

# **TOWN OF HAMPDEN**

## **TAX INCREMENT FINANCING POLICY**

The following are the Town of Hampden's Tax Increment Financing (TIF) policy and application guidelines.

A Tax Increment Financing District is an economic development tool available to the Town of Hampden. A TIF may be established for purposes to finance municipal investments. A TIF may also be enacted to provide incentive or financing to a private development in the form of a tax rebate through an associated Credit Enhancement Agreement (CEA).

This Policy sets forth the guidelines and requirements for a private enterprise to request that the Town establish a TIF District and associated CEA to support their project. The Town may, at its own discretion, create a TIF District for municipal purposes, regardless of request or plans for any CEA.

### **POLICY GUIDELINES**

For the TIF (and CEA) application to be considered by Planning and Development Committee and the Hampden Town Council, the application must meet a majority of the following guidelines.

Notwithstanding compliance with any or all of the guidelines, the creation of a TIF District is a policy choice to be made by the Hampden Town Council on a case-by-case basis; a TIF is not a right under Maine law and meeting these guidelines does not create a right or entitlement in an applicant.

#### **I. Basic Provisions:**

1. The Town of Hampden has the option of issuing bonds, which are retired using the tax increment, or paying the tax increment directly to the investing business via a Credit Enhancement Agreement. In order to minimize risk to the citizens of Hampden, Tax Increment Financing provided via a CEA is preferred. The applicant must provide any and all other documentation that will protect the Town's economic and financial position, and/or that conform both to the letter and spirit of the underlying agreement between the applicant and the Town.
2. A Credit Enhancement Agreement, if awarded, will provide for a recapture of the benefits if the project should move to another municipality. Assignments to future owners of the property (project) may be allowed only for conventional commercial financing purposes or where the proposed assignee agrees to be bound by the same terms and condition as the original applicant.

3. The applicant is obligated to apply for any State reimbursement programs for personal property and/or real estate taxes. All proceeds from a State reimbursement will be returned to the Town, with some exceptions. The applicant may be allowed to retain this reimbursement under certain circumstances, such as: significant real estate value not subject to the TIF, economic necessity, or other project specific concerns. Any State Exemptions for personal property taxes shall not be subject to this provision.
4. The applicant will provide verified documentation as to the value of the fixed assets, being real or personal property, as of the date of the acceptance of the final application. The Town and applicant will agree upon the original assessed value for TIF purposes if there is a difference between the committed value and the April 1 assessed value.
5. The Town may establish TIF Districts to provide for municipal TIF funds for public purposes, without consideration of a CEA. The Town need not hold itself to the limits set forth in this Policy in regards to the size of investment. The primary purpose of this Policy is to set forth the guidelines for requests to establish a TIF District and an associated CEA by a private investment.

## **II. Guidelines:**

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 entity if it should build or expand outside of Hampden, or
  - c. The unavailability of sufficient private or other public funding sources to meet the full capital investment needs of the entity seeking assistance.
2. The project creates new incremental real estate tax equal to, or greater than, five hundred thousand dollars (\$500,000). The value of new, incremental personal property tax value may be considered if the value is equal to, or greater than, the value of new incremental real estate value.
3. The applicant must provide evidence of financial capability to undertake the project by submitting one of the following:

- a. A letter from a financial institution, government agency, or other funding agency indicating a commitment to provide a specified amount of funds, and the uses for which the funds may be utilized.
  - b. In cases where funding is required but there can be no commitment of money until approvals are received, a letter of "Intent to Fund" from the appropriate funding institution indicating the amount of funds and their specified uses.
  - c. The applicant's most recent corporate (or other entity) annual report indicating availability of sufficient funds to finance the development, together with explanatory material interpreting the report.
  - d. Evidence indicating availability of funds if the developer will personally finance the development.
4. Compliance with all statutory and regulatory guidelines of the Town and State.

### **III. Conditions of Approval and Guidelines to Determine Level of Town Participation:**

Although an applicant need not meet each of the following criteria, the Town may use them to determine the level of participation.

1. The project assists an established business in the Town of Hampden, thus retaining existing employment or existing tax base.
2. The project creates long-term, permanent employment opportunities.
3. The project improves the general economy of Hampden.
4. The project improves and broadens the tax base.
5. The project improves a distressed area within the community in need of redevelopment, or an area identified as a priority by the Town of Hampden for redevelopment.
6. The project improves a distressed area or blighted building in need of rehabilitation, or a building identified as a priority by the Town of Hampden for rehabilitation.
7. The project creates public infrastructure facilities or benefits, which have application beyond the particular development, such as traffic upgrades, public parking facilities, etc.

8. If not from the beginning of the district, then as soon as 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. The Town shall set forth the goals for municipal benefit in any TIF application that may be required within the TIF District or the TIF Municipal Development Plan.

#### **IV. Application Guidelines**

The Town's Planning and Development Committee will act as a clearinghouse and coordinate all activity regarding TIF & CEA proposals, and in cooperation with the Finance Committee, negotiate the conditions of the proposed tax increment financing as requested by applicants. Working with potential applicants, the Community and Economic Development Director, her/his designee or consultant(s) as directed by the Director, as the designated representative of the Planning and Development Committee, will:

1. Provide information on tax increment financing.
2. Discuss project proposals and accept preliminary application information from applicants.
3. Review preliminary applications, based on policy guidelines, to insure that application is complete, and advise applicants of determination.
4. Make a recommendation to the Planning and Development Committee whether to accept or reject the application. If deemed necessary by the Town Manager and the Community and Economic Development Director, the advice and assistance of other departments within the Town of Hampden may be requested. The Community and Economic Development Director will provide a written decision of the Planning and Development Committee to the applicants approving (with or without conditions), or disapproving, the preliminary application.

Approval of the preliminary application by the Planning and Development Committee shall not create any vested rights in the applicants.

5. Will, following approval by the Planning and Development Committee, assist applicants to complete a final application suitable for presentation to the Town Council and the Maine Department of Economic and Community Development for formal review and approval.
6. Make presentation to the Town Council with the recommendation of the Planning and Development Committee. The applicant shall be present at the public hearing to answer any questions prior to a final vote by the Town Council.

7. Advise applicants, in writing, of the decision of the Town Council.
8. Assist the applicant in submitting the necessary documents and information to the Town so that the Town can make application to the State, based on direction from the Town Council.
9. Finalize, with the assistance of staff, the Credit Enhancement Agreement between the Town of Hampden and the applicant. If the applicant transfers ownership of its property within the District, the applicant must notify the Town Manager, in writing, prior to finalizing the transfer. The new owner must agree, in writing, to accept the provisions of the TIF/Credit Enhancement Agreement as presented to and approved by the Town Council, before the Finance Director will release any further TIF payments. The Credit Enhancement Agreement is subject to the approval of the Town Council.
10. Monitor ongoing public and private investment in the development project.

Preliminary tax increment financing applications will be available from the Community and Economic Development Director, Town of Hampden, 106 Western Avenue, Hampden, ME 04444.

All applicants must pay all costs associated with the preparation of the application and agree to reimburse the Town of all costs of review and out-of-pocket expenses, including, but not necessarily limited to, legal, professional, and any other review costs, whether or not the TIF application is approved.

The applicant must further agree to advance whatever funds are necessary or requested by the Town for any of the costs or reimbursements set forth herein, to be held in escrow.

*Amended by vote of Hampden Town Council, August 3, 2015*