

Town of Unity, Maine
Tax Increment Financing Guidelines

Adopted January 16, 2016

The following is the Town of Unity Tax Increment Financing (TIF) guidelines and standard operating procedures.

Purpose and Introduction

Tax Increment Financing is one of the few tools authorized under state law and available to cities and towns to promote economic development. Tax Increment Financing provides a means of financing the economic and community development goals of the Town of Unity.

TIF allows a municipality to capture some or all of the additional (incremental) real and/or personal property tax revenues derived from a new development or expansion of an existing development and use those revenues for economic development purposes. Specifically these incremental new revenues may be used either (a) to assist a project development through a credit enhancement agreement (CEA) whereby a portion of the new taxes are returned to the project or, (b) in cases where investment occurs and no request for TIF assistance is made by the project owner, the Town may choose to create a TIF District to capture some or all of the new tax new revenues to fund local economic development priorities.

These guidelines are intended to provide guidance and outline standards for the Unity Economic Development Committee, Board of Selectmen and voters when involved in the Town's development and redevelopment efforts. Section I of these TIF Guidelines deal with TIFs where there is no credit enhancement TIF request. Section II provides guidance to when assistance is being requested from the Town in the form of a credit enhancement.

Notwithstanding compliance with any or all of these guidelines, the creation of a TIF District or Credit Enhancement Agreement is a policy decision of the Unity Economic Development Committee and Board of Selectmen made on a case-by-case basis; and confirmed by town meeting vote. The Unity Economic Development Committee and/or Board of Selectmen may override these guidelines if it determines that a project merits such treatment. A TIF is not a right under Maine law and these guidelines do not create a right or entitlement for any application.

Section I: Municipal-Only TIF (No CEA Request)

The Town is authorized by State Statute to capture new value within the town through the designation of a TIF District and may then utilize the incremental tax revenues for projects and activities designed to bolster existing local business, add new businesses and benefit local business/community through creation or retention of employment opportunities, and/or increasing the Town's tax base.

A. Basic Provisions

All TIF Districts must meet the requirements of Maine State Statutes set forth in 30-A MRSA §§5221-5235, as may be amended or replaced from time to time.

Any TIF considered by the Town shall provide for an annual administrative fee to the Town to be paid from annual TIF revenues generated by the project(s). The administrative fee shall be the greater of one-percent (1%) of total TIF revenues generated by the TIF project or \$1,500 annually.

B. Approach for Funding of Municipal TIF Projects

To maximize the “shelter” benefit of TIF, the Town will seek, to the greatest extent allowable by law, to utilize TIF revenues to pay for items that would otherwise be paid out of the Town general fund. To minimize the risk to the citizens of the Town of Unity, the preferred approach to financing municipal project costs with TIF will be to set aside TIF revenues until sufficient funds are collected to pay for larger projects, which avoids the necessity of issuing general obligation debt.

In evaluating municipal TIF projects, the Town of Unity may choose to issue general obligation debt to be repaid over time with TIF revenues. Where the Town of Unity chooses to issue such debt, a higher level of financial scrutiny will be applied to the project to ensure that risk to the Town and its taxpayers are minimized.

C. Municipal Projects to be financed with TIF revenue

The Town of Unity will seek to utilize TIF revenues to:

- Assist established businesses in the Town of Unity, thus retaining existing employees.
- Create long-term permanent new employment that favors full time jobs with competitive wages and benefits over part time positions.
- Improve blighted areas and buildings in need of redevelopment, or areas identified as priority by the Town of Unity.
- Improve or create amenities or infrastructure which have community benefit such as traffic upgrades, public parking facilities, etc.
- Improve and broaden the tax base.
- Improve the general economy of the community and help stimulate other businesses in the Town or offer presently unavailable economic benefits.
- Support employee training.
- Market the Town as a location to do business.
- Such other projects as are allowable by State statute and make sense at the time a TIF is proposed.

Projects located in the Downtown area of Town are a priority for Unity.

D. Application Process for Municipal-Only (No CEA Request) TIFs:

The Town’s Economic Development Committee will act as a clearinghouse and coordinate all activity regarding Tax Increment Financing proposals. The Economic Development Committee will:

1. Prepare, or cause to be prepared, a Development Program which includes:
 - a) financial projections which show projected new assessed value, capture percentages and tax shifts over the duration of the TIF
 - b) tax shift calculation
 - c) maps designating district boundaries
 - d) a certification of original assessed value of the district
 - e) a list of proposed projects to be funded with projected TIF revenues
2. Submit a request to the Board of Selectmen for a warrant article *30 days* before the Town Meeting*;
3. Request the Board of Selectmen schedule a public hearing with a ten (10) day public notice;

The Economic Development Committee will provide representation at the Public Hearing and Town Meeting where the application is presented, discussed and voted on. Following a favorable Town vote, the Selectmen, with assistance from the Economic Development Committee, will submit the application to the State Department of Economic and Community Development for its review and approval*.

