

CITY OF AUBURN AND LEWISTON, MAINE

TAX INCREMENT FINANCING POLICY

The Cities of Auburn and Lewiston Tax Increment Financing (TIF) Policy includes the following:

- Purpose,
- Eligibility Requirements,
- General Guidelines,
- Terms,
- Performance Standards,
- Applicant and Fees Information,
- Annual Review, and
- Definitions.

The Cities of Auburn and Lewiston are referred to as “the City” or “Cities” in this policy.

PURPOSE

The four (4) primary reasons and public benefits for the Cities tax increment financing policy are, as follows:

1. to establish a collaborative and joint approach to economic development in the Cities when tax increment financing is involved;
2. to stimulate expansion of the City commercial/industrial tax base;
3. to retain and create employment; and
4. to establish standards upon which the City Councils will authorize a TIF.

ELIGIBILITY REQUIREMENTS

Any current or potential owner of taxable property in the City may request the creation of a TIF district subject to this policy.

The establishment of a TIF district is an action by the City Council. A TIF is not a right under Maine law, and meeting these guidelines does not create a right or entitlement to any applicant.

For a TIF application to be considered by the Cities, the project must meet or exceed the following requirements:

Types of Businesses. The business expansion or establishment must be one (1) of the following business types:

- research facility
- high-technology facility

- manufacturing/assembly
- regional distribution
- financial services
- telecommunications
- back office operations
- a business which is significantly involved in the exporting of goods or services outside of Maine
- other similar businesses.

Real Property Improvements and Job Creation

• ***Minimum Investment.*** There must be real property improvements of a minimum of \$2 million or the creation of a minimum of twenty-six (26), full-time equivalent jobs which meet or exceed the "livable wage" or \$9.32 per hour^{**}. Companies assisted shall provide employees access to benefits to include health insurance; vacation and sick leave; and retirement plan.

• ***Exceptional Investment.*** A project may qualify as "exceptional investment" if initial total improvements are at least \$5 million or at least 100 new full-time livable wage jobs are created. It should be noted that the "minimum investment" level of \$2 million must be met. Companies assisted shall provide employees access to benefits to include health insurance; vacation and sick leave; and retirement plan. Exceptional investment enables the Cities to consider a higher level of financial participation or provide for a longer time period for a TIF.

Job Retention. There must be real property improvements of a minimum of \$2 million and the retention of the existing workforce.

General Guidelines

This policy recognizes tax increment financing will be provided by a credit enhancement agreement. The applicant must provide any and all other documentation that will protect the City's economic and financial position, and/or that confirm both the letter and spirit of the underlying agreement between the applicant and the City.

A TIF may be granted only for the additional value of eligible real property improvements, subject to limitations by the City. The City will not allow TIF's for improvements begun before the application is filed or begun without notification of the construction, expansion, or modernization date.

* Livable wage as defined by the Maine Economic Growth Council as adjusted annually. Please refer to the Definition Section of this policy

If a leased facility is a TIF, the agreement may be executed only by the lessor. In such cases, the lessor must demonstrate binding contracts with the lessee to guarantee job retention or creation. The TIF agreement should include the lease.

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

Economic Necessity. The City's participation is economically necessary, and involvement by the City is needed in order for the project to be undertaken. Justification for economic need and the City involvement must be demonstrated by:

- A need to offset public/private infrastructure costs unique to the site; or
- A need to offset economic advantages available to the corporate entity if it should build or expand outside of the Cities; or
- The unavailability of sufficient private or other public funding sources to meet the full capital investment needs of the corporate entity seeking assistance.

Financial Capability. Financial capability to undertake the project must be evidenced prior to review.

Location Considerations. The project improves a blighted area or building in need of redevelopment or an area identified as a priority by the City.

Regulatory Compliance. Compliance with all statutory and regulatory guidelines of the City and the State of Maine.

Terms

Effective Date. TIFs are granted, effective with the April 1st valuation date immediately preceding the date of execution of the April 1st valuation date(s) as agreed to by the City. If a modernization project includes facility replacement, the TIF value shall be the value of the new investment minus the value of the existing real property.

Amount of Value. The TIF is based upon capital cost for each year that the TIF is in effect. In general the amount of value the City will share with the business is directly related to the extent to which the project meets the guidelines set forth in this policy.

