TOWN OF SKOWHEGAN

Tax Increment Financing (TIF) Guidelines

Adopted at the Regular Selectmen's Meeting 6/22/99

Index

	Section	Page
I.	OVERVIEW	2
II.	PURPOSE	2
III.	AUTHORITY	3
IV.	APPROVAL AT TOWN MEETING	3
V.	BASIC PROVISIONS	3
VI.	APPLICATION CONTENTS	6
VI.	APPLICATION PROCEDURES	6
VII.	APPROVAL CRITERIA	7
IX.	PERFORMANCE STANDARDS	8

I. OVERVIEW

Tax Increment Financing (TIF) is a State sanctioned economic development incentive tool which allows municipalities to use all, or a portion of, the new property taxes that result from a commercial investment project within a designated district to assist in that project's financing. To accomplish this, the municipality has the option of issuing bonds which are retired using the tax increment, or paying the tax increment directly to the investing business to cover project costs through a credit enhancement agreement (CEA). When CEA's are utilized, municipalities incur no financial liability for the costs of the TIF project. In accordance with state law, TIF districts may be designated for a period of up to 30 years. Bonds may be issued under this program for up to 20 years. The municipal legislative body and the State of Maine, Office of Economic and Community Development, must approve TIF's.

Since increased value within the TIF District is not included in the State valuation, the TIF designation allows the Town to avoid decreases in revenue sharing and increases in the school and county assessment, which would occur if the value of the improvements was not sheltered by the TIF. The State law allows the municipality, through a CEA, to pass along to the investing business all or a portion of the taxes generated from the tax increment created in the designated tax increment finance district. The town can also designate all or a portion of the taxes from the tax increment to finance related infrastructure improvements.

It is recognized that TIFs are a flexible economic develop tool that is quite adaptable to individual situations. These guidelines are not intended to set forth a uniform single method or approach to establishing a TIF. Instead they are intended to set forth criteria to be used in evaluating a development proposal to allow the customization of a TIF after weighing many factors including employment, importance of infrastructure improvements to the town, secondary economic benefits, etc. It is also recognized that what is and is not permitted under the state law may be revised from time to time requiring adaptability in these guidelines.

II. PURPOSE

The purpose of this Policy is to articulate to existing or potential businesses Skowhegan's desire to encourage and support economic development that is determined by the Board of Selectmen to be compatible with the Comprehensive Plan and/or existing local ordinances and which provides a community benefit.

Notwithstanding compliance with any or all of the guidelines below, the creation of a TIF District is a policy choice to be evaluated on a case-by-case basis by the Board of Selectmen, and upon the Board's recommendation, placed upon an annual or special town warrant for approval at town meeting. A TIF is not a right under Maine law and meeting the State TIF requirements or the criteria established in the Policy does not create a right or entitlement for any applicant.

In the absence of extraordinary circumstances, the burden of establishing the public value of a TIF shall be placed upon the applicant and the application must substantially meet the criteria contained herein. The Board, however, reserves the right to bring any TIF proposal (regardless or whether it meets the criteria below) to town meeting for public vote provided a majority of the Board believes that acceptance of the TIF is in the best interest of the Town of Skowhegan.

III. AUTHORITY

The authority for creation of Tax Increment Financing Districts is established in 30-A Maine Revised Statutes Annotated, Section 5252-5254.

This Policy may be modified at any time by a majority of the Board of Selectmen after the Board has entertained comments and concerns at a properly advertised public hearing to be held prior to, or simultaneously with, the Board meeting at which the proposed amendment will be considered.

IV. APPROVAL AT TOWN MEETING

A TIF application may only be approved at a Town Meeting. Whenever practical, a TIF application shall be considered at the Annual Town Meeting. However, if the Board determines there is clear and pressing community need to act immediately, or if the applicant provides evidence that delayed approval will be detrimental to the proposed project, the application may be voted upon at a Special Town Meeting.

A TIF shall only be presented to the public for vote if a majority of the Board recommends adopting the TIF District. In the event the Selectmen desire to present to the public a proposal which is different from the original application, the Selectmen shall work with the applicant to create a proposal which is agreeable to all parties concerned and the negotiated proposal shall be submitted to the public for vote (see note below).

