

# CITY OF HALLOWELL

One Winthrop Street  
Hallowell, Maine 04347

CITY COUNCIL

TEL: (207) 623-4021 FAX: 621-8317

## POLICY 2019-05 TAX INCREMENT FINANCING POLICY

### PURPOSE

The purpose of this policy is to guide the Hallowell City Council in its decision-making process when creating a tax increment financing districts and awarding credit enhancement agreements. The policy is meant to be easily understood by Council members, developers and business owners, and citizens.

### INTRODUCTION

#### *Welcome to Hallowell*

Hallowell, the smallest city in Maine with an area of just over six square miles, is exceptional in many ways, perhaps most notably because of its strong culture and rich community spirit. Its history is observed in its preserved architecture and its “Museum in the Streets” displays. The arts are alive in Hallowell, with outdoor concerts, live musicians, galleries, studios, public art, and paintings by local artists on display in many businesses. Hallowell is also well-known for its eating establishments, boutique businesses, and recreational opportunities.

Water Street, the main throughway in the historic downtown, runs along the Kennebec River and connects with Farmingdale/Gardiner to the south and Augusta to the north. Besides Hallowell’s thriving downtown, which boasts small-scale retail and business space, the city is home to moderate sized businesses, primarily housed along the Interstate-95 corridor on Whitten Road and Winthrop Street. The majority of Hallowell, however, is rural, with a neighborhood feel that is valued by many who make Hallowell their home.

From a planning and growth standpoint, Hallowell has a clearly delineated Urban Area, Business Area and Rural Area. The Urban Area is located on the northeastern and eastern parts of Hallowell. The Business Area runs along approximately the northern half of the Interstate-95 corridor. The Rural Area comprises approximately two-thirds of the municipality. This land is primarily residential and recreational. A map outlining these areas is included in **Appendix A**.

With the limited amount of land area available within Hallowell's borders, it is important that economic development be thoughtful and well-planned. The community adheres to its strategy for careful growth. Here, the City has worked to identify development opportunities that are considered high priority for the community in order to help guide developers and businesses who may apply for credit enhancement agreements (CEAs). Development priorities, as well as the process for requesting a CEA when projects qualify through these priorities, are laid out in this document.

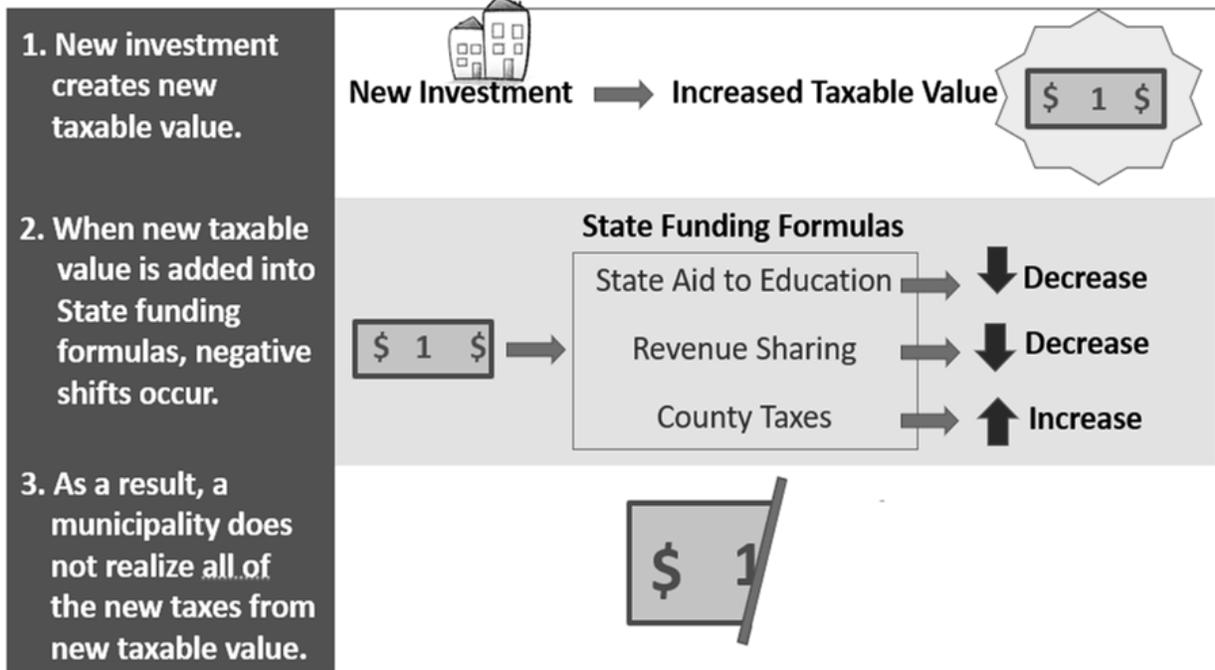
### *What is tax increment financing?*

Tax increment financing, known as "TIF", is an economic development tool that a municipality can use in local project financing by using some or all of the new property taxes generated by development within a defined geographic district.

