

City of Caribou

Tax Increment Financing Policy/Ordinance

INTRODUCTION

Tax Increment Financing (TIF) is one of the few techniques authorized under state law to promote economic development projects by cities and towns. In the City of Caribou, applications for tax increment financing will be considered for all areas zoned for commercial development in an effort to build community and economic growth through public-private partnerships with both existing and new businesses.

Special consideration will be given to projects proposed in the Downtown District to grow and expand the local economy.

Economic development projects are eligible for consideration when they meet the following standards:

- ✓ Would not occur otherwise;
- ✓ Create or retain employment opportunities;
- ✓ Expand significantly the City's tax base; and
- ✓ Conform to the quality and types of development sought by the City as outlined in the Zoning Ordinance, Comprehensive Plan, and other policies enacted by the City Council.

The purpose of these guidelines is to outline standards that the City of Caribou will use in considering applications for tax increment financing. ¹Notwithstanding these guidelines, the creation of a TIF agreement is a policy decision made on a case-by-case basis by the Caribou City Council and the Maine Department of Economic & Community Development. Tax Increment Financing is not a right under Maine law and meeting these guidelines should not be interpreted as creating any rights or entitlements in any application.

¹ This appears to be standard language in TIF policies.

BASIC PROVISIONS²

- A. The City of Caribou is able to create two types of districts. ³One type allows the City of Caribou to install public infrastructure using bonds, which are retired using the tax increment generated by the private project that will be using the public infrastructure. The other returns the tax increment directly to the investing business to cover project costs through a Credit Enhancement Agreement (CEA).
- B. The applicant must provide any and all documentation deemed necessary by the City to substantiate the TIF requirements and protect the City's economic and financial position.
- C. The Credit Enhancement Agreement 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.
- D. Tax Increment Financing shall be revenue neutral, or better, to the City over the life of the district.
- E. Invoices, supporting cost reimbursement proportional to the captured value, must be substantiated with documentation from non-affiliated companies.
- F. The applicant is obligated to apply for any State reimbursement programs for personal property and/or real estate taxes. The proceeds from this application will be returned to the City and placed in the "Economic Development Fund" account. The City will expend monies in the " Economic Development Fund " account according to 30-A M.R.S.A. Section 5254, as it may be amended from time to time.
- G. Tax Increment Financing Agreements of five years or less are highly preferred by the City when structured as a CEA. Projects involving bonds for public infrastructure may be considered for the maximum time allowed by law (20 years).
- H. The applicant will provide verified documentation as to the value of the fixed assets, being real and personal property, as of the date of the acceptance of the application. The City and applicant will agree upon the frozen assessed value for TIF purposes if there is a difference between the committed value and the April 1 assessed value.
- I. All applicants will be required to sign a Professional Fee Consent Form agreeing to reimburse the City for all outside professional costs, such as legal, accounting and advertising incurred as a result of the Tax Increment Financing proposal whether or not Tax Increment Financing is approved.

² Other provisions can be added such as requiring any BETR benefits to be deducted from the TIF benefit and placed in a designated account for City use.

³ This is the type of TIF used to install a sewer line for the Caribou Inn and Convention Center.

- J. 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, e.g., expenses related to calling a *Special Council Meeting*, printed documents, travel, postage, etc.
- K. 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.

MANDATORY GUIDELINES

In all instances, applicants for tax increment financing must demonstrate that the City of Caribou’s participation is economically necessary and that participation is needed to undertake the project. Such justification is demonstrated by:

A need to offset infrastructure costs unique to the site; or

A need to offset economic advantages available to a corporate entity if it should develop a project (or expand operations) outside of Caribou; or

A lack of sufficient private or other public funding sources to meet the full capital investments needed to undertake a project.

The project creates significant new tax value equal to or greater than \$????????⁴ and creates or retains jobs throughout the City’s planned development, commercial, industrial zones and Pine Tree Zones, including projects located in the Downtown District.

The developer is financially capable to undertake the project.

The developer is compliant with all statutory and regulatory guidelines of the City of Caribou and the State of Maine.

GUIDELINES THAT DETERMINE LEVEL OF MUNICIPAL PARTICIPATION

Although an applicant need not meet each of the following criteria, the following will be used to determine the level of participation by the City of Caribou:

- The project assists an established business in the City of Caribou, thus retaining existing employment opportunities;

⁴ Some communities require a minimum dollar value for consideration for a TIF. Economics can also determine when a business will want to use a TIF.

- The project creates long-term, permanent and quality employment opportunities;
- The project contributes to the revitalization of the Downtown District, Commercial and Industrial Zones, designated Growth Areas or Pine Tree Zone District.
- 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; and
- The project supports or will support local efforts and programs that assist those who are under-employed or low to moderate income (LMI).
- The developer has a responsible history with personal property tax payment and pledges the continued responsibility.

STANDARD OPERATING PROCEDURE

The City of Caribou will coordinate all activities regarding applications for tax increment financing. Working with applicants, the City will undertake the following preliminary steps:

- ✓ Provide information on tax increment financing;
- ✓ Discuss project proposals and accept preliminary applications;
- ✓ Review preliminary applications based on policy guidelines with the City Manager, Tax Assessor, City Solicitor, Code Enforcement Officer, Director of Community Development, Director of Public Works; Director of Public Safety, Utilities District or other applicable department.
- ✓ Advise applicants on the findings of city staff.

The City staff will review applications and makes recommendations to the Caribou City Council.

In addition, based on the City Council's direction and approval, the City staff will prepare and submit applications for tax increment financing to the State of Maine and will monitor ongoing public and private investments in the particular development project.

Preliminary applications for tax increment financing will be provided by the Department of Community Development, City of Caribou, 25 High Street, Caribou, Maine 04736.

All applicants must pay a ⁵\$250.00 non-refundable application fee at the time of submission. If a tax increment financing agreement is approved, an annual administrative fee equal to ⁶1% of the incremental tax reallocated back to the project will be assessed.

Last Updated:

⁵ This charge was \$500 Gardiner, \$250 Portland, \$0 Skowhegan and \$250 Sanford.

⁶ Most communities seem to be requiring this fee.