

The City of Bangor Tax Increment Financing and Credit Enhancement Agreement Policy

Tax Increment Financing (TIF)

1-101 Background.

Municipalities are authorized under Maine law to adopt Tax Increment Financing (TIF) districts by designating a boundary around a specific geographic area to promote local economic development and support municipal projects. Under the TIF laws, found at 30-A M.R.S. §5221 et seq (for general economic development TIFs) and 30-A M.R.S. §5245 et seq (for affordable housing TIFs), the original assessed value ("OAV") of property in a TIF district is fixed in time, and the municipality sets aside any increase in assessed value ("IAV") that occurs because of investment in the district. Tax revenues based on the OAV within a TIF District continue to flow to the general fund, while taxes paid on the difference between the OAV and IAV expressed as the captured assessed value ("CAV") become TIF Revenues. Municipalities may use TIF Revenues on projects authorized under the TIF statutes inside the TIF district, and projects outside the TIF district but "must be directly related to or made necessary by" the TIF district, and project costs unrelated to the location of the TIF district. Municipalities can also enter into credit enhancement agreements ("CEA") to provide a property tax reimbursement to a developer in order to incentivize the development and attract new investment in the local economy.

1-102 Purpose.

The Tax Increment Financing (TIF) policy outlines the standards and processes that will be used by the City Council, and staff in the Community & Economic Development Department, in initiating or considering applications to establish a TIF and/or to enter into CEA agreements within a newly established or existing TIF District. A TIF is important to municipalities as it helps promote economic development and revitalizes areas that may be underutilized, fund development costs/improvements needed to propel private development, and municipalities attract new businesses, create more jobs, more customers and, in turn more private investment. Regardless of, these guidelines, the creation of a TIF district or authorizing any agreement under this policy is at the sole discretion of the Bangor City Council.

Example:

Assumptions: 75% (varies) TIF Revenue Capture, Mil Rate of \$18.55 per \$1,000

$$\begin{aligned} \text{TIF Formula: } & \$2,000,000(\text{IAV}) - \$1,000,000(\text{OAV}) = \$1,000,000(\text{CAV}) \\ & = \$1,000,000 (\text{CAV}) \div \$1,000 \\ & = \$1,000 \times \$18.55 \\ & = \$18,500 \times 75\% \\ & = 13,912.50 (\text{TIF Revenue}) \end{aligned}$$

1-103 General Principles.

The primary principles to consider for establishing a TIF District include:

1. To support Bangor's Economic Development Strategic Plan, capital improvement program, and other related City Plans and Policies;

2. To stimulate the expansion of the City's commercial and industrial tax base;
3. To create quality employment opportunities;
4. To encourage new affordable and market rate housing investment; and
5. To invest in infrastructure improvements.
6. Assist existing business to expand business opportunities
7. Create significant long-term employment
8. Support an emerging business sector
9. Introduce a unique or prestigious opportunity
10. Improve local economy
11. Improve blighted areas
12. Support community priorities
13. Create public benefits for other workers and/or businesses

1-104 Considerations.

Minimum Real Property Investment. A minimum of \$1,000,000 in new real property investment for commercial and industrial development, taxable personal property, or 6 units of affordable housing development is needed to qualify for a TIF. This is the minimum investment which makes practical sense to consider use of the TIF program due to the amount of new municipal property tax revenue generated from new private investment.

Job Creation. Applicants for TIF participation that include the creation for jobs will be required to provide a plan outlining the number and quality of jobs retained or created associated with each TIF district. While there is not a specific formula for the numbers of jobs associated with the amount of TIF financial assistance, the number and quality of the jobs will be taken into consideration for each TIF district. Housing projects are exempt from these criteria.

Part A - Establishing a TIF District

1-201 Application Process.

TIF District applications (whether initiated by the City or requested by a developer or business) will be initially reviewed and vetted by the City Manager and the Community & Economic Development Director. If found to be in keeping with the City policy and priorities, the applications will be presented to the Business and Economic Development Committee with final approval by the Bangor City Council. Approval of the City Council will result in the submission to the designated agency, whether that be the Maine Department of Economic and Community Development (DECD) for economic development projects or Maine State Housing Authority (MaineHousing) for affordable housing projects.