A TIF district includes a predetermined geographic area within which development occurs. It may be in effect for up to 30 years, and bonds paid for by municipal TIF revenues may be issued for up to 20 years. The designation of a TIF district requires proper public notice, a local public hearing, a majority vote of the City Council, and approval by the Maine Department of Economic and Community Development (DECD).

One specific type of TIF, the Affordable Housing TIF, is submitted using a special application form and is approved at the state level by the Maine State Housing Authority. The local review process is the same but separate criteria are used for evaluation at the State level. That information is available from the Maine State Housing Authority.

With new investment, real estate valuation goes up. One distinct advantage to a municipality in creating a TIF district is that the increased value of a development within a district is not included in the State's municipal valuation. This, therefore, helps a municipality avoid shifts in state funding that result from increased valuation. Specifically, it helps to avoid losses in revenue sharing and state aid to education and increases in a municipality's share of county taxes. The graphic below is meant to show what happens when new taxable value is added to a municipality.



Using the current formulas, Hallowell loses approximately \$0.50 of every new tax dollar to the tax shifts described above.

When a TIF district is approved at the local and state level, the City of Hallowell may use new tax money from that TIF district to establish the following types of programs for financing projects.

- The City may install public infrastructure through the issuance of bonds and retire the bonds using the new taxes (tax increment) produced by the increased value of the new development.
- Revenue captured in a TIF district may also be used by the municipality to fund uses listed in the approved Development Program for that TIF district.
- A Credit Enhancement Agreement may return the tax increment directly to the investing business.

*What is a credit enhancement agreement?*

A credit enhancement agreement is a legal agreement between the City and a developer or business. It is a mechanism to assist the development project by using all, or a percentage of, the tax revenues generated by the new development to pay certain authorized project costs. Payments are made directly to the developer or business.

*What TIF Districts are active in Hallowell?*

As of August 2019, the following districts are in effect:

District	Expiration
Kennebec Ice Vault	June 30, 2022
Woodland Senior Living	June 30, 2036
Downtown Omnibus	June 30, 2044

A map of the Downtown Omnibus TIF District is included as **Appendix B**.

## MUNICIPAL TIF DISTRICT CREATION

The following sections focus on the criteria required for a CEA to be requested by a developer or business owner. However, before a CEA can be executed for a project, a TIF district must first be established that contains the project within its boundaries.

The City of Hallowell reserves the right to create a TIF district in accordance with State law at any time and for any development that results in new taxable value when it deems it to be in the best interest of Hallowell.

The designation of the geographic size of the district and the amount of time that the district is in effect are determined at the sole discretion of the City, and must comply with State law, which limits the size of certain districts, the combined acreage of certain TIF districts in a municipality, as well as the duration of all districts to up to 30 years.

## THRESHOLD REQUIREMENTS

In order to consider a request for a CEA by a developer or business, the City will first determine whether the proposed development meets the following guidelines:

1. **Consistent with State Law:** In order to establish a TIF district, the applicant’s proposal must follow the requirements set out in the TIF Statute (30-A M.R.S. §§5221-5235).
2. **Minimum new taxable value of \$500,000:** A project must create \$500,000 or more of new taxable value. When considering whether to grant a CEA, the City will consider the value of the proposed improvements and other public benefits in relationship to the size, profitability and business environment of the applicant.
3. **The City’s development priorities:** Hallowell seeks to encourage development that will not only build on existing business clusters but will also support economic and

community growth in key areas. The guiding document for development priorities in Hallowell is the City's most recent comprehensive plan. Within that framework, the City has further identified impact projects in areas of the city that would warrant special consideration for the granting of a CEA.

A major focus for development is increasing density in the defined Urban and Business Areas of the city. Below are some distinct development priorities for Hallowell. Projects falling within these categories are eligible for CEA reimbursement based on economic development activities.

- Urban Area
    - Gateway redevelopment, including city gateways on the north and south ends of Water Street.
    - Arts, culture and music projects.
    - Medium density, multi-family apartment developments emphasizing mixed-use buildings.
    - Redevelopment of existing buildings, particularly those with historic significance and with substantial capital improvement needs.
    - Multi-unit housing eligible under State law.
    - Entities that will support small start-up businesses, including, but not limited to shared workspaces, Class A office space, retail space, or other activities that support small business.
    - Small retail activities on Water Street.
  