- **Minimum Investment.** A maximum tax benefit of up to 40% is available for projects with real property improvements of a minimum of \$2,000,000. The determination of municipal participation will be based upon the amount of business investment, type of business, number and quality of jobs retained/created and other considerations outlined in this policy.

- **Exceptional Investment.** A tax benefit exceeding 40% may be available based upon real property improvements which meet the exception level of investment.

Time Period

- ***Minimum Investment.*** The TIF time period ranges from five, but not to exceed fifteen years. The length of the time period for a TIF will be based upon the amount of business investment, type of business, number and quality of jobs retained/created and other considerations outlined in this policy.
- ***Exceptional Investment.*** The TIF time period may extend beyond fifteen years for projects which meet the exception level of investment.

PERFORMANCE STANDARDS

It is the policy of the City that a TIF is a business partnership and that the recipient of the TIF must meet the standards that led to the City approving the TIF. Any company or business that is granted a TIF, or its tenants if they are part of the incentive program, must meet the following standards:

Capital Improvements. Within one (1) year of the TIF agreement being signed, a minimum of 40% of the capital funds for the designated project must be spent.

Within two (2) years of the TIF agreement being signed, a minimum of 80% of the capital funds for the designated project must be spent.

Within three (3) years of the TIF agreement being signed, 100% of the capital funds for the designated project must be spent.

Employment Retention/ Creation. Within two (2) years of the TIF agreement being signed, when new jobs are designed as part of the TIF agreement, a minimum of 50% of the new jobs must be filled.

Within three (3) years of the TIF agreement being signed, when new jobs are designated as part of the TIF agreement, a minimum of 100% of the new jobs must be filled.

The party receiving the TIF must also maintain a minimum of 100% of the new jobs agreed to in each and every year that the TIF agreement is in effect.

If the project involves job retention, then at least 95% of the jobs must remain filled through-out the term of the TIF.

The City Finance Director and Development Director will determine, in cooperation with the TIF recipient prior to the execution of the TIF, the methodology of reporting job retention/creation.

Penalty. If any of the above standards are not met in any given year, the tax benefits for that year will be suspended. If any of the standards are not met for three (3) consecutive years, the entire agreement is null and void.

Use of Local Contractors. Any business that is granted a TIF will agree to use local contractors where possible.

Application and Fees

Application Information and Contact. The City's Department of Development will act as a clearinghouse and coordinate all activity regarding tax increment financing proposals. Working with potential applications, the Department will:

- Maintain a tax increment financing application;
- Provide information on tax increment financing;

- Discuss project proposals and accept preliminary applications from applicants;
- Review preliminary applications based upon City TIF Policy with the City Administrator, Director of Finance, and the Development Director;
- Advise applicants on findings of City Staff and result of Board (Legal) Counsel review;
- Schedule a City Council meeting for action on a TIF application and provide assistance to the City Administrator in the formulation of a recommendation to the City Council;
- Submit application to the State Department of Economic and Community Development (DECD) based on the direction of the City Council;
- Monitor on-going public and private investment in the development project.

Application and Administration Fees. All applicants must pay a \$250 non-refundable application fee at the time of submission. If tax increment financing is approved, an annual administrative fee equal to 1% of the incremental taxes reallocated back to the project will be charged.

Legal Costs. All applicants will be required to sign a Legal Fee Consent Form agreeing to reimburse the City of all legal costs incurred as a result of the tax increment financing proposal, whether or not tax increment financing is approved.

Additional Expenses. In addition, any out-of-pocket expenses incurred by the City in connection with the tax increment financing proposal will be reimbursed by the applicant whether or not tax increment financing is approved.

ANNUAL REVIEW

This policy shall be reviewed annually by the Auburn and Lewiston City Councils and revised as necessary.

DEFINITIONS

Livable Wage. The reference to livable wage shall be defined by the Maine Economic Growth Council, which is currently \$19,375 for a family of two (2) or \$9.32 per hour.

Full-Time Equivalent Job. Combining jobs to equal full-time (approximately 40-hours per week) employment.

Exceptions to the TIF Policy

Exceptions to the TIF Policy may be granted in accordance with the Joint Economic Development Protocol.

Adopted by the Auburn City Council on March 1, 1999.
Adopted by the Lewiston City Council on March 2, 1999.

