



Tax Increment Financing (TIF) & Credit Enhancement Agreement (CEA) Guidelines

Tax Increment Financing (TIF) Districts Overview

Background

Maine state law has established Development Districts - 30-A M.R.S. §5221 et seq. and 30-A M.R.S. §5245 et seq. (the “TIF Statute”), also referred to as Tax Increment Financing (TIF) Districts, as a program to promote local economic development and support municipal projects. TIF Districts allow municipalities to provide financial assistance to support:

1. Local economic development projects and programs including public infrastructure, public safety facilities, municipal economic development programs and staff, and business expansions.
2. Affordable housing projects including capital and operating costs of affordable housing and related public infrastructure improvements, support services for residents, costs of recreational and childcare facilities, public safety, and costs to establish a permanent housing development revolving loan or investment fund (As outlined by State Statute).

The Town of Oakland has the option of using the “incremental” taxes for:

- **Oakland Downtown economic development projects and activities defined within the TIF District Redevelopment Plan.**
- **Provide economic support for Memorial Hall, if needed.**
- **Reimburse a developer or business for development project costs relating to a specific project using a Credit Enhancement Agreement (CEA).**

A municipality’s total equalized assessed value is used to calculate General Purpose Aid to Education (subsidy), State Revenue Sharing (subsidy) and County taxes (expense). When a municipality’s equalized assessed value increases, State Aid for Education decreases, municipal revenue sharing decreases, and the municipality pays a greater portion of County taxes. TIF allows municipalities to “shelter” new value resulting from private investment from the calculation of its state subsidies (education and revenue sharing) and County taxes. Specific municipal shelter benefits for the term of the TIF include: No reduction in State aid for education, no reduction in municipal revenue sharing, and no increase in County taxes (assuming 100% capture).

Purpose

The purpose of the Oakland Downtown Tax Increment Financing (TIF) District and Credit Enhancement Agreement (CEA) guidelines is to outline standards and processes that will be used by the Town, in initiating or considering applications for funding within the Downtown TIF District and to enter into Credit Enhancement Agreements (CEA) within a newly established or existing TIF District. Notwithstanding these guidelines, the creation of a TIF District or authorizing a CEA is a policy decision of the Oakland Town Council made on a case-by-case basis. The Town Council may override these guidelines if it determines that a project merits such treatment. The approval of a TIF District application 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.

Guiding Principles

The Town of Oakland's Downtown Tax Increment Financing District (TIF) and Credit Enhancement Agreement (CEA) Guiding Principles support investment in municipal economic development programs and activities, Downtown improvements, and site-specific financing needs as outlined by the Town's Downtown TIF District guidelines.

The primary principles for establishing a TIF District include but are not limited to:

1. To support Oakland's Downtown Redevelopment Plan, Comprehensive Plan, and other related plans and policies include.
2. To stimulate the expansion of the Downtown's property tax base.
3. To create and retain quality employment opportunities in our Downtown District.
4. General Economic Development/Business Attraction/Marketing.
5. Encourage improvements to store facades.
6. To facilitate sidewalk and streetscape improvements.

Credit Enhancement Agreement (CEA) Overview

Background

A Credit Enhancement Agreement (CEA) is a financial mechanism that may be used within a TIF district to compensate a developer or business fully or partially for approved development project costs using TIF funds. The CEA is a contract between the municipality and developer or business to assist the development project by using some or all the incremental tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the developer or business.

Purpose

These guidelines outline the standards and processes that the Town of Oakland will use in initiating or considering credit enhancement agreements (CEAs) within the existing Downtown Tax Increment Financing (TIF) District. A CEA is a financial mechanism, if chosen and approved by the Town Council, to be one of Oakland's economic development tools for business attraction, retention, and expansion.

Notwithstanding these guidelines, the creation of a CEA is a decision made by the Town Council on a case-by-case basis after holding a public hearing. Obtaining a CEA is not a right under Maine law, and meeting these guidelines should not be interpreted as creating any rights or entitlements in any application.

General priorities

The priorities to consider for determining whether to create a CEA include:

1. Creates new jobs and/or assists existing business to retain jobs.
2. Introduces a unique or prestigious opportunity.
3. Improves the local economy.
4. Broadens the tax base.
5. Improves blighted areas.
6. Supports community projects.
7. Creates public benefits for other workers and/or businesses.
8. Contributes to growth of the Oakland Downtown

Establishing a Credit Enhancement Agreement (CEA)

Eligibility

The following criteria shall be considered in authorizing Credit Enhancement Agreements for economic development:

1. Project would not likely occur otherwise.
2. Creates or retains employment opportunities.
3. Expands the Town's tax base; and
4. Conforms to the quality and types of development sought by the Town as outlined in the Comprehensive Plan, the Tax Increment Financing District Development Plans, and other plans and policies adopted by the Town Council; and
5. The developer must be current with payments to the Town, including property taxes and permitting fees.

Application process

CEA applications will be considered by the Town Manager, TIF Advisory Committee, and the Town Council, with all final approvals granted after a public hearing by the Town Council. The TIF Committee will coordinate all activities regarding applications and will advise the applicant throughout the process. The Town Manager or designee will negotiate for the Town based on the merits of the project and these guidelines following the process laid out in this document.

1. Developer/Business completes and submits CEA application and submits a letter of proposal to the Town Manager.
2. The application will be reviewed by the Town Manager and if it meets the required criteria, it will be forwarded to The TIF Advisory Committee for review.
3. The TIF Advisory Committee will review and make recommendations based on its alignment with CEA priorities.

4. A Council workshop will be scheduled to learn about the CEA as a component of the Downtown TIF district. The council may discuss details, including sensitive financial information, in Executive Session.
5. Public hearing and council vote on the TIF application if applicable and the CEA.

Application requirements

Applicants for a CEA are subject to the following provisions:

1. Application fee. All applicants requesting the designation of a CEA shall pay a non-refundable application fee of \$ 250 at the time of application.
2. Documentation. The following documentation shall be included in all applications for a CEA:
 - 2.1. An executed Administrative and Professional Fee Agreement.
 - 2.2. A completed Application
 - 2.3. All financial disclosures, reporting, and other documentation as the Town of Oakland, the State of Maine, and/or what their legal counsel may require.
3. Capacity. The applicant must demonstrate financial capacity to undertake the project. All financial disclosures and financial capacity determinations will be conducted, reviewed, and certified by Kennebec County Council of Governments or the Central Maine Growth Council. The applicant must be compliant with all statutory and regulatory guidelines of the Town of Oakland and the State of Maine. The applicant shall not have engaged in illegal or unfair labor and employment practices, unsafe employment practices, or adverse or illegal environmental practices.
4. Terms. The specific terms of each CEA are negotiated on a case-by-case basis between the Town and the applicant. As a general guideline the tax recapture for any CEA should:
 - 4.1. Be less than any stated financing gap as set forth in an Applicant's Development/Project Financial Plan.
 - 4.2. State of Maine Statute allow for terms of between one (1) and thirty (30) years.
5. Costs and fees. All applicants shall pay for the Town of Oakland's legal fees and any other out-of-pocket costs associated with the development and approval of a CEA, regardless of whether it is approved or not.

CEA Execution

Upon approval by the Town Council, the applicant and the Town will execute an agreement defining the terms and conditions of the CEA. The terms and conditions will include, but are not limited to:

1. Parcel identification and project description.
2. Term and performance standards.
3. Annual verification and reporting requirements.
4. Payment obligations and timing.
5. Defaults and remedies; and
6. Any other provisions deemed necessary by the Town.