

Collins Company Complex Preliminary TIF Master Plan Town of Canton, CT

September 2016

Prepared for:

Town of Canton, CT
4 Market Street
Collinsville, CT 06019



120 West Avenue, Suite 303
Saratoga Springs, NY 12866

518.899.2608

www.camoinassociates.com

About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve Economic Development Organizations, local and state governments, and developers from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 28 states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in New York; Maine; Massachusetts, and Vermont. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter @camoinassociate, on Facebook, and on our website at www.camoinassociates.com.

The Project Team

Jim Damicis
Senior Vice President, Project Principal

Tom Dworetzky
Economic Development Analyst, Project Manager



Table of Contents

Introduction	1
Town Goals and Objectives	5
The Collins Company Site.....	6
Financing Sources.....	8
Development Scenarios	9
Recommendations	24
Appendix A Downtown TIF: Example Uses of TIF Revenues	27
Appendix B Credit Enhancement Agreements (CEAs)	34



Introduction

The purpose of this preliminary plan is to prepare for a Tax Increment Financing (TIF) District Master Plan for the Town of Canton, Connecticut, for the redevelopment of the former Collins Company Complex and to support economic development in the village center of Collinsville. The Collins Company Complex is the former home of the Collins Company, which manufactured axes and related products until 1966. The property consists of 25 historic buildings situated on 19 acres along the east bank of the Farmington River and within Collinsville in the southwestern section of Canton.

Town records indicate there are 34-56 businesses that occupy the site, but much of the site remains vacant or underutilized. The full property is currently for sale and the Town is interested in seeing the site developed to its fullest economic potential in a manner that is compatible with the Town, the Collinsville village center, and the natural and historical environment; creates new investment for the Town's tax base; creates new employment; and helps support a vibrant and sustainable downtown economy.

The site has yet to generate a buyer and developer, though several proposals are being considered. To come to fruition and to be developed in a manner that best meets the Town's needs, a public private partnership will be needed to support site and related development costs. The need for this partnership is driven by:

- Relatively high site costs, including but not limited to environmental testing and remediation, demolition, stabilization of existing structures, utilities, roads, parking, restoration of canal and dam system, public access amenities, and other quasi-public infrastructure
- Ability to achieve town goals, and objectives to become a signature property with significant economic impact potential

TIF provides this opportunity for a public/private partnership. TIF is a financing method used by communities to catalyze economic development. It allows future property tax revenues from new development at a site or within a district to be dedicated and utilized to support the project/district and related economic development. Tax benefits from the project can be used to support public and private development costs. Figure 1 on the following page shows how revenues are dedicated or "captured" under a TIF arrangement.

TIF revenues can be used to offset public and/or private developer costs and as business incentives. TIF revenues can be used for:

- Infrastructure
- Land Acquisition
- Construction, Demolition, Remodel
- Streetscape
- Capital Costs (fixtures, equipment, etc.)
- Professional Services (engineering, architecture, etc.)
- TIF Administration & Organization Costs (municipal, consulting costs)
- Off-Site (but related to TIF District) including:
 - Roadways
 - Water/Sewer
 - Public Safety
 - School
 - Mitigation of Adverse Impacts (e.g., new traffic)

- Economic Development Initiatives
- Employment Training
- Environmental Improvement Projects