  - Whitten Road Business Area
    - Manufacturing facilities.
    - Health care-related businesses.
    - Recreational facilities.
  
  - City-Wide
    - Businesses utilizing the Kennebec River.
    - Expansion of established businesses in Hallowell.
    - Businesses incorporating significant "green initiatives" into their business practices.
    - Climate adaptation and/or management projects, including solar farm projects.
4. **Economic Necessity:** To be eligible, an applicant must show that the City's participation in financing a development project through a CEA is an economic necessity for the proposed project to be undertaken. Justification for economic need must be demonstrated by showing:
- A need to offset infrastructure costs unique to the site; or

- The lack of sufficient private or other public funding sources to meet the full capital investment needs of the applicant.
5. **Zoning Guidelines:** All proposed development must comply with Hallowell’s zoning regulations, and projects must receive approval from the Planning Board or code permit approval, if necessary.
  6. **Proof of financial capability and demonstrated business success:** The business or developer proposing the development must provide proof of being financially capable of completing the proposed project. This can be accomplished by providing a letter or some evidence from a financial institution. The applicant must also give examples of other successful projects completed, or a description of past business success.

If the City determines that the developer’s or business’s project will be awarded a CEA, a TIF district will be created for that project, if the proposed project is not already located in the Omnibus Downtown TIF District or other omnibus district. Regardless of any of the guidelines outlined above, the creation of a TIF district is a policy choice that is evaluated on a case-by-case basis by the Finance Committee and approved by the City Council. A TIF is not a right under Maine law. Meeting the State TIF requirements or the CEA criteria outlined in this policy does not create a right or entitlement for any applicant.

## DETERMINING TERMS FOR A CEA

Once the City has decided that the proposed project has met all tests to warrant a CEA, the City Council determines the appropriate percentage to be returned to the applicant and the duration of the reimbursement. The Council may consider the economic and community benefit of the project, with attention to the fulfillment of the specific development priorities outlined by the City of Hallowell.

The City can reimburse up to 100% of the new taxes for a maximum of 30 years. Hallowell’s typical reimbursement is 50% of new taxes generated for a period of 10 years. The City reserves the right to reduce the reimbursement and time limit at its discretion.

The City will take into account these additional tests when determining percentage reimbursement and duration of a CEA:

- The value of public infrastructure improvements being created, which will serve businesses other than the business or developer/applicant.
- The number of quality jobs created and/or retained.
- The extent to which the project broadens the tax base.

- Strong adherence to the most recent comprehensive plan and the development priorities outlined in this document.

### *CEA Administration*

A CEA shall contain provisions for the suspension, termination, and/or recapture of benefits to the applicant if:

- The business moves to another community during the CEA term;
- There is a change in the use of the property;
- There is a change in the scope of the project or anticipated community benefits; or
- Other conditions of the CEA are not met.

## CEA APPLICATION PROCESS

The typical process for the establishment of a TIF district and the awarding of a CEA is summarized below:

- Meeting with City Manager
  - The Hallowell City Council requests that a developer or business that is considering applying for a CEA first meet with the Hallowell City Manager. The purpose of this meeting is to get information about the proposed development and review the City and State criteria for the establishment of a TIF district and CEA in relation to the proposed development.
- Initiate Planning Board Approval
  - Applicants will be required to seek project approval prior to or in conjunction with the preliminary application process.
- Preliminary Application
  - The City Manager can invite the applicant to submit a preliminary application to the Finance Committee. The application form is included as **Appendix C**. Once the Finance Committee reviews the preliminary application, a meeting will be scheduled between the Committee and the applicant.
- Finance Committee Meeting(s)
  - The Finance Committee will discuss the proposed project and ask questions of the applicant. Additional information may be requested from the applicant, including financial statements for the proposed project. Sensitive information will be kept

confidential by the Finance Committee. The review may require multiple meetings and may include negotiation between the Committee and applicant in order to create a proposal in line with City expectations and precedent.

The Finance Committee will vote whether or not to approve the Preliminary Application and recommend the applicant's project to the City Council for consideration. The Committee will instruct the applicant to prepare a formal TIF application for the City Council.

- Formal TIF Application
  - The formal application for the designation of a TIF district must include all of the information required by Maine State Law. In addition, the project description in the application must include justification of how the proposed project complies with Hallowell's TIF Policy.