* A TIF application may be considered at a Special Town Meeting if the regular Town Meeting is more than **120 days** away when the Development Program is ready for presentation to the Board of Selectmen, or when there is a compelling reason to do so.

Section II: CEA Request

A credit enhancement agreement (CEA) allows the municipality to assist project developers or owners by reimbursing a portion of additional tax revenues generated by the project in future years.

Credit enhancement agreements should be entered into carefully. These guidelines are intended to provide guidance and outline standards for the Unity Economic Development Committee, Board of Selectmen and community members involved in the Town’s development and redevelopment efforts in their negotiations and discussions with parties who are interested in the potential use of TIF credit enhancement benefits, the “CEA Applicant”.

A. Basic Provisions

All TIF Districts must meet the requirements of Maine State Statutes set forth in 30-A MRSA §§5221-5235, as may be amended or replaced from time to time.

Any TIF considered by the Town shall provide for an annual administrative fee to the Town to be paid from annual TIF revenues generated by the project(s). The administrative fee shall be the greater of one-percent (1%) of total TIF revenues generated by the TIF project or \$1,500 annually. Typically this fee will not come out of the credit enhancement allocation.

B. Approach for Funding Requests for Municipal Financial Assistance

To minimize the risk to the citizens of the Town of Unity, the preferred form of Tax Increment Financing assistance directly to a project will be through a credit enhancement agreement (a “CEA TIF”), which avoids the necessity of issuing general obligation debt to support a project.

The less preferred alternative to a CEA would be where the Town of Unity chooses to issue general obligation debt to be repaid over time with TIF revenues. If the Town chooses to issue such debt, a higher level of financial scrutiny will be applied to the project to ensure that risk to the Town and its taxpayers are minimized. To this end, the Town will seek, through agreements with the project owner or developer, to guarantee the necessary revenue flow to pay the debt and to ensure that the Town is protected against changes in State law or tax structure which might result in lower than needed incremental revenue.

Absent extraordinary circumstances, the portion of the TIF revenues allocated to the company’s project costs over the credit enhancement period of the district will not exceed an average of 50%. CEA TIFs of ten years or less are highly preferred by the Town.

CEA Applicants may be required to sign a Fee Consent Agreement agreeing to reimburse the Town for all costs and any out-of-pocket expenses associated with the development and approval of the CEA TIF proposal and agreement, whether or not the TIF is approved.

C. Guidelines to be met

1. The CEA Applicant is required to submit all reports and documentation requested by the Town so the Town can determine if the standards are met, to protect the Town’s economic and financial interests and to assure that the public benefits contemplated by the agreement will in fact be obtained.
2. Given the impact of the tax shift created by the CEA TIF, the amount of funding available to the Town of Unity shall not decrease significantly due to the effect of any TIF reimbursement plan over the life of the TIF district (revenue neutral to the Town).
3. CEA Applicants requesting a reimbursement must demonstrate:
 - a) A need to offset infrastructure costs unique to the site; or

- b) A need to offset economic advantages available to the business if it should build (or expand) outside of Unity; or
 - c) The unavailability of sufficient private or other public funding sources to meet the full capital investment needs of the business seeking assistance.
4. To be considered for a CEA, the project must create new tax value equal to or greater than \$500,000 or a significant employment impact. (CEA Applicants with projects under \$500k may be referred to available Town business grant or revolving loan fund programs.)
5. Financial capability to undertake project must be evidenced prior to review. Demonstration of financial capability can be provided by submitting one or more of the following:
 - a) A letter from a financial institution, government agency, or other funding agency indicating a commitment to provide a specified amount of funds and the uses for which the funds may be utilized;
 - b) In cases where funding is required but there can be no commitment of money until approval is received, a letter of "Intent to Fund" from the appropriate funding institution indicating the amount of funds and their specified uses; or the most recent company/corporate annual report indicating availability of sufficient funds to finance the development together with explanatory material interpreting the report;
 - c) Evidence indicating availability of funds if the developer will personally finance some or all the development.

D. Guidelines to Determine Level of Town Participation

In general a maximum average reimbursement will be 50% over 20 years. Although a CEA Applicant need not meet each of the items listed, the Town will use the following criteria to determine the level of participation:

- Level of financial assistance needed to accomplish the project.
- The project assists an established business in the Town of Unity, thus retaining existing employees.
- The project creates long-term permanent employment that favors full time jobs with competitive wages and benefits over part time positions.
- The project improves blighted buildings or areas in need of redevelopment, or an area identified as a priority by the Town of Unity.
- The project creates amenities and/or public infrastructure, which have application beyond the particular development such as traffic upgrades, public parking, etc.
- The project improves and broadens the tax base.