- To support funding for approved TIF uses above

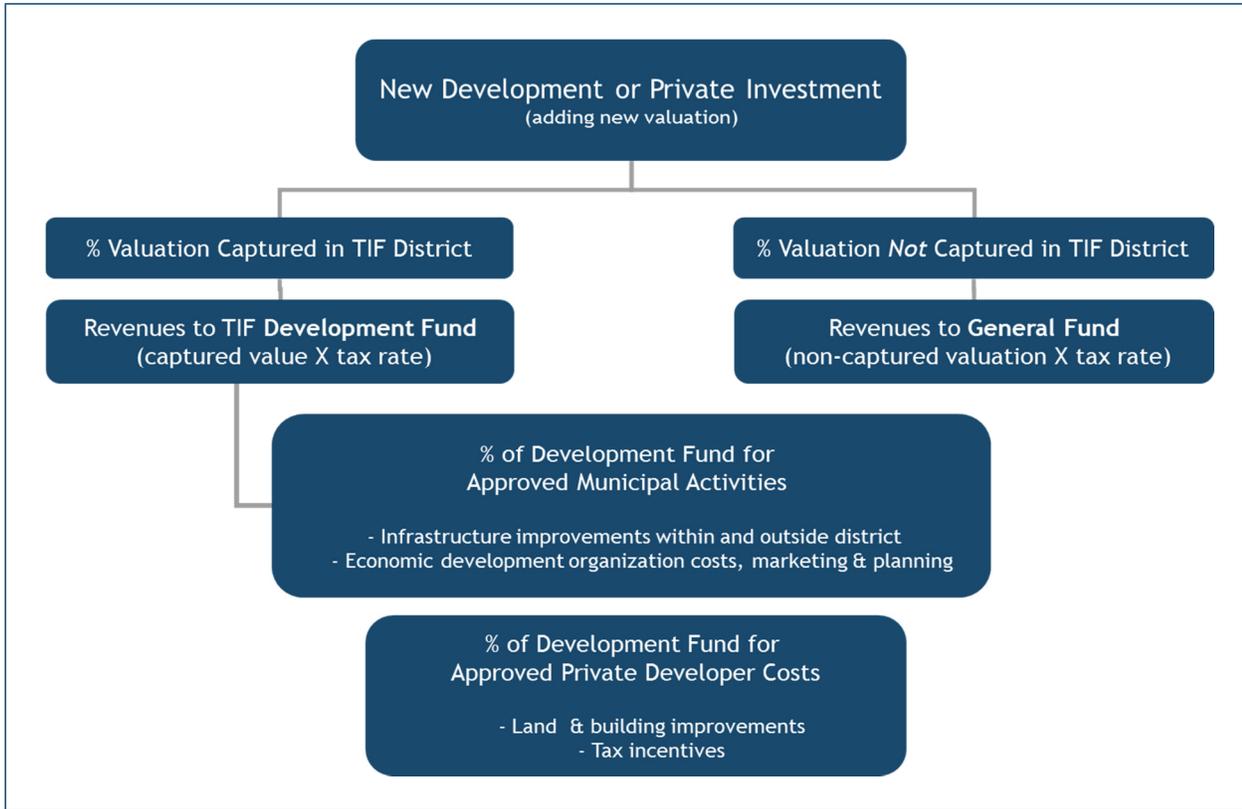


Figure 1

See Appendix A for examples on how TIF has been used in communities throughout Maine. While new to Connecticut, TIF has been utilized in Maine for more the twenty-five years.

TIF Process

To establish a TIF District a municipality must complete a District Master Plan. This includes:

- Description and listing of boundaries and properties (parcels) within the district
- Description of projected future development – size, type, uses
- Site, building, and infrastructure Improvements to be completed in the district and related areas, including public and private
- Duration of TIF District (up to 50-year maximum)
- Financial Plan – existing tax valuation, public and private development costs projected future valuation from new development projected new revenues, portion of new revenues to be used in TIF plan broken out between public and private uses, financing mechanisms, public debt if any, and related financial data

The process for approval of a TIF incorporates nine steps. They are:

1. After securing an interest in real property within the Tax Increment District area as described in the preliminary TIF District Master Plan, a Developer may approach the Town seeking the potential use of Tax Increment Financing (TIF). The property interest must include sufficient rights to purchase the property upon a definitive event.
2. The Board of Selectmen shall review the proposal against the criteria, goals and objectives identified in the Preliminary TIF District Master Plan.
3. Upon review and approval of the Board of Selectmen, the Chief Administrative Officer shall be authorized to enter into negotiations with the Developer to create a proposed TIF District Master Plan consistent with the guidelines outlined in the Preliminary TIF Master Plan. Prior to initiating such negotiations, the Developer shall deposit in escrow with the Town sufficient funds to pay the reasonable costs of professional services to represent and assist the Town in developing and reviewing the proposed TIF District Master Plan on behalf of the Town. The Chief Administrative Officer shall be authorized to contract such professional services as may be necessary to assist in creating the Proposed TIF District Master Plan.
4. After completing the proposed TIF District Master Plan, the Plan shall be submitted to the Board of Selectmen for review. After consultation with the Board of Finance, the Board of Selectmen shall determine whether the proposed TIF District Master Plan conforms to the guidelines specified in the Preliminary TIF District Master Plan, satisfies the statutory requirements of Connecticut Public Act 15-57 and is in the Town's best interest to adopt.
5. The Board of Selectmen shall submit the TIF District Master Plan to the Planning and Zoning Commission for comment ninety (90) days prior to approval of the proposed TIF District Master Plan. The Planning and Zoning Commission shall also render an advisory opinion as to whether the proposed TIF District Master Plan is consistent with the Plan of Conservation and Development.
6. After receiving comments from the Planning and Zoning Commission the Board of Selectmen shall hold a public hearing on the proposed TIF District Master Plan. Such public hearing shall be properly noticed at least 10 days prior to the public hearing pursuant to Public Act 15-57.
7. The proposed TIF District Master Plan shall then be submitted to a Town Meeting for final approval.
8. If approved by the Town Meeting the Board of Selectmen shall take such steps as are necessary to create and administer the TIF District Master Plan.

9. The creation and approval of a TIF District Master Plan shall not relieve the Developer from complying with any other regulatory and/or permitting requirements which may be necessary as part of the Developer's project.