The Community & Economic Development Director will coordinate all activities regarding applications and will assist the applicant throughout the TIF application and approval process. The terms and specific details of each TIF district and any related CEA(s) will be developed on a

case-by-case basis. The City Manager and Community & Economic Development Director will negotiate on behalf of the City of Bangor, on the merits of the project and this policy, following the process identified within these guidelines. If an applicant is applying for a TIF and a CEA at the same time, the application requirements and fees for both must be submitted before approval of either. All representations of the City Manager and Community & Economic Development Director are subject to approval of the City Council.

1-202 Application Requirements.

TIF District applications not initiated by the City are subject to the following provisions:

1. Application fee. All applicants requesting the designation of a TIF District shall pay a non-refundable application fee of \$1,500 at the time of application.
2. Documentation. An applicant must submit a letter with all supporting documents to the Community & Economic Development Director outlining the proposed project.
 - a. Complete application
 - b. Certificate of Good Standing
 - c. Interior and Exterior photos
 - d. Proof of site control such as a deed
 - e. Architectural Renderings
 - f. Detailed Project Budget
 - g. Financial capacity demonstration
 - h. Business plan
 - i. Pro-forma
3. Costs and fees. Other fees such as legal ads and administration fees included in the application fee.
4. Performance Reporting. All TIF agreements are reported annually

1-203 Approval Process.

1. Pre-application meeting with staff
2. Submit application to the City Council
3. Submit application to Maine Department of Economic and Community Development (for economic development TIFs) or MaineHousing (for affordable housing TIFs) for final approval,

1-204 Tax Increment Financing Expenditures.

There are three categories of expenditures for revenues generated through TIF Districts, if authorized as approved project costs in a TIF District.:

1. City economic development programs funded directly through annual funding requests and/or appropriations. Examples of municipal economic development programs include paying for economic development staff, infrastructure costs, paying for costs related to the construction or operation of public safety facilities, costs associated with broadband infrastructure, costs related to planning, design, construction, maintenance grooming and improvements to new or existing

recreational trails, costs associated with the operation and financial support of affordable housing and housing programs and services to assist those experiencing homelessness, City and regional marketing/branding, and other activities allowed under the TIF statutes.

2. Projects financed by City bond or debt issuance. Issuance of municipal general obligation bonds or other financial instrument is a mechanism that may be used to pay for the cost of an allowable project.
3. Credit Enhancement Agreements (CEA). A CEA is a contract between a municipality and developer or other party to assist an individual development project by using an agreed-upon portion (up to all) of the tax increment revenue generated by the investment to pay certain authorized project costs, including site specific infrastructure or private individual project financing needs.

1-205 Guidelines for Municipal Economic Development Programs.

The process of allocating TIF revenues for approved project costs requires City staff to develop economic development programs and budgets, conducted through annual review by the Community & Economic Development Department, and ultimately approved by City Council.

1-206 Guidelines for Projects Financed by City bond or Debt issuance.

Investments should have benefits beyond one individual project with a focused emphasis on supporting business and commercial development, redevelopment, or to support buildings in need of redevelopment.

1-207 Guidelines for Credit Enhancement Agreements (CEA).

A Credit Enhancement Agreement (CEA) within a TIF district may be considered for investment in infrastructure within the site or project financing needs. The process and guidelines for issuing a CEA are outlined in the next sections of this document: Credit Enhancement Agreement Overview.

Credit Enhancement Agreement (CEA)

2-101 Background.

A CEA is a financial mechanism that may be used as a stand-alone instrument. The CEA is a contract between the municipality and developer or business to assist the development project by using some or all the incremental tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the developer or business.

2-102 Purpose.

This policy outlines the standards and processes that the City of Bangor will use in initiating or considering CEAs within existing or proposed TIF Districts. A CEA is a financial mechanism, if approved by the City Council, to be one of Bangor's economic development tools for business attraction, retention, and expansion. Regardless of these guidelines, the creation of a CEA is a decision made by the City Council on a case-by- case basis. Obtaining a CEA is a not a right under Maine law, and meeting these guidelines should not be interpreted as creating any rights or entitlements in any application.

Example:

Assumptions: CEA = \$70,000 (New Taxes) × 65% × 10 years

$$\begin{aligned} \text{CEA} &= \$70,000(\text{New Taxes}) \times 65\% \times 10 \text{ years} \\ &= \$70,000 \times 65\% \times 10 \text{ years} \\ &= \$45,500 \times 10 \text{ years} \\ &= \$455,000 \end{aligned}$$

This means that over 10 years, the developer will receive back \$455,000 from the increased property taxes, which they can use to offset development costs.