Note: Nothing herein shall be interpreted to be contrary to the public's right to petition to place an issue on a Warrant for public vote under 30-A MRSA Section 2522.

V. BASIC PROVISIONS

1) The Town of Skowhegan TIF mechanism shall be utilized as an economic development incentive for the Town's existing businesses as well as for attracting desirable new commercial non-residential and industrial establishments to the area. The Board shall accept and review TIF applications for projects creating $100,000 or more of new taxable value. When determining whether the project should be presented to the public for approval, the Board shall consider the value of the proposed improvements and increased/retained employment or other public benefits in relationship to the size, profitability and business environment of the applicant. The Board may determine that a modest financial investment and creation of one or two new quality jobs constitutes significant growth (and community benefit) for a particular small business, however, the Board may require a proportionally larger economic development effort from larger businesses.

2) In order to minimize risk to the citizens of Skowhegan, tax increment financing will be provided through credit enhancement agreements , except that the Board of Selectmen reserves the right to initiate a public infrastructure TIF project which requires bonding. The applicant utilizing a credit enhancement agreement must provide any and all documentation requested by the town that will protect the Town's economic and financial position, and/or that confirm both the letter and the spirit of the underlying credit enhancement agreement between the applicant and the Town.

3) The applicant may propose that any amount up to 100% of the additional tax value generated by the proposed activities be sheltered from Skowhegan's tax valuation for any period up to 20 years. Absent any extenuating circumstances, the term of the TIF shall not exceed the expected longevity of the improvements proposed. The board may approve incentives to businesses on a straight line (i.e. 100% of incremental value retained by applicant in years 1-5; 75% retained in years 6-10; 50% retained in years 11-15) and may recommend separate schedules for real property and personal property within the same TIF District.

4) Up to 85% of the financial benefit associated with the "captured value" as defined in the State TIF guidelines may be utilized for the benefit of the commercial applicant. The Board shall determine the appropriate percentage based on the community benefit of the project. The number of quality jobs created/retained and the value of public infrastructure improvements (which will serve businesses other that the applicant) will be among the board's top priorities when determining the appropriate percentage. (See Performance Standards and Approval Criteria sections of this Policy).

5) The credit enhancement agreement (CEA) shall provide for a recapture of the benefits if the project should move to another municipality prior to the end of the TIF term. CEA assignments will be allowed only for conventional, commercial financing purposes and where the proposed assignee agrees to be bound by the same terms and conditions as the original applicant. The initial application shall contain a written statement confirming that:

   A. The applicant agrees, if the TIF District is approved, to notify the Town in writing 60 days prior to any transfer of ownership of real or personal property within the district and,

   B. The applicant will obtain from the new owner, prior to any transfer of ownership, a written agreement to accept the provisions of the TIF and credit enhancement agreement as presented to and approved at Town Meeting.

   C. All offers for sale or transfers of ownership and the associated agreements to accept the provisions of the TIF and credit enhancement agreement shall be reviewed by the town attorney to make sure that they comply with the TIF and credit enhancement agreement.

6) In accordance with the State assessing standards and 30-A M.R.S.A. Section 5254, paragraph 4A, nothing in this Policy allows or sanctions unequal apportionment or assessment of the taxes to be paid on real property within the Town of Skowhegan. Furthermore, all real and personal property within the tax increment-financing district shall be assessed real and personal property taxes equitably with real and personal property taxes assessed elsewhere in the municipality. The Board of Assessors shall make a determination regarding the "frozen" or existing value of the proposed District (based solely upon accepted assessing standards) prior to making final determinations regarding the TIF application. The applicant must provide verified documentation as to the value of the fixed assets, being real and personal property, as of the date of the acceptance of the application.

7) Economical necessity to fund the proposed project is a factor that should be considered when evaluating a TIF proposal. Justification for economic need should be demonstrated by one of the following scenarios:

   A. A need to offset infrastructure costs unique to the site; **or**

B. A need to offset economic advantages available to the commercial applicant if it should build or expand outside of Skowhegan; **or**

C. The unavailability of sufficient private or other public funding sources to meet the full capital investment needs of the corporate entity seeking assistance; **or**

D. The need for assistance in meeting the costs of implementing improved technology for the business to become or remain competitive in the global market.