Town Goals and Objectives

The purpose of this plan is to prepare for a Tax Increment Financing (TIF) District Master Plan for the Town of Canton, Connecticut, for the redevelopment of the Collins Company Complex and to support economic development in the adjacent downtown area. The Town is interested in seeing the site developed to its fullest economic potential in a manner that is compatible with the Town, the Collinsville village center, and the natural and historical environment; creates new investment for the Town's tax base; creates new employment; and helps support a vibrant and sustainable downtown economy. Specifically, the Town seeks development that reasonably meets the following goals and objectives:

- Is reasonably compatible with surrounding uses and the natural environment
- Is feasible in the market with defined assistance through a partnership with the Town and has utilized all non-Town related sources of funding support
- Meets the overall economic development goals and objectives of the Town
- Creates and enhances connections to downtown and adjacent neighborhoods and improves the economic wellbeing of the downtown area and Town as a whole
- Preserves the historic resources of the site and prevents the further deterioration of these resources
- Enhances recreation, public spaces, and water access
- Creates and/or sustains businesses and jobs
- Increases and diversifies the tax base
- Can be developed to its fullest potential within a reasonable time frame
- Has a net-positive fiscal impact on the Town by generating more revenues than it costs in related services and expenditures

These goals and objectives will be utilized by the Town when considering the planning, adoption, and implementation of a Tax Increment Financing District and any related agreements to assist potential developers.

The Collins Company Site

The site is the former home of the Collins Company, which manufactured axes and related products in a factory complex onsite until 1966. The property consists of 25 historic buildings situated on one parcel occupying 19 acres along the east bank of the Farmington River in the Collinsville section of Canton, Connecticut. The Farmington River Rail Trail divides the site in two.

Existing buildings date back to the 19th and early 20th centuries and once functioned as mills and warehouses. The Farmington River, which once powered the factory, traverses the site through stone-lined canals and raceways. The existing buildings contain about 150,000 square feet of space, some of which is occupied by retail, office, and light industrial tenants. Much of the property, however, sits vacant and unused.

Development Potential

Camoin Associates conducted interviews with interested developers as well as members of the Canton community in order to understand the development potential of the site from a physical perspective, regulatory perspective, and economic feasibility perspective.

The site is within the Town's Industrial Heritage (IH-1) zoning district. The district was developed to retain the historic character of the property as well as promote a mix of uses that complements nearby downtown Collinsville. The mix of uses allowed by current zoning is shown in Table 1.

Table 1

Current Zoning Standards - Industrial Heritage (IH-1) District	
Use Type	Required Range
Residential	40 - 100 units
Office	25,000 - 75,000 SF
Light Industry	10,000 - 25,000 SF
Retail	10,000 - 45,000 SF
Other	0 - 50,000 SF

Please reference the @COLLINSVILLE IH-1 District Master Plan and Zoning Standards, adopted November 17, 1999, for additional information on use and design standards.

Residential

According to interviews with real estate professionals familiar with the Canton market, there is significant demand for residential units. Canton is located about 20 miles from employment centers in and around Hartford, making it a desirable location for professionals and families seeking to live in a small-town setting but also within an easy commuting distance. Moreover, the scenic views and historic nature of the axe factory make the property particularly attractive to potential residents. Market-rate rental apartments and for-sale condominium units are both viable for this site.

Retail and Restaurant

Retail space is also a viable use for the site, given its location in the village center of Collinsville. Members of the Canton community have expressed a desire to augment Collinsville's position as a destination for specialty and boutique retail and dining within the region. While Collinsville already boasts an attractive historic downtown, the existing shops and restaurants are not sufficiently numerous to achieve the critical mass needed to attract regional visitors and offer them enough to do to justify the trip. Additional space for specialty retail and dining at the axe factory site would be instrumental toward achieving this objective. It should be emphasized that local and specialty retail and eateries would be the most logical fit for the site from an economic perspective, as opposed to

national chain retailers, which require significantly higher traffic counts than are currently present on the thoroughfares adjacent to the site.

Office

A low to moderate amount of office space could likely be supported at the site, with most potential office tenants likely to be small space users. A large firm would not be a strong candidate to locate in Collinsville given its relatively remote location from major transportation corridors and other employment centers.

Some level of medical office space would be a suitable use for the site, as national trends are pointing to a rise in outpatient care and thus an increased need for ambulatory care facilities. Moreover, the region's aging population suggests growing demand for healthcare overall.

Accommodations

There are currently very limited accommodations options in the immediate Canton area. A hotel onsite would be instrumental in supporting the growth of visitation and tourism in Canton. The presence of the Farmington River and other natural assets in the vicinity, combined with increased retail and dining options and event space that could come with site redevelopment make a small boutique hotel an economically feasible option for the site. This will provide an opportunity for guests to spend the night in Collinsville, which is currently not possible.

