As Amended 3/1/2016

City of Waterville Policy for use of Tax Increment Financing

Purpose

Tax Increment Financing (TIF) is a local economic development tool, permitted under Maine law, that allows municipalities to use all, or a portion of the tax revenues generated from a new capital investment to assist in that project's financing. It also has the advantage of sheltering new tax revenues generated in a TIF district against adverse adjustments to the municipality's state subsidies and county taxes.

The purpose of this Policy is to provide a framework for the City by which applications for a TIF can be evaluated. 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 TIF Advisory Committee and 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.

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 Council, however, reserves the right to consider any TIF proposal provided a majority of the Council believes that acceptance of the TIF is in the best interest of the City of Waterville.

The authority for creation of Tax Increment Financing Districts is established in State Law, Title 30A Sections 5251-5261.

General Provisions:

In addition to the requirements and criteria listed elsewhere in this document, all applications for TIF assistance and the review thereof must comply with the following objectives:

1. The creation of TIFs within the City should be limited to those projects which result in a minimum increase of $500,000 to the City's tax base.
2. Although the level of reimbursement (through a Credit Enhancement Agreement) may vary depending on the term, number of new jobs created, etc., it shall not exceed 75% over the term of the TIF Agreement. The TIF Advisory Committee may recommend, but the City Council will determine the appropriate percentage to be returned based on the community benefit of the project.
3. Absent any extenuating circumstances, the term of the TIF shall not exceed the expected longevity of the improvements proposed. The City prefers shorter terms

and may consider returning up to the 75% maximum in return for a reduced term.

4. Information must be provided to document the number of new jobs created (or existing jobs retained), the number and type (affordable or market rate) of housing units created, the improvement of a blighted area or the improvement of public infrastructure which can be achieved with approval of a particular TIF project.

5. Applicants must document why TIF assistance is necessary to address one or more of the following concerns:

   - The need to offset economic advantages available to the applicant if it should build (or expand) outside of City of Waterville;

   - The need to offset infrastructure costs unique to the development or redevelopment site and required to make the site economically feasible;

   - The need to assist with financing because of the lack of sufficient private or other public funding sources.

6. City approval should, to the greatest extent possible, be limited to those projects which do not directly compete with existing businesses within the City. It is the City's preference to provide assistance only when necessary for location of new businesses that help diversify the local economy by offering services or producing products not presently provided or produced by other area employers.

   Exceptions to this Policy could include projects which improve a blighted area of the City or make improvements to a blighted building.

7. The preferred form of tax increment financing assistance is a Credit Enhancement Agreement (CEA) that avoids the necessity of issuing general obligation debt.

8. In evaluating the overall project, the City may choose to issue debt to be repaid over time through tax increment revenues. Where the City chooses to issue such debt, a higher level of financial scrutiny will be applied to the project to ensure that risk to the City and its taxpayers are minimized. To this end, the City will seek through agreements with the developer, to guarantee the necessary revenue flow to pay the debt and to ensure that the City is protected against changes in State Law or tax structure that might result in lower than needed incremental revenue.

Criteria For Approval

The following criteria shall be used by the City of Waterville to determine the public benefit of the application and the recommended percentage of taxes to be returned for the benefit of the project. It is not mandatory that all criteria be met.

1. The creation of the TIF District will diversify the economy and broaden the City's tax base.

2. The creation of the TIF District is financially necessary to bring about the proposed investments.

3. The project improves a blighted area or a building in need of redevelopment or rehabilitation, or is in an area identified as a priority by the City of Waterville.
4. The project creates public infrastructure facilities which have application beyond the particular development, such as improving traffic flow, upgrading sewer or water capacity, providing public parking facilities, etc.
5. The activities resulting from the creation of the TIF District will generate benefits to the community that exceed any potential for adverse impacts on existing businesses within Waterville.
6. A portion of tax increment revenue within the district is set aside for the City of Waterville to support economic development activities or, in the case of housing projects - housing needs identified from time to time in strategic plans adopted by the City Council.
7. The project creates new jobs or retains existing jobs, especially those in the manufacturing sector.
8. The project creates new housing units or rehabilitates existing housing units consistent with housing needs identified from time to time in strategic plans adopted by the City Council.
9. For those projects which require specific improvements or commitments be completed over time, the applicant /developer will be required to submit a progress report to the City Manager's office by July 1 of each year. The report much provide details regarding completion of any and all commitments (job creation, property improvements, etc.) as specified in the CEA.

In the event that any approved TIF project does not meet the terms (e.g., job creation, building rehabilitation, etc) of the CEA, the City reserves the right to reduce the tax benefit to the applicant proportional to the degree of non-compliance.

Application Procedure

The establishment of a Tax Increment Financing (TIF) District, Development Program, and Financing Plan, can involve complex public policy decisions. This section sets out a process for reviewing and acting on development proposals. The procedure is intended to be a guide for the City and the applicant. The City may modify this process as necessary to assure thorough but timely consideration of TIF Proposals.

Private parties contemplating the creation of a TIF District will be required to meet with the City's TIF Advisory Committee. The purpose of this meeting is to:

- allow city staff, City Council members and other members of the Advisory Committees to obtain an understanding of the possible activities and structure of the proposed TIF;
- assure that the applicant understands the process the City will use in considering a TIF request or development application, and the information that will be required as part of the process.

This meeting is not obligatory and shall be informational. No commitments shall be made in conjunction with this meeting.

Should the applicant decide to continue, a formal proposal must be submitted on a form prepared by the City. The TIF advisory Committee will review the project proposal and recommend a course of action to the City Council. As part of this review process, the City may request a legal review which cost shall be borne by the developer.

Council approval, if granted, will be in the form of an Order adopted in the manner as prescribed by the City Charter.

APPROVED
Waterville City Council
June 21, 2001

As Amended
October 4, 2005

As Amended
December 6, 2011

As Amended
March 1, 2016