2-103 General Principles.

The primary principles to consider for determining whether to create a CEA include:

1. To support Bangor's Economic Development Strategic Plan, capital improvement program, and other related City Plans and Policies;
2. To encourage new housing investment; and
3. Create new jobs
4. Assist existing business to expand business opportunities
5. Create significant long-term employment
6. Create or expands public infrastructure
7. Support an emerging business sector
8. Introduce a unique or prestigious opportunity
9. Improve the local economy
10. Broaden the tax base
11. Improve blighted areas and sites
12. Support community priorities; and
13. Create public benefits for other workers and/or businesses.

Part A - Establishing a Credit Enhancement Agreement (CEA)

2-201 Considerations.

The following criteria shall be considered in authorizing CEA for economic development or affordable housing:

1. Would not likely occur otherwise
2. Creates housing developments
3. Creates or retains employment opportunities
4. Expands the City's tax base; and
5. Conforms to the quality and types of development sought by the City as outlined in the Land Development Ordinance, Comprehensive Plan, Economic Development Strategic Plan, the Tax Increment Financing District Development Programs, and/or other plans and policies adopted by the City Council.

2-202 Application Process.

CEA applications may be considered by the City Manager, Community & Economic Development Director, and the City Council, with all final approvals by City Council. The Community & Economic Development Director will coordinate all activities regarding applications and will assist the applicant throughout the process. The terms and specific details of each CEA will be developed on a case-by-case basis. The City Manager and Community & Economic Development Director will negotiate for the City based on the merits of the project and these guidelines following the process laid out in this document.

2-203 Application Requirements.

Applicants for a CEA are subject to the following provisions:

1. Application fee. All applicants requesting the designation of a CEA shall pay a non-refundable application fee of \$500 at the time of application.
2. Documentation. The following documentation shall be included in all applications for a CEA
 - All financial disclosures, reporting, and other documentation the City of Bangor will be coordinated at pre-application meeting.
3. Financial Capacity. The applicant must demonstrate financial capacity to undertake the project. All financial disclosures and financial capacity determinations will be conducted, reviewed, and certified by pertinent staff. The applicant must be compliant with all statutory and regulatory guidelines of the City of Bangor and the State of Maine. The applicant shall not have engaged in illegal or unfair labor and employment practices, unsafe employment practices, or adverse or illegal environmental practices. No outstanding code violations shall be present without a

development agreement.

4. Terms. The specific terms of each CEA are negotiated on a case-by-case basis between the City and the applicant. As a general guideline any CEA should contain the following:
 - Financial Need: The applicant must demonstrate that the City's participation is financially necessary in order for the project to proceed.
 - Maximum Percentage: A maximum average percentage of 65% for the entire term associated with an individual CEA, except that the percentage reimbursement for affordable housing projects may be up to 100%.
 - Maximum Number of Years: negotiated to match individual private sector commercial financing terms.
5. Costs and fees. Other fees such as legal ads and administration fees included in application fee. All CEAs shall provide for an annual administrative fee due to the City of Bangor, equal to one percent (1%) of the obligated CEA payment due to the applicant, provided they follow all the terms and conditions of the CEA. Regardless of the amount derived using the one percent (1%) calculation, the minimum annual administration fee shall be two hundred and fifty dollars (\$250). The fee shall be deducted from the tax recapture due to the applicant, prior to the remittance of any amounts to the applicant during the life of the CEA.
6. Performance reporting. All CEAs shall provide for the applicant to submit reports and documentation in a form satisfactory to the City supporting any amounts to be paid to the applicant per the terms of a CEA between the applicant and the City to assess an applicant's performance and compliance with the terms set forth in any CEA.

2-204 Approval Process.

1. Pre-application meeting with staff
2. Submit application to City Council

2-205 Guidelines for Level of Municipal Participation.

In addition to general principles, as applicable, the following shall be considered in determining the level of participation by the City of Bangor.

1. The project assists an established business in the City of Bangor, thus retaining existing employment opportunities;
2. The project supports or will support community projects, provides job training, provides student internships, supports local contractors and suppliers;
3. The developer has a responsible history with property tax payment and pledges continued responsibility.