Light Industry

There are currently several light industrial tenants occupying space at the site. Given the site's manufacturing history, it is important to the Town that these uses continue onsite. From a financial feasibility perspective, however, light industry provides less value to developers than other higher uses for which demand exists. It is also of concern that the rents that would have to be charged in order to justify the investment would far exceed what light industrial tenants currently pay, as well as the maximum they might be willing to pay. In order for light industrial uses to continue onsite, some level of subsidy through a public/private partnership would likely be needed.

Financing Economic Development

Tax Increment Financing (TIF) provides a method for communities to support economic development by helping finance public and private investments for development within a specified district. In addition to TIF, there are other financing mechanisms to assist with economic development financing, all of which can be used either separate from or within a TIF District Plan.

Property Tax Abatement

Property tax abatements involve reducing a portion of property taxes owed for specified reasons. In Connecticut they can be used by communities to reduce taxes for a specified period of time for certain types of new construction or rehabilitation including residential and commercial/industrial, subject to property tax laws detailed in Chapter 203 of the Connecticut General Statutes. They have been the traditional method used by communities in Connecticut to incentivize private development for the purpose of economic development at the municipal level. Their use is very limited in terms of time period over which incentives can be provided, the types of property and uses for which abatements can be provided, and the percent of taxes to be paid that can be abated. TIF provides an alternative to the use of tax abatements through what is known as a credit enhancement agreement (CEA), which provide far greater flexibility on these matters and are discussed further below. Plus, within TIF districts, abatements or CEAs can be utilized according the Town's district plan.

Historic Tax Credits

Historic Tax Credits can also be utilized to help offset development costs. The Connecticut Historic Rehabilitation Tax Credit Program establishes a 25% tax credit on the Qualified Rehabilitation Expenditures associated with the rehabilitation of a Certified Historic Structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use, or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located. An additional credit is available for projects that include affordable housing as provided in section 8-39a of the general statutes. Similar Federal Tax Credits of 20% are also available, which together with the State credits covers a total of 45% of qualified expenditures

Program Specifics:

- 25% tax credit of the total qualified rehabilitation expenditures
- 30% tax credit of the total qualified rehabilitation expenditures if the project includes an affordable housing component provided at least 20% of the rental units or 10% of for sale units qualify under CGS Section 8-39a.
- \$31.7 million in tax credit reservations are available each fiscal year
- per project cap is up to \$4.5 million in tax credits
- qualified rehabilitation expenditures are hard costs associated with rehabilitation of the certified historic structure; site improvements and non-construction costs are excluded
- buildings must be listed on the National or State Register of Historic Places, either individually or as part of an historic district
- all work must comply with the Secretary of the Interior's Standards for Rehabilitation
- state tax credits may be combined with the 20% federal historic preservation tax credits provided the project qualifies under federal law as a substantial rehabilitation of depreciable property as defined by the Internal Revenue Service
- tax credit vouchers are issued after completion of rehabilitation work or, in phased projects, completion of rehabilitation work to an identifiable portion of the building placed in service

- tax credits are available for the tax year in which the building or, in phased projects, an identifiable portion of the building is placed in service
- tax credits can only be used by C-corporations with tax liability under Chapters 207 through 212 of the Connecticut General Statutes
- tax credits can be assigned, transferred or conveyed in whole or in part by the owner to others up to three times

Tax Increment Financing

The purpose of Tax Increment Financing (TIF) is to assist a developer with redevelopment through various mechanisms, including the fixing of tax assessments, abatements, payment for credit enhancement agreement, bonds, and funding of infrastructure to support development. Through a TIF, future property tax revenues from new development and/or above current property valuations within a specified district (parcel or set of parcels) can be dedicated to pay portions of public and/or private development. This can include any of the following or a mix of the following:

- Placing into TIF development fund to dedicate to paying off public costs for infrastructure and economic development related to the district
- Credit Enhancement Agreements – a binding legal agreement with a property owner or developer to reduce future property taxes related to new development by a specified percentage (0-100%) for a specified period of time (up to 50 years). This reduction in future property taxes represents a future flow of funds which can then be used by the property owner or development to enhance their credit in obtaining additional private debt or equity.
- Tax Abatement – see explanation above – more restrictive than CEAs but can still be utilized within a TIF District
- Fixed Valuation – With a TIF District the municipality can agree to set a fixed valuation on a property for up to fifteen years providing the owner/developer with predictability in tax liability.
- Payment stream for public finance including bonds explained above
- General Obligation bond (GO) – A GO is a bond issued by the municipality that is backed by the municipality's full faith and credit (including taxing authority). GO bonds are obligated to be paid back regardless of the completion and performance of the use for which they were issued. They are typically used by municipalities to finance significant public infrastructure projects including roads, sewer, water, and facilities.
- Revenue Bonds – Revenue Bonds provide a method for financing public and private (through public-private partnership) infrastructure and development costs. They are a means of debt financing available to municipalities. Revenue bonds distinguish themselves from general obligation (GO) bonds through their method of repayment; unlike GOs which rely on taxation, revenue bonds are guaranteed by the specific revenues generated by the issuer. In the case of use for financing for economic development an example would be utilizing parking fees to pay back a revenue bond utilized to build a parking garage. Within a TIF district and according to a TIF District Master Plan future revenues from new property taxes can be utilized to help finance public and private development costs including infrastructure and site improvements. However, if revenue bond funds are used to support private development then the bond revenues will not be tax-exempt, contrary to if they are used for public infrastructure.

