



CITY OF WATERVILLE

TAX INCREMENT FINANCING CREDIT ENHANCEMENT AGREEMENT POLICY GUIDELINES AND PROVISIONS

Adopted: September 2, 2025

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, provide impetus for affording housing development, and support municipal projects.

Under the TIF laws, found at 30-A M.R.S. §5221-5235 (for general economic development TIFs) and 30-A M.R.S. §5245-5250-G (for affordable housing TIFs), the original assessed value ("OAV") of property in a TIF district is fixed in time, and the municipality can capture any increase in assessed value ("IAV") that occurs because of investment in the district which is then known as captured assessed value ("CAV"). Tax revenues based on the OAV within a TIF District continue to flow to the general fund, while taxes paid on the CAV become TIF Revenues. Municipalities may use TIF Revenues on projects authorized under the TIF statutes either inside the TIF district, projects outside the TIF district but "directly related to or made necessary by" the TIF district, and other project costs unrelated to the location of the TIF district.

A TIF is an important tool for municipalities as it can help promote economic development and revitalize areas that may be underutilized, fund development costs/improvements needed to propel private development, incentivize the development of affordable housing, and attract new businesses, create more jobs, customers and, in turn, more private investment. It also has the advantage of sheltering new tax revenues generated in a TIF district against adverse

adjustments to the municipality's state education and revenue sharing subsidies, and county taxes.

A Credit Enhancement Agreement (CEA) is a financial mechanism that may be used within a TIF district to reimburse a percentage of TIF revenues to a developer or business for approved development project costs using TIF funds. The CEA is a contract between the municipality and developer or business to assist the development project by using some or all of the incremental tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the developer or business.

Obtaining a TIF and/or CEA is not a right under Maine law, and meeting State TIF requirements or the criteria established in this policy does not create a right or entitlement for any Applicant.

PURPOSE

This Policy outlines the standards and processes that City staff in the offices of City Manager, Assessing, Code Enforcement, Community Development, Finance and Planning, and City Council will use in initiating or considering applications to establish a TIF and/or to enter into CEA agreements within a newly established or existing TIF District. Regardless of these guidelines, the creation of a TIF district or authorizing any CEA agreement under this policy is at the sole discretion of the Waterville City Council.

The purpose of this policy is to provide a framework for the City by which applications for a TIF and CEA can be evaluated. Notwithstanding compliance with any or all the following guidelines, the creation of a TIF District and/or a CEA is a policy choice to be evaluated on a case-by-case basis by City staff and the City Council after holding a public hearing.

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 or CEA proposal provided a majority of the Council believes that acceptance of the TIF or CEA is in the best interest for the City of Waterville.

GENERAL PROVISIONS

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

1. The creation of TIFs within the City should be limited to those projects which result in a minimum increase of \$750,000 to the City's tax base.
2. Although the level of reimbursement (through a CEA) may vary depending on the term (up to 30 years), number of new jobs created, etc., it shall not exceed 75% over the term of the TIF Agreement. A committee of City Staff, as defined above, 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, with a maximum timespan of 30 years. The City prefers shorter terms and may consider returning up to the 75% maximum in exchange for a reduced term.
4. Information must be provided to document the estimated number of new jobs created (or existing jobs retained), the number and type (market rate or affordable per Maine State Housing Authority) of housing units to be 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. The Maine Growth Management Act requires an attempt to direct new development into our designated growth area as more defined in the Comprehensive Plan. This includes land in all zoning districts except for Rural Residential, Resource Protection and Shoreland Zones.
6. Applicants must document why TIF and/or CEA assistance is necessary to address one or more of the following concerns:
 - The need to offset the economic advantages available to the Applicant if they should build (or expand) outside of the City of Waterville
 - The need to offset infrastructure costs is specific to the development or redevelopment site and is necessary to ensure the site's economic feasibility
 - The need to assist with financing due to the lack of sufficient private or other public funding sources.
7. 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, when necessary, to support new businesses that help diversify the local economy by offering services or producing products not presently provided or produced by other area employers, landlords or social agencies.

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

CRITERIA FOR APPROVAL

The City of Waterville shall use the following criteria to determine the public benefit of an application. The City will recommend a percentage of taxes to be returned for the benefit of the project via a CEA. It is not mandatory that all criteria below are 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 develops public infrastructure that serves a broader purpose beyond the specific development, such as improving traffic flow, increasing, or 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.
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 by the City Council and in accordance with the City's adopted Comprehensive Plan.
 - Affordable housing units will be determined by income limit. Income limit means for households whose income does not exceed 120% of the median income for the area as defined by HUD. 30-A M.R.S. 5246(1). The Income Limit is currently available on a table available on the MSHA website at <https://www.mainehousing.org/charts/rent-income-charts>. All determinations of whether a residential unit qualifies as Affordable Housing shall be made in a manner consistent in all respects with Maine State Housing regulations and procedures for determining income eligibility for income-restricted residential units.
 - Under the AHTIF program, the District must have a minimum of 33% dwelling units must be "affordable." 30-A M.R.S. 5247(3)(G). The City could choose to have a lower percentage or allow for A CEA for market rate units if it adopts a DECD TIF.
9. For the projects that require specific improvements to be completed over an extended period, the Applicant/developer will be required to adhere to Planning Board timelines and requirements in accordance with site plan review process. They must submit a progress report to the City Manager's office, to be subsequently shared with City Staff as previously defined, by July 1 of each year. The report must provide details regarding the completion of all improvements as specified in the agreement(s).

