

**RC-2 Tax Increment Financing District  
Development Program and Financing Plan Amendments  
City of Caribou  
14 November 2011**

**Introduction and Background**

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Tax increment financing (TIF) is a funding mechanism that takes advantage of the increase in assessed valuation resulting from new private development to pay for improvements necessary to accommodate that development. As the assessed value of a parcel of land within the TIF District increases as a result of new private investment, the resulting new property tax revenues are dedicated to retire the debt incurred for the provision of those public or private improvements.

TIF financing is necessary and appropriate when the private sector acting alone cannot absorb the necessary public infrastructure cost associated with development activity without jeopardizing the project in its entirety. In 2006 the City Council acted to create a Downtown Tax Increment Financing District (CDTIF) in accordance with the applicable goals, policies, and strategies outlined in the 2004 Caribou Comprehensive Plan. The creation of CDTIF allowed the City to capture 100% of tax revenue generated from new assessed property valuations for eligible economic development activities within the District. By amendment the District was enlarged to include an additional 267.18 acres in 2007. Under state statute, this district is exempt from the imposition of the 5% municipal land mass or 5% taxable valuation limitations.

The City of Caribou now proposes to create a separate TIF District encompassing its current Rural Commercial Two (RC-2) Zone along with a 2-acre developed tract (Tax Map 5, Lot 4G) currently located in the R-3 Zoning district, which parallels U.S. Route 1 from the vicinity of its intersection with State Highway 164 and Dow Siding Road south to Doyle Road (See attached map). As defined by the Zoning Ordinance of the Caribou Code,

“The RC-2 District is intended for commercial uses to which the public requires free and easy access. The lot size requirements are larger than other commercial Districts, since the area may not be serviced by public sewer, and the set back requirements are greater, since most RC-2 Districts are expected to be along major traveled roads.”

The RC-2 was established to concentrate commercial development requiring immediate access off Route 1 and to prevent such development from spreading extensively along the entire corridor. The size of this zoning district is roughly 480 acres. The 2004 Caribou Comprehensive Plan identifies the RC-2 District as a designated growth area (p. 183). The expanded development of the RC-2 zone complies with the following objectives of Title 30-A M.R.S.A. §4312(3), “State Growth Management Goals:”

- A. To encourage orderly growth and development in appropriate areas of each community, while protecting the State's rural character, making efficient use of public services and preventing development sprawl.
- B. To plan, finance, and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development.
- C. To promote an economic climate that increases job opportunities and overall economic well-being.

The City of Caribou will utilize the economic incentives afforded with TIF to leverage the development of public-private partnerships to accomplish these goals.

The RC-2 District lies along a portion of U.S. Route 1 Caribou to Presque Isle Corridor Management Plan (CMP). This CMP originated with the Aroostook County Transportation Study (ACTS) as part of its goal to construct a limited access highway along entire north-south axis of Aroostook County as an incentive to improve the economic development potential within Aroostook County. The CMP's goal is to preserve the transportation mobility of the existing Route 1 so as to avoid traffic congestion and loss of mobility in the event of future highway construction. This road segment has the highest average daily traffic counts of any roadway north of Bangor, and is currently designated by the Maine Department of Transportation (MDOT) as a Retro-Grade Arterial. This designation has prohibited past development opportunities due to the Department's refusal to permit additional curb cuts for development proposals. To comply with the land use planning objectives outlined within the CMP, future developed properties in this District will be required to combine access by constructing parallel access roadways using singular curb cuts. The proposed TIF district will provide dedicated funding opportunities and a development plan to support the goals and objectives of ACTS by constructing these parallel roadways.

In 1982 The City of Caribou established a development fund to finance the construction of a forced sewer main connecting the north end of the RC-2 District to the Caribou Utilities District. This investment allowed for the development of the Caribou Inn and Convention Center as well as the County Quick Stop convenience store. The development fund and debt service was a 20 year investment completed in 2002. The City is now seeking to designate a TIF District to continue the extension of public utilities and infrastructure within the RC-2 Zoning District.

The City of Caribou will implement a Development Plan for the RC-2 TIF District and utilize the dedicated revenues to support the following goals:

1. The City will utilize the economic incentive of TIF within the RC-2 to attract development within this designated growth area concentrating such development to prevent sprawl outside of this served area;
2. The City will utilize captured revenue to further development planning for the highest and best use of the RC-2 development area. Engineered costs and a build out schedule will be documented;
3. The City will use the captured revenue to continue the extension of public utilities to include three-phase power and sanitary sewer;
4. The City will use available funds towards transportation improvements and the creation of secondary access roads as provided under the Corridor Management Plan and supporting the goals and objectives of the Aroostook County Transportation Study; and
5. The City will use captured revenue to contract for an engineered study of the RC-2 land mass, its full development potential, and to catalog the engineered costs of needed public infrastructure for full development.

The City will request the designation of the RC-2 TIF District, and the development program be authorized for the full 30 years as allowed by Statute. This time period recognizes the long-term commitment that will be required to fully construct the extension of public utilities and roadways to maximize the public benefit. The City's past record of implementing such long-term commitment has been documented and the results are tangible.

The area of this proposed TIF District is approximately 482 acres, with a combined Original Assessed Value (OAV) of \$ 5,738,384.