Development Scenarios

Two potential development scenarios were developed for the purposes of modeling future revenues and expenses the Town would incur as a result of redeveloping the site. The scenarios were assembled based on an understanding of what the market would support, current zoning standards, and community desires.

Scenario 1 reflects zoning requirements for the Town’s Industrial Heritage (IH-1) District, and it includes the use types as outlined in the following table. Development intensities for each use type fall within the range allowed by current zoning. Applying typical construction costs per square foot to each use type, the total development cost for the scenario is calculated.¹ The total development cost for Scenario 1 is estimated at \$33.25 million.

Table 2

Scenario 1 - Current Zoning Development Program and Cost			
Use Type	Intensity	Construction Cost per SF	Total Cost
Residential	100 units / 100,000 SF	\$ 200	\$ 20,000,000
Retail	20,000 SF	\$ 150	\$ 3,000,000
Restaurant & Café	15,000 SF	\$ 150	\$ 2,250,000
Office	15,000 SF	\$ 150	\$ 2,250,000
Medical Office	10,000 SF	\$ 150	\$ 1,500,000
Hotel	30,000 SF	\$ 125	\$ 3,750,000
Light Industrial	10,000 SF	\$ 50	\$ 500,000
Scenario 1 Total			\$ 33,250,000

Scenario 2 reflects the maximum intensity of development desired, as determined from input from the Town and its residents. The same construction costs per square foot as used in the first scenario were applied. The total development cost for Scenario 1 is estimated at \$54.25 million.

Table 3

Scenario 2 - Maximum Development Program and Cost			
Use Type	Intensity	Construction Cost per SF	Total Cost
Residential	175 units / 175,000 SF	\$ 200	\$ 35,000,000
Retail	55,000 SF	\$ 150	\$ 8,250,000
Restaurant & Café	15,000 SF	\$ 150	\$ 2,250,000
Office	15,000 SF	\$ 150	\$ 2,250,000
Medical Office	15,000 SF	\$ 150	\$ 2,250,000
Hotel	30,000 SF	\$ 125	\$ 3,750,000
Light Industrial	10,000 SF	\$ 50	\$ 500,000
Scenario 2 Total			\$ 54,250,000

¹ Note that hotel and light industrial construction costs are based on costs for rehabilitation and not new construction.

Other Development Costs

The development costs above reflect only vertical construction costs, and do not take into account site work costs. Site work costs needed to allow for development are estimated at approximately \$10-\$15 million and may include the following:

- Site engineering
- Environmental testing and remediation
- Demolition
- Stabilization of existing building foundations
- Installation of utilities, e.g. gas, electric, water, sewer, phone, CATV
- Installation of stormwater management
- Installation of roads, sidewalks, lighting, parking
- Restoration of the forebay pond and canal and dam system through the site
- Public access to river, Riverwalk, and trail
- Other quasi-public infrastructure serving to integrate site and surrounding neighborhood

Based on the parking formula in the current zoning regulations, Scenario 1 requires 316 parking spaces and Scenario 2 requires 495 spaces, which may be built as some combination of surface and structured parking.

Assessed Value

In order to estimate future revenues and costs associated with each scenario, the assessed value of the completed development must be estimated. While income-producing properties are typically assessed under the income approach to valuation, at this stage in the planning process not enough information exists to reasonably project the net operating income of a potential development. As such, we use a modified cost approach to estimate assessed value. Under the cost approach, the market value of a property is equal to the cost of construction, which is typically higher than market value determined under the income approach. For the purposes of arriving at a conservative assessed value, we consider only the costs of vertical construction and exclude site work and parking costs. In Connecticut, real property is assessed at 70% of value. Applying 70% to the market value under the modified cost approach yields the estimated assessed value for each scenario. Note that this value is known in tax increment financing (TIF) as the "increment." The increment is the increase in assessed value attributable to project, and does not include the assessed value of the land or existing improvements on the property.²

Table 4

Assessed Value		
	Scenario 1	Scenario 2
Development Cost	\$ 33,250,000	\$ 54,250,000
Assessed Value (70%)	\$ 23,275,000	\$ 37,975,000

Annual Property Tax Revenues

The current mill rate for the Town of Canton is 29.76. Applying this to assessed value, annual property tax revenue for Scenario 1 if completed today would be approximately \$693,000. For Scenario 2, property tax revenue for the current year would be about \$1.13 million. See Table 5.