In the event that any approved TIF/CEA project does not meet the terms (e.g., job creation, building rehabilitation, etc.) of the agreement(s), the City reserves the right to reduce the percentage reimbursement under a CEA to the Applicant proportional to the degree of non-compliance.

The following criteria shall also be considered in authorizing Credit Enhancement Agreements for economic development:

1. Project would not likely occur otherwise.
2. Creates or retains employment opportunities.
3. Expands the City's tax base.
4. Conforms to the quality and types of development sought by the City as outlined in the Comprehensive Plan, the Tax Increment Financing District Policy, and other plans and policies adopted by the City Council.
5. The developer must be current with all payments to the City, including property taxes and permitting fees.

APPLICATION PROCEDURE

The establishment of a 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 ensure thorough but timely consideration of TIF proposals.

The Assessor's Office will function as liaisons and coordinate all activity regarding Tax Increment Financing proposals with City Staff. The following will be an example of Standard Operating Procedures:

1. The Assessor's Office will provide information on TIFs and Application(s).
2. The Assessor's Office will accept the City of Waterville TIF and/or CEA Project Application and **all** supporting documents from Applicants. This shall be accompanied by a non-refundable \$1,000 TIF administrative review fee. If a Credit Enhancement Agreement is also requested, there will be an additional non-refundable \$500 CEA administrative review fee. (\$1,500 if applying for both TIF and CEA.)
3. All Applicants will be required to sign an Administrative and Professional Agreement form agreeing to reimburse the City for all legal costs and any out-of-pocket expenses incurred as a result of the TIF and/or CEA t proposal(s), whether or not the TIF/CEA is approved. *These costs are separate from the administrative review fees.*

4. City Staff (as previously defined) will review of the Application based on policy guidelines within 30 days of receipt of a complete application package.
5. If necessary, the Applicant must schedule Site Plan Review with Planning Board to begin the process of approval of project.
6. The Applicant must submit all applicable engineering plans to Code Enforcement for review. It may take 30 days or more Code Enforcement to approve all plans. *No building permits will be issued without evidence of appropriate licensing and builder's risk insurance equal to the anticipated total cost of the construction project.*
7. The Finance Director shall:
 - Verify Tax Shift Formulas.
 - Verify calculations in various exhibits which at minimum, will show development cost, tax shifts and revenue return percentages over the duration of the TIF.
 - Verify the revenue amounts to be returned to the Applicant through the CEA over the life of the TIF.
 - Make financial recommendations to the City Council.
8. The City Assessor shall verify that original assessed values and acreage comply with Maine Tax Increment Financing Law.
9. After City Staff have reviewed all the documents, an informal meeting will be scheduled with City Staff and the Applicant to obtain an understanding of the possible activities and structure of the proposed TIF. This will help address any questions or concerns regarding the project. No commitments shall be made in conjunction with this meeting.
10. Following a review and evaluation of the application, the Assessor will present a recommendation to the City Manager. The City Manager will advise the Applicant that the application is ready for consideration by the City Council and the citizens of Waterville.
11. The Applicant will present the final TIF application to the City Manager's Office.
12. The City Manager's Office will notify the Mayor and the Chair of the City Council that the review process is completed, and the application is in accordance with policy and guidelines stated herein.
 - A Public Hearing will be scheduled with the City Council with at least a ten (10) day Public Notice published in the newspaper. The Applicant/developer will be required to attend all hearings or City Council Meetings to answer any questions that may arise.

13. Council approval, if granted, will be in the form of an Order adopted in the manner as prescribed by the City Charter. *This order requires two (2) separate meetings with votes for or against the approval of the order.*
14. The City Manager will then authorize the City's TIF Attorney to submit the application to the Maine Department of Economic & Community Development (for economic development TIFs) or Maine State Housing Authority (for affordable housing TIFs), for final approval based upon the direction of the City Council.
15. For any housing project, the developer must attend an annual meeting with City Staff and submit an annual report on the number of rental units and verify the affordability rate charged to each tenant. Failure to meet the requirements stated in the CEA agreement will result in a reduced CEA payment by the same percentage or reduction of units or may result in the early termination of the CEA if there is a significant change in the community benefit.
16. If the Applicant transfers ownership of the property in the district, the Applicant must notify the City Manager, in writing prior to finalizing the transfer. The new owner must agree, in writing, to accept the provisions of the agreement as presented to and approved by the City Council before the Finance Director releases any further TIF reimbursements.

*** Please note that the City reserves the right to suspend, terminate and/or recapture the benefits to the Applicant if the business moves to another community during the term, there is a change in use of the property, there is a change in the scope of the project or anticipated community benefits, no action is taken on a project within a reasonable timeframe or a developer/Applicant does not comply with this policy.*

APPROVED

Waterville City Council
June 21, 2001

As Amended
October 4, 2005

As Amended
December 6, 2011

As Amended
March 1, 2016

As Amended
September 2, 2025