

# CITY OF PRESQUE ISLE

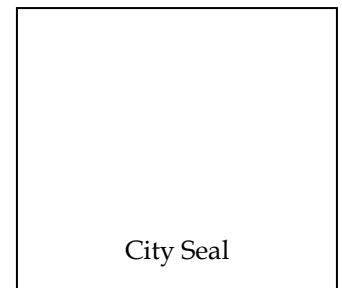
## *Downtown Tax Increment Financing (TIF) Policy*

(Downtown District Redevelopment)



Adopted by the City Council: September 3, 2008  
Amended: March 2, 2009 (Map)

Attest: \_\_\_\_\_  
Nancy G. Nichols, City Clerk



# CITY OF PRESQUE ISLE

## TAX INCREMENT FINANCING (TIF)

### **Downtown District Redevelopment Policy**

*TIF Program Intent - "This Downtown TIF Policy statement describes the means and objectives to improve the quality of life, the physical facilities in the designated Downtown area and helps to conserve and preserve infrastructure within the downtown as well as addresses improvements to the quality of pedestrian and vehicular traffic control and transportation within the Presque Isle Downtown Redevelopment District..."*

#### **BACKGROUND SUMMARY**

The purpose of designating the Downtown Tax Increment Financing District is multi-faceted, but is ultimately designed to motivate investment from Downtown building owners and businesses into rehabilitation of existing buildings, many of which are important and interesting structures which contribute to the overall 'community character' of the City's downtown district. Specifically the purpose of the proposed new Downtown Tax Increment Finance (TIF) District is to provide a means to expedite the investment of public funds in the following areas without impacting property taxes and without burdening the general funds of City of Presque Isle.

Rejuvenating investment in downtown Presque Isle properties will require incentives for both the building owners and retail businesses. Once investments in downtown buildings and businesses are completed, the City should benefit by increased valuations, greater business attraction potential and increased tourism to the community.

By creating a Tax Increment Financing District that encompasses the downtown area, the City of Presque Isle, Maine can capture incremental new assessed tax revenue from the district to help

finance necessary public infrastructure and assist in financing individual projects through Credit Enhancement Agreements or municipal bonds. The Presque Isle Development TIF Program should be monitored and be amended as the anticipated projects and activities become more defined in terms of priority and cost.

#### **FINANCIAL PLAN**

##### **Anticipated Investment for District Development Projects**

The City of Presque Isle has recently undertaken and completed a Downtown Revitalization Plan utilizing the services of the James W. Sewall Company. That downtown master plan study was completed in May, 2008.

It is the intention of the City's "Downtown TIF" to create a TIF Revenue Fund, which can only be used for approved projects within the adopted downtown redevelopment district or area. (See Proposed Area map). Presque Isle Development Loan funds will be available to stimulate private reinvestments and building repairs, while Downtown TIF funds will be used for necessary and appropriate public improvements, such as public infrastructure needed to support downtown redevelopment activities.

It is the specific goal and purpose of this proposed new Downtown TIF District to ensure that investments in public infrastructure and pedestrian safety will receive TIF funding equal to or greater than the City's contributions to improvements to private property under this development program.

- The City will apply 100% of the "new" Captured Assessment Value (CAV) (based upon true property improvements, not normal Assessor's schedule adjustments) to the District's Development Program described above. This will shelter the TIF revenues to the maximum possible degree and thereby ensure that the City maintains its present position with respect to State subsidies (receivables) and County taxes (payables), all other things being equal.
- All of the new, incremental tax revenue captured (100%) under this program (based upon true property improvements, not normal Assessor's schedule adjustments) shall be dedicated to improvements deemed necessary & appropriate to downtown redevelopment efforts. The targeted threshold is \$1 million in single, new project captured value.

NOTE: New developments within the Downtown T.I.F. district which equal or exceed \$2 million "new" Captured Assessment Value (based upon true property improvements, not normal Assessor's schedule adjustments) may participate under the City-wide Tax Increment Financing policy adopted by the City in 12/01/06.

- When the targeted threshold of \$1 million of "new" value is reached, through construction proposed in a single application for a CEA under the Downtown TIF development program, or it is greater than \$1 million, then the property owner can apply for a maximum of 25% reimbursement of the annual Captured Assessment Value for a maximum TIF program term of 10 years.
- Other than ZBA and Planning Board approvals and building permit requirements, no limitations on the type of private construction shall be imposed by the TIF development program.

### **CREDIT ENHANCEMENT AGREEMENT (CEA)**

Credit Enhancement Agreements are designed to create a tax refund structure on FUTURE investments in the Downtown TIF District that result in significant increased valuation. The

objective of the Credit Enhancement Agreement is to encourage private capital investments for the purpose of rejuvenating district structures and generating new occupancies.

Unlike CEA's in outlying TIF Districts, there are no job creation requirements necessary to qualify for a Downtown TIF District CEA. However, there will be a separate minimum dollar investment required, as stated above.

## **SOURCES OF ANTICIPATED REVENUES**

It is anticipated that most of the private sector investment will be secured through commercial lenders at conventional rates and terms, with TIF revenues through CEA's providing minimal assistance in servicing the private debt. However, the City or developer may also assist with the use of available federal and state grant programs if available. TIF proceeds may be used as match for such programs. It is anticipated that debt service for municipal bonds issued will come from captured TIF revenues from the incremental new assessed value in the District and may be augmented with additional tax dollar allocations or grants.

