

## **PART I. MUNICIPAL TAX INCREMENT FINANCING – PROGRAM DESCRIPTION**

### **Municipal Economic Development**

The City of Sanford may elect to provide financial assistance to local commercial economic development projects - from infrastructure improvements to business expansions - by using new property taxes that result from the commercial investment and increase in property value. The state program that guides and encourages this local economic development activity is called municipal tax increment financing (TIF).

### **Program Summary**

TIF is a tool that permits the City of Sanford to participate in local project financing by using some or all of the new property taxes from a capital investment within a designated geographic district. The City has the option of using the new or "incremental" taxes to (1) retire bonds it has issued for the project, (2) compensate a developer or business for development project costs through a credit enhancement agreement (CEA), and/or (3) fund eligible municipal economic development-related activities. TIF districts may be designated for up to 30 years.

### **Hypothetical Examples**

The tax-assessed value of a hypothetical designated TIF district is \$100,000. Year 1 of the TIF, a business or developer invests in buildings and site improvements on vacant land in the district, and the total assessed value of the district increases to \$1,000,000. The new or incremental portion of the tax assessed value is \$900,000. The tax revenue generated from this increment can be designated for TIF-eligible expenses, as specified by the district's development program and financial plan (see examples below). The tax revenue from the original assessed value (OAV) of \$100,000 continues to flow to the city's general fund.

Option 1: Municipal Bond Financing. The City of Sanford issues a general obligation bond for improvements (typically roads and utilities) that support the development project and pays the annual debt service using TIF revenues.

Option 2: Municipal Economic Development. The City of Sanford uses TIF revenue to fund projects city-wide that have an impact on economic development. These may include expenses within or associated with the proposed development in the district (such as public ways, environmental impact studies, and administrative costs, water, street amenities, and others), or for city-wide uses (such as an economic development program, environmental improvements, workforce development, affordable housing, broadband/fiber optic expansion for commercial areas, and others.)

Option 3: Credit Enhancement Agreement (CEA). The City of Sanford negotiates a CEA with the developer/business that invested in the property. After the property taxes are paid, the City returns a portion to the company to assist in their debt service on their investment or to reimburse for the extension of public infrastructure built by the developer.

Costs allowed to be paid with TIF revenues are more specifically discussed in 30-A MRSA §5225(1).

Any given TIF may employ one or more of the options described above. For example, a TIF may designate 50% of the captured tax revenues to be used to reimburse a developer/business through a CEA, while the remaining 50% are designated for municipal economic development projects. The allowed uses for any captured TIF revenues are set forth and detailed in a document called a TIF Development Program which is required for every TIF, approved by the City Council, and is submitted to the Maine Department of Economic and Community Development for review and approval.

## **How to Apply**

All TIF inquiries can be brought first to the Sanford Regional Economic Growth Council (SREGC) staff. Any questions may be addressed by phoning staff at (207) 324-9155, or emailing staff at [contactus@sanfordgrowth.com](mailto:contactus@sanfordgrowth.com). This TIF Manual may be accessed on-line at [www.sanfordgrowth.com](http://www.sanfordgrowth.com).

## PART II. SANFORD MAINE TIF POLICY & PROGRAM GUIDELINES

### INTRODUCTION

In the City of Sanford, it is believed that economic development, workforce development and housing all play key interconnected roles in ensuring future economic prosperity. Tax Increment Financing (TIF) is one of the few financing mechanisms authorized under state law and available to cities and towns to promote and support municipal economic development.

The purpose of this policy is to outline standards and a process that the City of Sanford will use to initiate and consider a TIF district and/or credit enhancement agreement (CEA). Notwithstanding these guidelines, the designation of a TIF district and adoption of a development program is a Sanford City Council policy decision made on a case-by-case basis with recommendations from the Sanford Regional Economic Growth Council. The City Council then submits a properly-executed TIF proposal to the Maine Department of Economic & Community Development (DECD) for final approval. Tax Increment Financing 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.

### BASIC PROVISIONS

The process for approving TIFs in the City of Sanford is different depending on whether or not the TIF will include a CEA:

#### A. TIFs that do not include a CEA

As discussed above, the city may create a TIF district and utilize TIF revenues for the repayment of municipal bonds, or to fund economic development costs related to the district or city-wide. These districts are typically initiated by the City, and as with any district, the establishment and approval of the district is up to the Sanford City Council and DECD.

##### Process:

City of Sanford staff will initiate the TIF, determining an appropriate district boundary and the anticipated project costs (based on 30-A MRSA §5225(1)). The Sanford Regional Economic Growth Council (the "Growth Council") may review the proposed TIF and provide a recommendation to the City Manager's office and the City Council.

#### B. TIFs that include a CEA

(or for approving a new CEA within an existing TIF District)

When a credit enhancement agreement (CEA) is proposed by a developer/business, the Growth Council will serve as the clearinghouse and initial point of contact for the applicant through the approval process. Before proceeding to the City Council, the proposed TIF and associated CEA should be reviewed by the Growth Council board, who will make a recommendation to the Sanford City Council.