APPENDIX A: HALLOWELL GROWTH AREAS

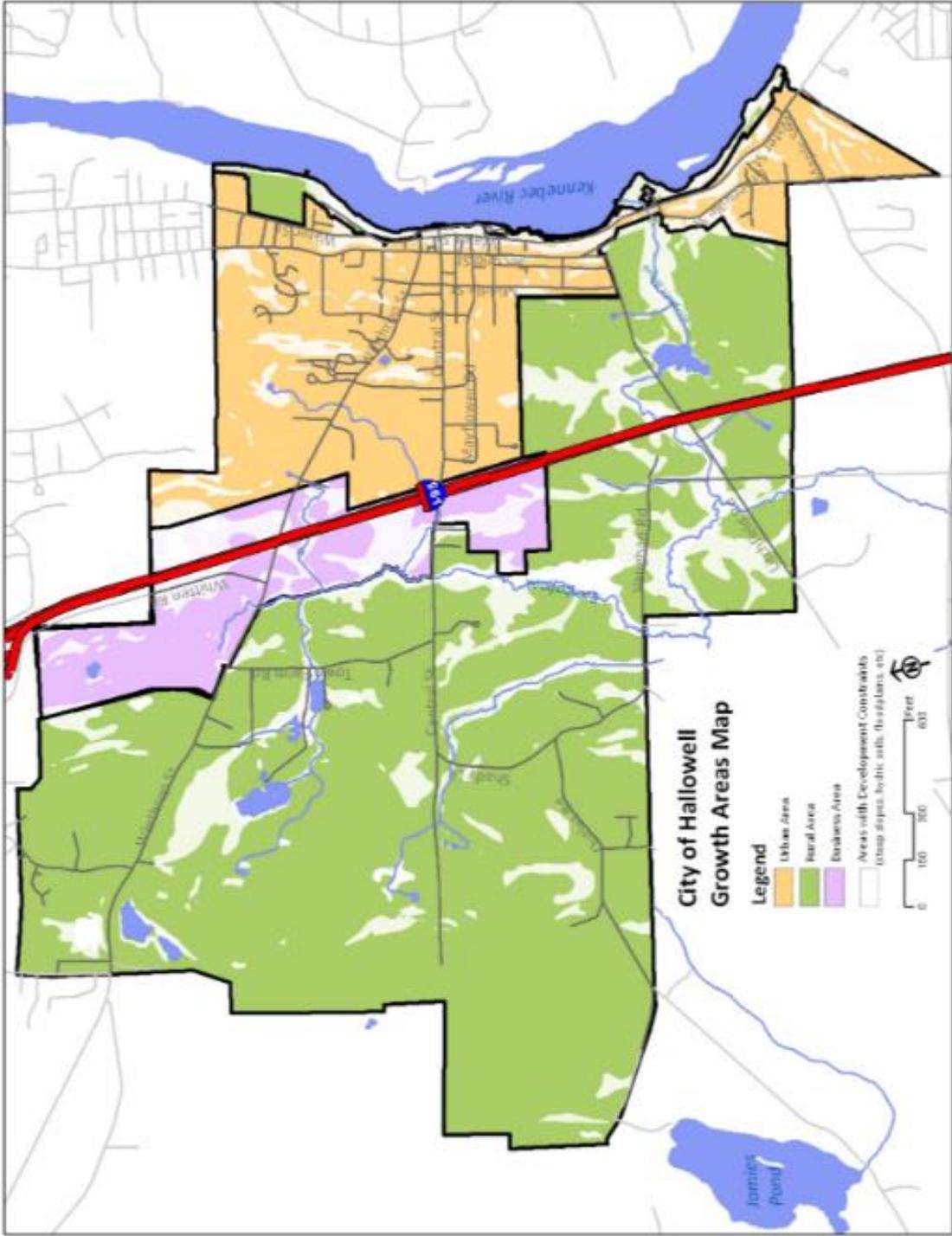
APPENDIX B: HALLOWELL DOWNTOWN OMNIBUS TIF DEVELOPMENT DISTRICT

APPENDIX C: CEA APPLICATION

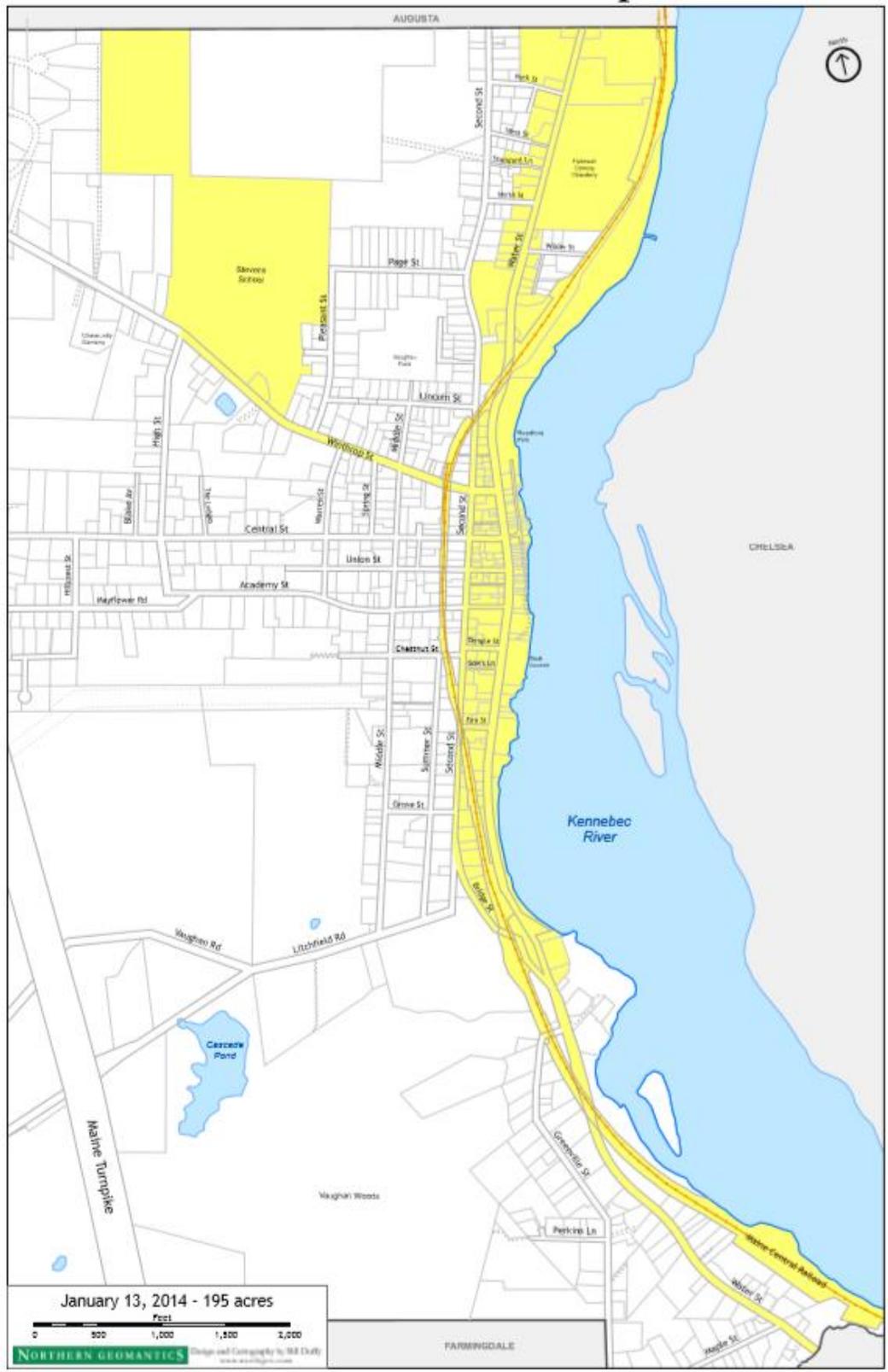
REVISED/APPROVED: December 9, 2019

*By the City Council of the City of Hallowell*

**Appendix A: Hallowell Growth Areas**



# Appendix B: Hallowell Downtown Omnibus TIF Development District



## Appendix C: CEA Application



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### Credit Enhancement Agreement Application

#### Contents

#### Project Description

1. Please provide a brief description of the proposed project. Include any of Hallowell's development priorities, as outlined in the TIF application, that you believe that the project meets.
2. List the proposed TIF district property and boundaries, if applicable, including the map/lot and acreage.

#### Zoning Considerations

3. Has the project been presented to the Hallowell Planning Board? If so, please provide information about that process.

#### Financial Plan

4. Explain why receiving a CEA is an economic necessity for this project? Include what total amount is being requested, or what percentage reimbursement and duration is being requested.
5. Please include other economic development programs that the applicant plans to apply for while developing the project and over the CEA term, as well as the anticipated amount of funding to be received.
6. Provide a draft revenue projection, including the proposed CEA reimbursement, and tax shift analysis for the project. (DECD format preferred).