## **PORTION OF THE CAV APPLIED TO THE DEVELOPMENT PROGRAM**

Credit Enhancement Agreements to return a portion of TIF revenues from assessed value of building improvements to the owners based on the assessment and improvement strategy previously outlined. Such CEA will comply with terms stated herein.

Captured tax revenue generated from incremental new assessed value in the Downtown TIF district, and not subject to Credit Enhancement Agreements, may be allocated and placed in accounts for the following designated uses.

### **Capital Costs:**

- 90% for Debt Service Payments for district activities and parking development and/or for Construction/Alteration of Public Infrastructure repair and upgrading.

### **Administrative Expenses:**

- 5% for funding a Downtown Manager/Operations
- 5% for Marketing and Promotions

## **ADMINISTRATIVE COSTS**

### **Downtown Manager and Administration**

The City should consider helping to fund the salary and operating budget for a Downtown Manager position to administer the Downtown TIF and Downtown Revitalization Plan implementation.

### **Improvements Such As Promoting Public Events, Advertising**

Future costs for marketing and promotion of Downtown Presque Isle as a place of destination and to expand business will be funded through TIF revenues allocated for that purpose as previously outlined.

### **Use of Private Property Within District**

Current as well as proposed uses will be for land uses permitted by the Presque Isle Land Use and Developments Codes and Ordinances, which are predominantly commercial business and service oriented business with a mix of institutional and residential uses.

### **THE DURATION OF THE PROGRAM**

It is anticipated that **the duration of the program will be for a period of 15 years** to fully realize the potential for additional projects that may have significant economic impact to the town and region, and to capitalize permanent funding for revolving loan and investment funding mechanisms.

### **Basic Provisions**

1. Tax increment financing agreement of ten (10) 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.
2. The Credit Enhancement Agreement will provide for the recapture of the benefits if the project should move to another municipality. Assignments, at the sole discretion of the City, 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.
3. The applicant must provide any and all documentation deemed necessary by the City of Presque Isle and the Maine Department of Economic and Community Development to substantiate the TIF requirements and to protect the City's economic and financial position.
4. Invoices, cancelled checks, lien waivers and other documentation supporting cost reimbursement proportional to the captured value must be substantiated with documentation from non-affiliated companies.
5. The City will not return to any investing business under any Credit Enhancement Agreement more than twenty-five (25) percent in any one (1) given year.
6. The City of Presque Isle will consider only increases to the value of real estate (land and buildings) in determining the tax increment.
7. All applicants will sign a Professional Fee Consent Form agreeing to directly pay or reimburse the City for all outside professional costs, such as application preparation by a consultant, legal, accounting, and advertising, incurred as a result of the Tax Incre-

ment Financing proposal, whether or not Tax Increment Financing is approved. Applicants also will agree to reimburse all out-of-pocket expenses incurred by the City of Presque Isle, such as photocopying, postage, travel, etc., again whether or not Tax Increment Financing is approved.

### **Mandatory Guidelines**

In all instances, applicants for tax increment financing must demonstrate that the City of Presque Isle's participation is economically necessary and that participation by the City is needed for the project to be undertaken. Such justification is demonstrated by:

1. A need to offset infrastructure costs unique to the site; or
2. A need to offset economic advantages available to the corporate entity if it should build or expand operations outside of Presque Isle; or
3. A lack of sufficient private or other public funding sources to meet the full capital investments needed to undertake the project;
4. The project creating significant new investment equal to or greater than \$1 million dollars and creating and/or retaining jobs within the downtown area of community;
5. The developer(s) demonstrating financial capability to undertake the project;
6. The developer(s) complying with all statutory and regulatory guideline of the City of Presque Isle 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, if any, by the City of Presque Isle:

1. The project assists an established business in the City of Presque Isle, thus retaining existing employment;
2. The project creates long-term, permanent, and quality employment opportunities;
3. The project improves a blighted area in need of redevelopment or an area identified as a priority by the City of Presque Isle (See attached Downtown area map) ;
4. The project helps stimulate other business(es) within the City or offers presently unavailable economic benefits;
5. The project does not require direct borrowing by the City, and tax increment revenues are not obligated or pledged as collateral for third-party project financing but simply are reimbursed to the project;
6. The developer has a responsible history with personal/corporate property tax payment and pledges to continue that responsibility
7. Projects seeking public infrastructure improvements will be evaluated on a case-by-case basis.
8. The project contributes to the revitalizations of the downtown district, commercial, business and industrial zones and/or designated growth areas and Pine Tree Zone District.

### **Standard Operating Procedures**

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

1. Provide information on tax increment financing;
2. Discuss project proposals and accept preliminary applications;
3. Review preliminary application based upon Downtown TIF policy guidelines with all appropriate municipal and quasi-municipal departments, including legal counsel;
4. Advise applicants on the findings of the municipal and legal review;
5. City staff, the City's agent, and the City Solicitor will make written recommendations to the City Council;
6. Based upon the City Council's direction and approval, the City or its agent will prepare and submit applications for tax increment finance downtown district designation and project approval to the Maine Department of Economic and Community Development;
7. The City or its agent will monitor on-going public and private investments in the particular development project;
8. The City Council of the City of Presque Isle will determine from time-to-time the location(s) where preliminary applications for tax increment financing may be obtained.
9. 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 the TIF is approved.

**\*There is an attached map - photocopied from Planning and Development Department. If changes are made, get new version of map to add as attachment.**