² For the planning and approval of a final TIF agreement the Town's Assessor will estimate future valuation based on development details and financials to be provided by the developer.

To account for future rises in the mill rate, the current mill rate was escalated by 1.5% per annum over 20 years. This is the average rate of increase in the Town’s mill rate since 2008, not considering the change between 2012 and 2013, when a Town-wide property revaluation occurred.

Over 20 years, the total property tax revenue associated with Scenario 1 would be about \$16.3 million. Total property tax revenue associated with Scenario 2 would be about \$26.5 million.

Table 5

Annual Property Tax Revenues			
Year	Mill Rate*	Revenue (Assessed Value * Mill Rate)	
		Scenario 1	Scenario 2
Current	29.76	\$ 692,664	\$ 1,130,136
1	30.21	\$ 703,054	\$ 1,147,088
2	30.66	\$ 713,600	\$ 1,164,294
3	31.12	\$ 724,304	\$ 1,181,759
4	31.59	\$ 735,168	\$ 1,199,485
5	32.06	\$ 746,196	\$ 1,217,477
6	32.54	\$ 757,389	\$ 1,235,740
7	33.03	\$ 768,750	\$ 1,254,276
8	33.52	\$ 780,281	\$ 1,273,090
9	34.03	\$ 791,985	\$ 1,292,186
10	34.54	\$ 803,865	\$ 1,311,569
11	35.06	\$ 815,923	\$ 1,331,243
12	35.58	\$ 828,162	\$ 1,351,211
13	36.12	\$ 840,584	\$ 1,371,479
14	36.66	\$ 853,193	\$ 1,392,051
15	37.21	\$ 865,991	\$ 1,412,932
16	37.77	\$ 878,981	\$ 1,434,126
17	38.33	\$ 892,165	\$ 1,455,638
18	38.91	\$ 905,548	\$ 1,477,473
19	39.49	\$ 919,131	\$ 1,499,635
20	40.08	\$ 932,918	\$ 1,522,129
Total, Years 1-20		\$ 16,257,186	\$ 26,524,882

*escalated at 1.5% per annum

Note that the revenue scheduled shown in Figure 5 is for planning purposes and assumes completion of the full development scenario in Year 1. In actuality, development of the site would likely be completed in phases based on the specific development and market conditions.

Developer Share of Increment

Two possible splits of the tax increment between a potential developer and the Town were considered. Under the first arrangement, the developer and the Town would each receive half of the increment, a 50/50 split. Under the second arrangement, the developer would receive 25% of the increment, and the Town would receive the remaining 75%, a 25/75 split.

Table 6 shows the share of the increment for Scenario 1 that each party would receive under the 50/50 split and 25/75 split, both at the current mill rate and over a 20-year escalation. Under the 50/50 split, the developer would receive approximately 24% of the project's total development cost. Under the 25/75 split, the developer would receive approximately 12%.³

Table 6

Scenario 1 - Share of Tax Revenue			
Annual Property Tax Revenues at Current Mill Rate			
	Developer Share	Town Share	Total
50 / 50 Split	\$ 346,332	\$ 346,332	\$ 692,664
25 / 75 Split	\$ 173,166	\$ 519,498	\$ 692,664
Property Tax Revenues Over 20 Years (Annual Mill Rate Escalation of 1.5%)			
	Developer Share	Town Share	Total
50 / 50 Split	\$ 8,128,593	\$ 8,128,593	\$ 16,257,186
Total Development Cost	\$ 33,250,000		
Developer Share as a Pct. Of Total Development Cost	24.4%		
25 / 75 Split	\$ 4,064,296	\$ 12,192,889	\$ 16,257,186
Total Development Cost	\$ 33,250,000		
Developer Share as a Pct. Of Total Development Cost	12.2%		

³ Since the Collinsville TIF would be among the first TIFs to be implemented in Connecticut, there are no in-state examples against which to compare the amount of TIF revenue allocated to a developer as a proportion of total development costs. Drawing from examples in Maine, the developer allocation of TIF revenues amounts to about 16% of total development costs on average, which falls within the 12.2% to 24.4% range shown here. See Appendix A for applications of TIF in Maine.

Similar information is shown for Scenario 2 in Table 7 below.