##### Process:

###### *Phase 1: Information*

The goal of this phase is to assist the prospective applicant in making a decision on whether or not a TIF/CEA would work for their project, and whether or not they should proceed to an application. Growth Council staff will provide information on TIFs in Sanford, and discuss the merits of the proposed project,

the CEA requirements/limitations, and on the process to get approval. When appropriate, Growth Council staff will seek participation at this stage from others, including but not limited to the City Manager, Tax Assessor, City Planner, Code Enforcement, Public Works/Engineering and the City Attorney.

During this phase and the next, the applicant and Growth Council staff will begin formulating and negotiating the terms of a possible credit enhancement agreement, and the TIF development program project costs. Applicants will be made aware that the CEA will include the following terms (among others as may be necessary):

- A. The CEA will provide for a recapture of the benefits if the project should move to another municipality. Assignments will be allowed only for conventional, commercial financing purposes or where the proposed assignee agrees to be bound by the same terms and conditions as the original applicant.
- B. The City highly prefers CEA terms of ten years or less. CEA repayment terms will not exceed 15 years except where the applicant clearly demonstrates a need beyond 15 years.
- C. CEA repayment terms will begin in Year 1 of the TIF, but the City will not be required to make payments for any year prior to the applicant commencing work/construction on the anticipated project. If the developer delays in the start of work on the project, they may forfeit years of repayment if the repayment years are capped (See E. below).
- D. The City prefers to use a stepped-down repayment schedule, reflecting a project's decreasing need for financial assistance. For example, with a hypothetical 10-year CEA, the city would favor paying to the developer/business a percentage of captured revenues in years 1-3, a lower percentage in years 4-6, and the lowest percentage in years 7-10. Exceptions can be made where the applicant demonstrates exceptional need.
- E. The CEA repayment will be capped based on the amount of need expected to meet the demonstrated financial gap over time. For example, for a project where the applicant is able to show a \$500,000 gap in financing, the CEA terms may stipulate that once the cumulative payments under the CEA reaches \$500,000, the agreement automatically expires. It may also be capped in time, limiting repayment only to the years in which the applicant was able to demonstrate that a financial need will exist.
- F. In TIFs where the City is reimbursing developers for the creation or extension of public infrastructure related to the district, the repayment will be capped at the developer's actual, demonstrated costs for that infrastructure.
- G. CEA payments are made following bi-annual tax payments made on the property in the district. Only after these payments are made in full can a CEA payment be calculated and processed by the City's Finance Department and Treasurer. The City cannot accept pro-rated tax payments calculated to omit the amount of the CEA reimbursement.

#### *Phase 2: Application*

After discussing a possible TIF and CEA with the Growth Council staff, the applicant must submit a confidential TIF application. Growth Council staff will continue to provide any assistance required by the applicant to help complete the application. There is an associated application fee of \$1,000 which is nonrefundable, even if the application is denied or withdrawn.

The applicant will also sign a Cost Reimbursement Agreement, which provides that the applicant will be billed by the City to reimburse certain costs related to the TIF. More detailed information on the application requirements are included in the application form, attached below.

*Phase 3: Growth Council Board Review*

The Growth Council Board will review the application and other information submitted by the applicant, and will reach a finding of whether or not to recommend its approval to the Sanford City Council. The Board's review will typically take place during a regularly-scheduled Growth Council Board meeting, and the applicant may attend to present information on the project.

The Growth Council Board recommendation will be based on whether or not it can make all of the following findings:

- A. The project will generate at least \$500,000 in new taxable real estate assessed value.
- B. The development would not be financially feasible but for the city's participation via a CEA.
- C. The city's financial involvement through the CEA is tailored to the best extent possible to fit a demonstrated financial gap that exists for the applicant, and that the CEA will not unreasonable enrich the applicant beyond the gap.
- D. The developer or business has financial capacity to undertake the proposed development, and has a history of responsible, timely real and personal property tax payments and will be able to continue timely payments over the term of the TIF district.
- E. The developer is compliant with all statutory and regulatory guidelines of the City of Sanford and the State of Maine. The Growth Council may make recommendations which will include a contingency or caveat that the developer still needs to obtain local or state approvals before the TIF should be approved by the City Council.
- F. The TIF will be revenue neutral, or better, to the City over the life of the district. An investing developer or business may not be reimbursed more TIF revenues than the development project generates in new taxes.
- G. The proposed project seeking assistance through a CEA accomplishes one or more of the following economic development objectives:
  - The project assists an established business in the City of Sanford, thus retaining existing employment;
  - The project creates new long-term, permanent and quality employment opportunities for the community;
  - The project contributes to the growth or revitalization of the Downtown District, Historic Mill Yard, Commercial and Industrial Zones, and designated Growth Areas;
  - The project promotes development consistent with the City's Comprehensive Plan, and other plan documents;
  - The project improves a blighted building site in need of rehabilitation;
  - The project creates public infrastructure facilities that have application beyond the particular development such as improvements to utilities, telecommunications, traffic patterns, parking facilities, green space, etc.;
  - The project supports or will support community projects, provides job training, provides student internships, supports local contractors and suppliers;

- The project supports or will support local efforts and programs that assist those who are unshoused, unemployed/under-employed or low to moderate income (LMI);
- The project will create multi-family and/or affordable housing opportunities, and the board finds that such housing units are needed for the City's future economic development.

