

I. Tax Increment Financing Guidelines

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City of Saco, Maine

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A. Introduction

Tax Increment Financing 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 occur otherwise, which provide good, new jobs, which make substantial increases in the City's tax base, and which are in keeping with the quality and types of development sought by the City, as outlined in the Zoning Ordinance, the Comprehensive Plan and in other city policies developed by the City Council. Because of the potential of TIF agreements to defer potential gains in general fund revenues, they should be entered into cautiously by the City. The purpose of these guidelines is to outline standards that will be used by the City Staff, the Economic Development Commission and the City Council with respect to the City's involvement in TIF agreements.

Notwithstanding these guidelines, the creation of a TIF District is a policy decision of the Saco City 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.

B. Eligibility

1. Uses Applicants are limited to manufacturing, assembly operations, warehousing and distribution, research and development, and major office, major tourism facilities such as major hotels, major amusement parks, and major urban redevelopment projects. Retail uses are generally ineligible except in major mixed-use redevelopment project and in extraordinary circumstances approved by the City Council.
2. Jobs - Applicant shall create at least 15 new full time jobs meeting the guidelines herein within three years of TIF approval.
3. Investment- Proposed investment (new taxable value) must achieve at least \$750,000 within three years of the approval of the TIF.
4. Quality of Employment
 - a) Wages -The average hourly wage for new jobs to be created or relocated must be at a rate at least 50 percent greater than the federal minimum wage anticipated during the first three years of the agreement.
 - b) Benefits - A competitive benefits package, including as many as possible of the following: paid holidays, vacations and sick leave, and employee health benefits with a substantial employer contribution.
5. Environmental Standards - The applicant shall ensure that high environmental standards are met and that all state, federal and local environmental standards are met.

C. 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 report and documentation so that the City can determine if the standards herein are met and to protect the City's financial interests.
3. Terms - The specific terms of each TIF agreement are negotiated between the City and the applicant, but in no case shall the tax recapture for the applicant exceed the limits prescribed below:
 - a) Term of TIF- Maximum Recapture to Applicant
 - (1) 1 - 5 years - 50 percent
 - (2) 6 - 10 years- 40 percent

Agreements may be structured so that additional recaptured amounts and amounts

recaptured for longer periods are used by the City for purposes permitted by Maine law, not for the applicant.

4. **Costs and Fees** - All applicants shall pay for the City'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 to be deducted from the tax recapture forwarded to the applicant during the life of the agreement.

5. **Performance Reporting** - The TIF agreement shall provide for the applicant to submit reports and documentation in a form satisfactory to the City supporting any costs to be reimbursed by the TIF and in order to assess the applicant's performance with regard to compliance standards outlined in "Eligibility" above, including investment, jobs, wages, benefits, and environmental standards.

6. **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 compliance standards outlined in "Eligibility" above, including investment, jobs, wages, benefits, and environmental standards. 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 agreement, of the Saco operation outside the City during the term of the agreement or within five years after its end.

D. Guidelines For All Applicants

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

1. 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 City 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 Saco; or
- c) The unavailability of sufficient private or other public funding sources to meet the full capital investment needs of the corporate entity seeking assistance.

2. The project creates significant new tax value equal to or greater than \$750,000 and creates at least 15 new full time jobs meeting the standards of these guidelines.

3. Financial capacity to undertake the project must be demonstrated by means such as commitment letters. If commitments await approval, a letter of "intent to fund" from a reputable bank or other financial entity not associated with the project indicating the uses and amounts of funds. The

most recent audit of the company shall be provided. If self-financing is planned, evidence of the availability of funds, such as bank statements shall be submitted.

4. Compliance with all statutory and regulatory guidelines of the City and state.

E. Guidelines to Determine Level of City Participation.

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

1. The project assists an established business in the City of Saco, thus assisting in expanding and retaining existing employment;
2. The project creates significant long-term, permanent employment;
3. The project improves a blighted area or building in need of redevelopment or rehabilitated, or an area identified as a priority by the City of Saco;
4. The project creates public infrastructure facilities which have application beyond the particular development such as traffic upgrades, sewer upgrades, public parking facilities, etc;
5. The project broadens the tax base of the City.

F. Standard Operating Procedures

The City's Director of Economic Planning and Development Programs will coordinate all City activity regarding tax increment financing proposals, by providing information on tax increment financing; discussing project proposals and accepting preliminary applications from applicants; reviewing preliminary applications based on policy guidelines with city staff, attorneys and Bond Counsel; coordinating consideration by the Economic Development Commission, and, if approved by the City Council, submitting application to the State.