Table 7

Scenario 2 - Share of Tax Revenue			
Annual Property Tax Revenues at Current Mill Rate			
	Developer Share	Town Share	Total
50 / 50 Split	\$ 565,068	\$ 565,068	\$ 1,130,136
25 / 75 Split	\$ 282,534	\$ 847,602	\$ 1,130,136
Property Tax Revenues Over 20 Years (Annual Mill Rate Escalation of 1.5%)			
	Developer Share	Town Share	Total
50 / 50 Split	\$ 13,262,441	\$ 13,262,441	\$ 26,524,882
Total Development Cost	\$ 54,250,000		
Developer Share as a Pct. Of Total Development Cost	24.4%		
25 / 75 Split	\$ 6,631,220	\$ 19,893,661	\$ 26,524,882
Total Development Cost	\$ 54,250,000		
Developer Share as a Pct. Of Total Development Cost	12.2%		

The Town should be prepared to negotiate with a potential developer the schedule of revenue sharing. It is likely that a developer would prefer to frontload the revenue sharing arrangement (i.e. receive a greater revenue share in the early years of the TIF, scaling down to smaller amounts in later years) in order to cover high upfront costs associated with site preparation and construction. Therefore, under a 50/50 split arrangement, for example, the developer might receive higher than 50% of the tax increment in the first year scaling down to lower than 50% in the final year, averaging out to a 50% share over the duration of the TIF. The exact arrangement would be worked out with the developer on a case-by-case basis and dependent on the needs to make the project feasible and beneficial to the Town.

Limited Fiscal Analysis

A limited fiscal analysis was performed to determine the impact of each scenario on Town services, and whether the amount of the increment retained by the Town would be sufficient to cover the increase in expenses attributable to the development scenarios. We emphasize that the impacts this section are calculated using a very conservative statistical approach and are not based on a detailed examination of Town’s budget items. It is recommended that a full fiscal impact analysis be completed for any development proposal that is presented to the Town.

Demographic Impacts

Using demographic multipliers developed for Connecticut by the Rutgers University Center for Urban Policy Research, we developed estimates for the number of residents and public school-age children that would be added to the Town as a result of each scenario. Assuming an even split of one- and two-bedroom apartments in the \$850 to \$1,450 per month range,⁴ we estimate that the 100 new residential units in Scenario 1 would add 183 new residents to the Town, of which 12 would be school-age children attending public schools. Using the same assumptions for Scenario 2, the 175 new residential units would add 321 new residents and 21 public school-age children.

Table 8

Demographic Impacts		
	Scenario 1	Scenario 2
New Residential Units	100	175
New Residents	183	321
New Public School-Age Children	12	21

Calculated using Connecticut demographic multipliers developed by Rutgers

Percent Change

The percent change in residential population, commercial assessed value, and public school enrollment were calculated in order to estimate associated changes in revenues and expenses.

The 183 new residents in Scenario 1 would represent a 1.80% increase in the Town’s population. The 321 new residents in Scenario 2 would represent a 3.15% increase in the Town’s population.

Table 9

Town of Canton - New Residents	
Current Population (2016)*	10,173
New Residents, Scenario 1	183
Pct. Increase over Current, Scenario 1	1.80%
New Residents, Scenario 2	321
Pct. Increase over Current, Scenario 2	3.15%

*Source: Esri

⁴ We note that rents for residential units may exceed this range. Because the number of residents and school-age children tends to decrease as rents increase, we applied multipliers for this price range as a conservative approach.

The assessed value of the commercial component of Scenario 1 is about \$9.3 million, or an increase of 0.95% in the town’s total grand list. In Scenario 2, the commercial assessed value of \$13.5 million represents a 1.37% increase.

Table 10

Town of Canton - Increase in Assessed Value	
Total Grand List (2015)	\$ 980,322,490
New AV, Scenario 1	\$ 23,275,000
New Commercial AV, Scenario 1	\$ 9,275,000
Pct. Increase over Current, Scenario 1	0.95%
New AV, Scenario 2	\$ 37,975,000
New Commercial AV, Scenario 2	\$ 13,475,000
Pct. Increase over Current, Scenario 2	1.37%

Scenario 1 would result in a 0.73% increase in enrollment over current levels in the Canton Public Schools. Scenario 2 would result in a 1.29% increase.

Table 11

Canton Public Schools - New Public School-Age Children (PSAC)	
Current Enrollment (15-16)*	1,633
New PSAC, Scenario 1	12
Pct. Increase over Current, Scenario 1	0.73%
New PSAC, Scenario 2	21
Pct. Increase over Current, Scenario 2	1.29%

*Source: CT Dept of Education

Change in Expenses and Revenues

We applied these percentage increases in residential population, commercial assessed value, and public school enrollment to relevant line items in the Town’s budget in order to estimate the associated change in expenses and revenues. We calculated these using two approaches: the High Estimate (Average Cost Approach) and Low Estimate (Blended Cost Approach).

High Estimate (Average Cost Approach)

The average cost approach assumes that all Town expenses and revenues change in proportion with the change in residents or commercial assessed value. This is an extremely conservative approach.