- The project improves the general economy of the community and helps stimulate other businesses in the Town or offers presently unavailable economic benefits.
- Unity will give preferential consideration to projects in which there is no direct municipal borrowing, but rather are funded by the business and reimbursements made to the project owner through a credit enhancement agreement.
- Projects located in the Downtown area of Town are a priority for the Town.

The Town may allocate, out of the municipal allocation of TIF revenues, funding for supplemental development program activities intended to improve amenities or infrastructure, support employee training, provide marketing services or for related purposes.

E. TIF Review Process for Credit Enhancement Agreement (CEA) TIF Applications:

The specific terms of each Credit Enhancement Agreement will be negotiated between the Town and the CEA Applicant. The Unity Economic Development Committee will be charged with evaluating the merits of the project—based on factors outlined in these guidelines—and bringing their negotiated best terms to the Board of Selectmen and to the Town (at Annual or Special Town Meeting) for a vote.

Step One:

The Town’s Economic Development Committee will act as a clearinghouse and coordinate all activity regarding Tax Increment Financing proposals. Working with potential CEA Applicants, the Economic Development Committee will:

1. Provide information on Tax Increment Financing;
2. Discuss project proposals and accept an application from CEA Applicants;
3. Negotiate terms with applicant. Terms will include (1) duration of credit enhancement agreement (generally not-to-exceed 20 years), (2) allocation of TIF revenues to applicant (typically not-to-exceed an average reimbursement of 50%);
4. Work with CEA Applicants in preparation of a final application suitable for presentation to the Economic Development Committee for formal review and recommendation;
5. Following review and evaluation of an application, the Economic Development Committee will make a written determination whether to accept or reject the application. The Committee’s written decision approving an application together with the application will be sent to the Board of Selectmen for review and final recommendation;
6. At least one Committee member shall attend the Board of Selectmen meeting where Committee recommendation is to be reviewed by the Board of Selectmen;
7. Act as the liaison between the applicant and the Board of Selectmen through the municipal approval process.

Step Two:

The Economic Development Committee will cause an internal or independent review of the application to:

1. Verify tax shift values;
2. Verify calculations in various exhibits which at a minimum will show projected new assessed value, tax shifts and tax reimbursement percentages over the duration of the TIF;
3. Verify the revenue amounts to be reimbursed to the applicant and the Town over the life of the TIF;
4. Make financial recommendations to the Board of Selectmen and Town Meeting as requested.

Step Three:

Upon completion of review by the Economic Development Committee the applicant will be required to:

1. Prepare, or cause to be prepared, a Development Program including all required elements (see page 3) and inclusive of Company and Town projects;
2. Introduce the Development Program at a regularly scheduled Board of Selectmen meeting at least 45 days prior to desired Public Hearing date;
3. Submit to the Board of Selectmen a request for a warrant article **30 days** before the Town Meeting*;
4. Request that the Board of Selectmen schedule a public hearing with a ten (10) day public notice.

The Town will act in good faith to advance the application through the process in a timely manner. The Economic Development Committee will provide representation at the Public Hearing and Town Meeting where the application is presented, discussed and voted on. Following a favorable Town vote, the Selectmen, with assistance from the Economic Development Committee, will submit the application to the State Department of Economic and Community Development for its review and approval*.

* A CEA TIF application may be considered at a Special Town Meeting if the regular Town Meeting is more than 120 days away when the Development Program is ready for presentation to the Board of Selectmen, or when there is a compelling reason to do so.

F. Provisions to be Included in Credit Enhancement Agreements

1. TIF Credit Enhancement Agreements shall contain provisions for the suspension, termination and/or recapture of benefits to the CEA Applicant if the applicant does not meet the compliance standards outlined in these guidelines, or performance standards set forth in the TIF Development Program or in any statements or

representations made by the applicant, which would have bearing on the Town's decision to participate in a TIF and to what level.

2. Credit Enhancement Agreements shall also provide for the termination and/or recapture of some or all of the benefits to the CEA Applicant if the applicant relocates all or a substantial portion of the Unity operation to a location outside of the Town of Unity, during the term of the agreement or within five (5) years after its end.
3. If the CEA Applicant transfers ownership of its property within the District, the applicant must notify the Town in writing, prior to finalizing the transfer. The new owner must agree, in writing, to accept the provisions of the TIF/Credit Enhancement Agreement, before any further TIF payments are released. If the new owner does not agree with the provisions the TIF, the Credit Enhancement Agreement will be terminated.

Section III. Annual Expenditure of TIF Revenues for Municipal Projects

Each year the Economic Development Committee will make recommendation to the Board of Selectmen as to which, and at what value, projects identified within all active Town TIF Development Programs should be funded with available TIF revenues.

Annual allocations of TIF revenues to fund credit enhancement commitments will be calculated by the Town Assessor and provided to the Board of Selectmen for inclusion in the Town Warrant.

Such budget for expenditure of TIF revenues shall be approved by voters utilizing the Town's established appropriation process.