

CITY OF OLD TOWN

Tax Increment Financing (TIF) Policy

State of Maine law allows Tax Increment Financing (TIF) to be used as an economic development tool for municipalities to assist in the cost of private economic development and promote economic development. Tax Increment Financing (TIF) is designed to encourage industrial, commercial, or retail development; increase employment opportunities; and broaden the tax base in the City of Old Town.

Tax Increment Financing is a flexible finance tool used by municipalities to leverage new property taxes generated by a specific project or projects within a defined geographic district. Any portion of the new taxes may be used to finance public or private projects for a defined period of time up to 30 years.

Credit Enhancement Agreement is an agreement between the City and the company to assist the development project by using tax revenues generated by the new investment to pay project costs with payments made directly to the company.

PURPOSE

The purpose of this Policy is to articulate to existing or potential businesses the City of Old Town's desire to encourage and support economic development which is determined by the City Council 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 City Council. A TIF is not a right under Maine law and meeting the State TIF requirements or the criteria established in this Policy does not create a right or entitlement for any applicant.

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 City Council after the Council has entertained comments and concerns at a properly advertised public hearing to be held prior to, or simultaneously with, the Council meeting at which the proposed amendment will be considered.

APPROVAL

BASIC PROVISIONS

1. The City of Old Town TIF mechanism shall be utilized as an economic development incentive for attracting desirable new commercial establishments to

the area. When determining whether the project should be presented to the public for approval, the City Council 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.

2. The City of Old Town may, with approval from the Maine Department of Economic and Community Development, establish the following types of programs:
 - The City may install public infrastructure through the issuance of bonds and retire the bonds using the tax increment produced by the investing business's project.
 - Revenue captured in a TIF district may also be used by the municipality to fund uses listed in the approved Development Program.
 - Credit Enhancement Agreement (CEA) may return tax increment directly to the investing business.
3. A Credit Enhancement Agreement shall be a cooperative effort. Private investors and companies are required to demonstrate a need for tax increment financing and to provide all necessary documentation for the application. The applicant shall be responsible for all costs associated with the application including legal fees and costs incurred by the City. The City may require the applicant to sign a Professional Fee Consent Form.
4. The project shall create increased assessed value (since March 31st of the preceding tax year) of at least \$500,000.
5. The City Council may consider significant job creation or prior investment as reasons for an exception to the minimum increased assessed value requirement.
6. The terms of a CEA shall be negotiated between the applicant and the City Council. The City shall seek to limit the duration of tax recapture to applicants in the form of a Credit Enhancement Agreement to not more than ten (10) years.
7. For purposes of a Credit Enhancement Agreement, the City encourages recapture of real property taxes, and discourages recapture of personal property taxes.
8. The City Manager shall conduct initial review of proposed TIF projects and make recommendations to the City Council. If recommended to proceed, the City Council, with assistance from the City's Economic Development consultant, shall engage an attorney to complete the Development Program and if applicable, Credit Enhancement Program.
9. A CEA may provide for an annual administrative fee of up to 2% deducted from the applicant's tax recapture for the duration of the agreement.

10. The City shall seek to limit the tax recapture for an applicant to not exceed 50% of the new real property values (total assessed value less original assessed value) over the duration of the Credit Enhancement Agreement. The City Council may, however, structure a CEA to provide benefits that average 50% over the duration of the Agreement and that provide benefits on a declining basis.
11. Assignment of an existing Credit Enhancement Agreement shall be at the sole discretion of the City and allowed only if the assignee is bound by terms and conditions that meet CEA Approval Criteria.
12. The Credit Enhancement Agreement may contain provisions for the City to cancel CEA benefits to the business if:
 - ✓ The business moves to another community
 - ✓ There is a change in use of the property
 - ✓ There is a significant decrease in the number of jobs
 - ✓ Other conditions of the Credit Enhancement Agreement are not met
13. The City Council may override these guidelines if it determines that a project merits such treatment, and further reserves the right to amend or otherwise change these guidelines.
14. Financial capability to complete the project including the following:
 - ✓ A letter from a financial institution, governmental agency, or other funding agency indicating a commitment to provide a specified amount of funding and the uses for which those funds may be utilized.
 - ✓ 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.
 - ✓ Evidence indicating availability of funds if the developer will personally finance the development.
15. Applicant must comply with all statutory and regulatory guidelines of the City and State.
16. All proposed projects must be consistent with the City Comprehensive Plan, if such Plan has been approved prior to the date of application.

APPLICATION CONTENTS

All CEA applications must:

1. Provide enough detail to clearly describe the scope of the project, beneficiaries and costs;
2. Include a detailed description of any public improvements to be financed using captured funds, and information regarding how the funds will be spent;

3. Provide a statement explaining the impact of proposed project upon the general community;
4. Present all data required by the State 30-A MRSA, Section 5252-5254; and
5. Provide any additional information the City Council deems necessary to review and evaluate the application.

APPLICATION PROCEDURES

The City Manager and Assessor shall be responsible for verifying original assessed values for the TIF and/or CEA Program. The applicant and/or its consultant will be given the opportunity to make an oral presentation to the City Council and the City Manager shall advise the City Council regarding the major elements of the proposal and the costs and benefits to the community.

All applicants will be required to sign a Fee Consent agreement form to reimburse the City of all legal, engineering fees and expenditures, and any other out-of-pocket expenses and consultation fees incurred as a result of the tax increment financing proposal, whether or not tax increment financing is approved.

APPROVAL CRITERIA

The following criteria shall be used to determine the public benefit of the application and to guide the City Council in their decision. It is not mandatory that all criteria be met.

1. Does the application meet the "Basic Provisions" outlined above?
2. Does the project create or retain long-term permanent employment with wages equal to or higher than the local average?
3. Will any new jobs created be advertised and promoted within City of Old Town?
4. Does the proposal contribute to the general economy of the community?
5. Will the improvements have a net positive impact on City of Old Town's business community after considering all factors, including effects on established businesses?
6. Does the project minimize traffic impacts and is it designed in a manner which does not contribute to commercial sprawl?
7. Do any new structures to be built blend aesthetically with the surrounding area with regard to style and setting?

8. Will new development comply with the Comprehensive Plan as well as State and local ordinances?
9. Does the project improve and/or broaden the tax base?
10. Does the proposal improve blighted buildings or areas in need of redevelopment?
11. 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?
12. Will this project encourage other businesses to invest in their buildings, purchase equipment or create jobs?
13. Does the project create public infrastructure facilities which have application beyond the particular development such as traffic upgrades, public parking facilities, etc.?
14. Does the project contribute to economic diversity within the City of Old Town and not result in a substantial detriment to existing businesses within the City of Old Town?