The Board of Selectmen reserves the right to consider other scenarios offered by the company making the proposal if, in their best judgment, they feel doing so is in the best interest of the community.

8) Financial capability to complete the project must be fully documented prior to the Board of Selectmen's review as follows:

A. A letter from a financial institution, governmental agency, or other funding agency indicating a commitment to provide a specified amount of funds and the uses for which those funds may be utilized.

B. In cases where funding is required but there can be no commitment of money until approvals are received, a Letter of Intent from the appropriate funding institution indicating the amount of funds and their specified uses will be accepted.

C. The most recent corporate annual report indicating availability of sufficient funds to funds to finance the development together with explanatory material interpreting the report.

D. Evidence indicating availability of funds if the developer will personally finance the development.

9) Applicant and project must comply with all statutory and regulatory guidelines of the Town and State.

10) All proposed projects must be consistent with the Town Comprehensive Plan, if such Plan has been approved prior to the date of application.

11) All costs of the project that are included in the TIF Proposal must be documented through invoices and other appropriate records from non-affiliated companies. Payments of project costs to affiliated companies will be disallowed unless the applicant makes full disclosure of the relationship between the parties of the Town in writing prior to public approval of the District.

12) The applicant must declare in the TIF application all State and local economic development programs for which the applicant intends to apply over the term of the District. This disclosure must include information regarding applicant's intent to participate in programs including, but not limited to, Employment Tax Increment Financing (ETIF), STIF and Business Equipment Property Tax Reimbursement Program (BETR). After TIF approval, if the applicant is awarded any State or local economic development incentives (such as those listed above or any newly created programs) which were not disclosed in the application, the Board reserves the right to reconsider the terms of the TIF District and, if appropriate, re-negotiate the terms of the CEA. Applicants are advised to coordinate with the Town before

applying for State or local economic development incentives that were not fully disclosed in the original application.

13) All applicants will be required to sign a Professional Fee Consent Form agreeing to reimburse the Town for all reasonable outside professional costs, such as legal and accounting, incurred as a result of the Tax Increment Financing proposal, whether or not the TIF District is approved. In addition, any reasonable out-of-pocket expenses incurred by the Town in connection with the Tax Increment Financing proposal will be reimbursed by the applicant, whether or not the TIF District is approved including, but not limited to, expenses related to calling a Special Town Meeting, advertising, printing and postage.

14) If the Tax Increment Financing proposal is approved, an annual Administrative Fee equal to 1% of the incremental taxes reallocated back to the project will be charged by the Town and credited to the general fund to offset annual administrative costs and overhead associated with overseeing the TIF District.

VI. APPLICATION CONTENTS

Applicants are encouraged to develop applications in consultation with the Town. Members of the Board of Selectmen, Planning Board, SEDC, and affected municipal departments may be involved in these preliminary discussions, even when they may be involved in a subsequent review of the application. All TIF applications must:

A. Provide enough detail to clearly describe the scope of the project, beneficiaries and costs;

B. Include a detailed description of any public improvements to be financed using captured funds, and information regarding how the funds will be spent;

C. Compare the impact of the proposed activities on the SAD #54 and County assessment and on state revenue sharing that is based on tax valuation, both with and without a TIF District;

D. Clearly describe the benefits of the TIF to the applicant;

E. Provide a statement explaining the impact of proposed project upon the general community;

F. Present all data required by the State 30-A MRSA, Section 5252-5254; and

G. Provide any additional information the Board of Selectmen deems necessary to review and evaluate the application.

VII. APPLICATION PROCEDURES

Applicants are advised that the process of reviewing, evaluating and scheduling a TIF application for public vote may take up to 90 days. Applications will be accepted at any time, however, applications submitted less than 90 days prior to Annual Town Meeting may require a Special Town Meeting, at the Selectmen's discretion. Notwithstanding an applicant's need to present a TIF application when the business is ready to proceed with the proposed project, the Town prefers such applications be voted upon at Annual Town Meeting, whenever possible.

The Board of Selectmen shall solicit non-binding recommendations regarding the TIF proposal from the following: Town Manager, Community Development Director, Assessor's Assistant, Town Planner, Treasurer and any other Department Head or outside agency whose operations may be affected by the proposal or who may offer relevant advice.

