

TOWN OF FREEPORT, MAINE

TAX INCREMENT FINANCING GUIDELINES

I. Introduction

Tax Increment Financing (TIF) is one of the few techniques authorized under state law to promote economic development by cities and towns. TIF's should be used for projects which would not otherwise occur, which create or retain employment opportunities, which make substantial increases in the Town's tax base, and which are in keeping with the quality and types of development sought by the Town, as outlined in the Zoning Ordinance, Comprehensive Plan, economic development strategic plans, and in other policies enacted by the Town Council. Because of the potential of TIF agreements to defer potential gains in general fund revenues, they should be entered into cautiously by the Town. The purpose of these guidelines is to outline standards that will be used by the Town Staff, the Freeport Economic Development Corporation ("FEDC") and the Town Council with respect to the Town's involvement in TIF agreements.

Notwithstanding these guidelines, the creation of a TIF District or enhancement agreement is a policy decision of the Freeport Town Council made on a case by case basis. The Council 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, nor should they be interpreted to encourage any application.

II. Basic Provisions

1. *Enhancement Agreements* – Tax Increment Financing Districts are generally approved only for credit enhancement agreements.
2. *Documentation* - The Applicant is required to submit all reports and documentations so that the Town can determine if the standards herein are met and to protect the Town's financial interests.
3. *Terms* - The specific terms of each TIF agreement are negotiated between the Town and the Applicant. The FEDC will be charged with bringing forward the best term and

recapture based upon the merits of the project, along the following guidelines:

<u>Term of TIF</u>	<u>Recapture to Applicant</u>
1-10 years	40 percent

Agreements may be structured so that additional recaptured amounts and amounts recaptured for longer periods are used by the Town for purposes permitted by Maine law, not for the Applicant.

4. *Cost and Fees* – All Applicants shall pay for the Town’s legal fees and any other out-of-pocket costs associated with the development and approval of a TIF agreement, regardless of whether it is approved. TIF agreements shall provide for a 1 percent annual administrative fee, payable to the Town of Freeport, calculated from the total tax assessment of the TIF project, to be deducted from the tax recapture forwarded to the Applicant during the life of the agreement. All Applicants must pay a \$500 non-refundable fee to the Freeport Economic Development Corporation at the time of submission.
5. *Suspension and Recapture of Benefits* – The TIF agreements shall contain provisions for the suspension, termination, and/or recapture of benefits to the Applicant if the Applicant does not meet the compliance standards outlined in this document, or in any statements or representations made by the Applicant, which would have bearing on the Town Council decision to participate in a TIF and to what level. The agreements shall also provide for the termination and/or recapture of benefits to the Applicant if the Applicant relocates all or a substantial portion, to be determined at the time of the agreement, of the Freeport operation outside the Town of Freeport, during the term of the agreement or within five (5) years after its end.
6. In circumstances where reimbursement for potentially sheltered value is available, the TIF agreement may be written to exclude such value. If the TIF does not include such value, reimbursable either from the beginning of the agreement or if it should become reimbursable at some point over the life of the agreement, the Applicant must forward such reimbursement to the Town of Freeport to be used for economic development or public improvement purposes.
7. Personnel Property (Business Equipment and Machinery) shall not be included in sheltered value.

III. Guidelines to be met

In all instances, Applicants requesting tax increment financing must demonstrate:

1. The Town's participation is economically necessary and involvement by the Town is needed in order for the project to be undertaken. Justification for economic need and Town involvement must be demonstrated by:
 - a. A need to offset infrastructure costs unique to the site; or
 - b. A need to offset economic advantages available to the corporate entity if it should build (or expand) outside of Freeport.
2. The project creates new tax value equal to or greater than \$2,000,000. Projects creating less than \$2,000,000 in new tax value will be considered based upon merit.
3. Financial capability to undertake a project must be evidenced prior to review.
4. Compliance with all statutory and regulatory guidelines of the Town and state.

IV. Guidelines to determine level of Town participation

Although an Applicant need not meet each of the following criteria, they will be used to determine the level of participation by the Town:

1. The project assists an established business in the Town of Freeport, thus retaining existing employment and expanding the town tax base;
2. The project creates long-term, permanent employment that favors full time jobs with competitive wages and benefits over part time positions;
3. The project promotes tax base diversification;
4. The project creates public infrastructure facilities which have application beyond the particular development such as traffic upgrades, public parking facilities, etc.;
5. If not from the beginning of the district, then as soon as is financially possible, the project will support community projects or create public benefits such as granting access to open spaces, creating student internships, providing job training, supporting local contractors and suppliers, etc.

6. The Applicant shall ensure that high environmental standards are met and that all state, federal and local environmental standards are met.

V. Standard Operating Procedures

The Freeport Economic Development Corporation will act as a clearinghouse and coordinate all activity regarding tax increment financing proposals. Working with potential Applicants, the Freeport Economic Development Corporation will:

1. Provide information on tax increment financing;
2. Discuss project proposals and accept preliminary applications from Applicants;
3. Review preliminary applications based on policy guidelines with the Town Tax Assessor, Department of Finance, Corporation Counsel, Planning Department, Public Works and Bond Counsel;
4. Advise Applicants on findings of Town Staff and Bond Counsel review;
5. Following a review and evaluation of an application, the Executive Director of the Freeport Economic Development Corporation will make a written determination whether to accept or reject the application. If applicable, the Director's written decision approving an application and the application will be sent to the Freeport Economic Development Corporation for review and final recommendations;
6. Provide assistance and recommendation to the Town Council;
7. Submit application to State, based on direction of Town Council;
8. Monitor on-going public and private investment in the development project.

Preliminary tax increment financing applications will be provided by the Freeport Economic Development Corporation, Freeport Town Hall, 30 Main Street, Freeport, Maine 04032.