The Growth Council Board may, based on their review and findings, make a recommendation that the City Council ought to approve the proposed TIF and CEA, or they may recommend that the City Council ought not to approve it, or they may submit the proposal to the Council without a recommendation regarding its approval. The Growth Council may also propose new terms for the CEA to the applicant, and their recommendation to the City Council may be contingent on the applicant's acceptance of these terms. The Board may also request additional information from the applicant, and may table their decision on a recommendation pending receipt of that information.

*Phase 4: Sanford City Council Review and Approval*

Growth Council staff will present the proposed TIF and CEA, as well as the Growth Council Board recommendation to the City Council in an executive session. The applicant may or may not attend. The City Council will decide whether to accept the TIF and CEA as proposed, or to request a modification.

When agreement to move forward is secured, a Public Hearing is scheduled, with notices prepared by the City Attorney and/or Growth Council staff and published in a newspaper of general circulation in Sanford at least 10 days prior to the hearing date. At that meeting, the City Council may vote to approve the TIF and authorize the City Manager to enter into the CEA, or they may ask for additional information and table that decision to a later meeting. If it is tabled, a new public hearing is not necessary unless significant substantive changes are made to the TIF development program or CEA.

Only after the City Council votes to approve a TIF can the process proceed to Phase 5.

*Phase 5: DECD Approval & CEA Execution*

Based on the City Council's direction and approval, the City Attorney, with the Growth Council, City Treasurer, and other City staff (as may be needed) will prepare and submit applications for tax increment financing to the State of Maine Department of Economic and Community Development (DECD).

Typically, CEA documents are not signed until after a TIF District receives approval from DECD. Growth Council staff will communicate with DECD staff, the City Attorney and the applicant about any decision or update from DECD, and upon DECD approval, will coordinate a time and place for the city and applicant to sign the CEA.



## Sanford Regional Economic Growth Council

## **APPLICATION FOR CREDIT ENHANCEMENT AGREEMENT**

## **A. Applicant/Company Information**

Company Name: \_\_\_\_\_ Date: \_\_\_\_\_

Date: \_\_\_\_\_

Company Website: \_\_\_\_\_

Business Sector (Product/Service): \_\_\_\_\_

Name of Entity Paid under the CEA/TIF:

Name of Entity Paid under the CEA/TIF: \_\_\_\_\_  
(If different from above)

Name & Title of Person Completing this Application: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ E-mail: \_\_\_\_\_

## **B. Project Information**

Location of Project: \_\_\_\_\_  
(either by street address or by Map/Lot number)

Please give a description of Project. Include a timeframe for project completion, and whether or not the project has received planning board/site plan approval and date (or anticipated date) of approval:

### **C. Community Benefits**

Please indicate whether the project will accomplish any of the following (check any/all that apply):

- The project assists an established business in the City of Sanford, thus retaining existing employment;
- The project creates new long-term, permanent and quality employment opportunities for the community;
- The project contributes to the growth or revitalization of the Downtown District, Historic Mill Yard, Commercial and Industrial Zones, and designated Growth Areas;
- The project promotes development consistent with the City's Comprehensive Plan, and other plan documents;
- The project improves a blighted building or site in need of rehabilitation;
- The project creates public infrastructure facilities that have application beyond the particular development such as improvements to utilities, telecommunications, traffic patterns, parking facilities, green space, etc.;
- The project supports or will support community projects, provides job training, provides student internships, supports local contractors and suppliers;
- The project supports or will support local efforts and programs that assist those who are unhoused, unemployed/under-employed or low to moderate income (LMI);
- The project will create multi-family and/or affordable housing opportunities, and the board finds that such housing units are needed for the City's future economic development.

### **D. Pro Forma**

Applicants are required to provide a pro forma related to the project. Growth Council staff will work with applicants on this task. At minimum, a proforma will include:

1. Construction/Development Budget
  - Including land acquisition costs, architectural/engineering, construction and site work, furniture/fixtures/machinery/equipment, contingency, etc.
2. Funding Sources
  - Include proposed funding sources to pay for the construction/development budget, including owner equity/contributions.
  - For third party financing (including banks) please provide a commitment letter and term sheet with the terms of the financing.
3. Operating Budget/Expenses
  - Include costs of operation including taxes, insurance, personnel/payroll, utilities, property maintenance, etc.
4. Projected Operating Revenues
  - For projects that generate rental revenue (residential or commercial) provide a detailed list of spaces for lease with square footage and other details (bed rooms, or proposed use).

- Include any other sources of revenue for the business/property.

**E. Application Fee**

An application fee in the amount of \_\_\_\_\_ must accompany this application. This fee is nonrefundable. Please pay by check payable to "The City of Sanford."