The Town Manager, Assessor's Assistant and Treasurer shall be responsible for verifying completeness of the application and verifying the assessment, tax shift and other calculations submitted by applicant. The applicant and/or its consultant will be given the opportunity to make an oral presentation to the Selectmen at a regularly scheduled Board meeting and the Town Manager shall advise the Selectmen regarding the major elements of the proposal and the costs and benefits to the community.

The Town will hold a public hearing to solicit public comments and questions regarding the TIF District either immediately prior to the Town Meeting or at a public hearing held no earlier than 30 days prior to the Town Meeting in which the public will vote upon the TIF proposal. The public hearing shall be advertised in a newspaper of general circulation in the Skowhegan area at least 10 days prior to the public hearing.

When the application will be considered at the Annual Town meeting, an article containing the appropriate wording shall be included in the Annual Town Warrant and posted in the customary manner. When a TIF application will be considered at a Special Town Meeting, the Town shall advertise that meeting in a newspaper of general circulation in the Skowhegan area on at least two occasions, one occasion at least two weeks prior to the Special Town Meeting date, and another occasion some time between the meeting date and two weeks prior to the meeting date. The applicant shall pay advertising costs.

If the public approves the TIF proposal, the Town shall submit the application after any required public hearings, to the State of Maine Office of Economic and Community Development for final approval within 15 days of the public vote.

VIII. APPROVAL CRITERIA

The following criteria shall be used to determine the public benefit of the application and whether or not the proposal should be placed before the voters for consideration. It is not mandatory that all criteria be met. The Board may negotiate with the applicant regarding specific elements of the application in an effort to create an amended proposal. (In addition to the provisions contained in this section, the Board of Selectmen shall use the Performance Standards section below to determine the recommended percentage of financial benefit associated with the captured value to be utilized for the benefit of the applicant.)

A. Does the application meet the "Basic Provisions" outlined above?

B. Does the project create or retain long-term permanent employment with wages equal to or higher than the local average? (See Performance Standards below)

C. Will any new jobs created be advertised and promoted within Skowhegan? (See Performance Standards below)

D. Does the proposal improve the general economy of the community?

E. Will the improvements have a net positive impact on Skowhegan's business community after considering all factors, including affects on established businesses?

F. Does the project minimize traffic impacts and is it designed in a manner that does not contribute to commercial sprawl?

G. Are the structures to be built, if any, which are visible from a public road, compatible with the surroundings with regard to style and setting and in compliance with the Comprehensive Plan as well as State and local ordinance?

H. Does the project create public infrastructure facilities that have applications beyond the particular development such as traffic upgrades, public parking facilities, etc.? (See Performance Standards below)

I. Does the project improve and/or broaden the tax base?

J. Does the proposal improve blighted buildings or areas in need of redevelopment?

K. Does the proposed District support community projects or create public benefits such as granting access to open spaces, creating student internships, providing job training, supporting local contractors and suppliers?

L. Will this project encourage other businesses to invest in their buildings, purchase equipment or create jobs?

IX. PERFORMANCE STANDARDS

This Section shall utilized to evaluate the appropriate percentage of financial benefit associated with the captured value to be utilized for the benefit of the applicant.

A. If the infrastructure improvements proposed under the TIF are likely to directly encourage additional businesses to relocate or expand within Skowhegan: or, if the TIF proposal will create new public service or training endeavors (i.e. higher education facilities such as a University of Maine satellite site), the Board should consider awarding additional Credit Enhancement percentage points to the proposed agreement. General speculation regarding possible future development due to the proposed upgrade will not hold as much weight as professional opinions from the Community Development Director or other knowledgeable sources.

B. When an applicant is requesting a TIF for retained jobs, the applicant must provide clear and convincing documentation that the TIF approval will provide the financial incentive which will make the difference between relocating or going out of business. A proforma or business plan will be required to show that the applicant is seriously considering a viable alternative location.

C. Both the retained jobs and newly created jobs shall be monitored by the Community Development Office on a monthly, quarterly, semi-annually or annual schedule as determined appropriate by the Town. In the event that any approved TIF District does not meet its job creation/retention obligations under these standards, the Board of Selectmen reserves the right to renegotiate the CEA to reduce the tax benefit to the applicant accordingly.