property reflects the Assessor’s determination of a fair and just valuation, based on input from our experts, extensive investigation of BIW’s assets, and a thorough review of the valuation elements by the Assessor.
- There will be no abatement for TY 2019, significantly reducing the City’s financial liability.

- There is a five-year agreement on valuation and valuation methodologies, to be reviewed by both parties in TY 2026 before the agreement expires, and which is subject to an annual review of additions, deletions, and other material changes in the assessment, as required by Maine law.
- A three-year interest-free payment plan for the balance of the TY 2020 abatement is designed to reduce the impact of the abatement on other taxpayers. The payment plan coincides with the end of BIW's credit enhancement agreement with the City.
- The settlement reflects the City's understanding of the high cost of continuing to litigate the valuation through the appeals process, which can last up to 7-10 years and carries financial uncertainty that compounds as the appeals process proceeds.

The City Council's role:

- As a component of the agreement, the City negotiated a three-year interest-free payment plan for the TY 2020 abatement. Each year's payment (in TY 2023, TY 2024 and TY 2025) is estimated to be approximately \$307,300.
- Because the TY 2020 abatement payment plan creates a City liability, City Council approval is required to authorize future payment of a current liability (just as if we were to borrow money today to pay the abatement).
- The alternative is to pay BIW the entire abatement amount in the current year, which would cause an approximately \$1.50/\$1000 in valuation increase in the mill rate (a 7.5% increase or \$150 for every \$100,000 in property valuation).

What's next:

- The valuation change for BIW properties will affect current and future City valuations.
- With approval of the payment plan, any tax increase in TY 2021 due to the abatement should be limited to less than \$60 per \$100,000 of valuation.
- The actual tax implications, once all additions and changes in valuation are applied across the City, may be much less, but that cannot be determined until commitment in August.

Additional questions regarding Bath Iron Work's assessed value and the settlement agreement can be forwarded to Brenda Cummings, Assessor, at bcummings@cityofbath.com or (207) 443-8336.