Low Estimate (Blended Cost Approach)

The blended cost approach assumes that only certain budget items (“variable expenses”) change in proportion with change in residents or commercial assessed value, while others remain fixed.

The following series of tables shows the high and low estimate calculations of expenses and revenues for both development scenarios.

Table 12

Estimated Annual Expenses - Residential Component Town of Canton Budget, Board of Selectmen						
	High Estimate (Average Cost Approach)			Low Estimate (Blended Cost Approach)		
	Revised Budget FY 2015/16	Scenario 1 Increase	Scenario 2 Increase	Revised Budget FY 2015/16, Variable Expenses	Scenario 1 Increase	Scenario 2 Increase
		1.80%	3.15%		1.80%	3.15%
General Government	\$ 699,237	\$ 12,578	\$ 22,038	\$ -	\$ -	\$ -
Finance	\$ 424,421	\$ 7,635	\$ 13,376	\$ -	\$ -	\$ -
Police	\$ 1,904,510	\$ 34,260	\$ 60,024	\$ 1,904,510	\$ 13,995	\$ 24,562
Fire Service & Other Public Safety	\$ 469,088	\$ 8,438	\$ 14,784	\$ 469,088	\$ 3,447	\$ 6,050
Public Works	\$ 1,832,061	\$ 32,957	\$ 57,741	\$ 1,832,061	\$ 13,463	\$ 23,627
Human Services	\$ 1,072,211	\$ 19,288	\$ 33,793	\$ 1,072,211	\$ 7,879	\$ 13,828
Planning & Community Development	\$ 318,325	\$ 5,726	\$ 10,033	\$ 318,325	\$ 2,339	\$ 4,105
Insurance	\$ 278,141	\$ 5,003	\$ 8,766	\$ -	\$ -	\$ -
Health Insurance & Employee Benefits	\$ 1,893,735	\$ 34,066	\$ 59,684	\$ 1,037,180	\$ 7,622	\$ 13,376
Capital Improvement	\$ 1,326,086	\$ 23,855	\$ 41,794	\$ -	\$ -	\$ -
Total Expenses, Board of Selectmen	\$ 10,217,815	\$ 183,806	\$ 322,032	\$ 6,633,375	\$ 48,745	\$ 85,547

Table 13

Estimated Annual Expenses - Commercial Component Town of Canton Budget, Board of Selectmen						
	High Estimate (Average Cost Approach)			Low Estimate (Blended Cost Approach)		
	Revised Budget FY 2015/16	Scenario 1 Increase	Scenario 2 Increase	Revised Budget FY 2015/16, Variable Expenses	Scenario 1 Increase	Scenario 2 Increase
		0.95%	1.37%		0.95%	1.37%
General Government	\$ 699,237	\$ 6,616	\$ 9,611	\$ -	\$ -	\$ -
Finance	\$ 424,421	\$ 4,016	\$ 5,834	\$ -	\$ -	\$ -
Police	\$ 1,904,510	\$ 18,019	\$ 26,178	\$ 1,904,510	\$ 18,019	\$ 26,178
Fire Service & Other Public Safety	\$ 469,088	\$ 4,438	\$ 6,448	\$ 469,088	\$ 4,438	\$ 6,448
Public Works	\$ 1,832,061	\$ 17,333	\$ 25,183	\$ 1,832,061	\$ 17,333	\$ 25,183
Human Services	\$ 1,072,211	\$ 10,144	\$ 14,738	\$ -	\$ -	\$ -
Planning & Community Development	\$ 318,325	\$ 3,012	\$ 4,376	\$ 318,325	\$ 3,012	\$ 4,376
Insurance	\$ 278,141	\$ 2,632	\$ 3,823	\$ -	\$ -	\$ -
Health Insurance & Employee Benefits	\$ 1,893,735	\$ 17,917	\$ 26,030	\$ 1,037,180	\$ 9,813	\$ 14,257
Capital Improvement	\$ 1,326,086	\$ 12,546	\$ 18,228	\$ -	\$ -	\$ -
Total Expenses, Board of Selectmen	\$ 10,217,815	\$ 96,673	\$ 140,449	\$ 5,561,164	\$ 52,615	\$ 76,441

Table 14

Estimated Annual Expenses - Public Schools Town of Canton Budget, Board of Education						
	High Estimate (Average Cost Approach)			Low Estimate (Blended Cost Approach)		
	Revised Budget FY 2015/16	Scenario 1 Increase	Scenario 2 Increase	Revised Budget FY 2015/16, Variable Expenses	Scenario 1 Increase	Scenario 2 Increase
		0.73%	1.29%		0.73%	1.29%
Employee Salaries	\$ 14,788,880	\$ 108,675	\$ 190,725	\$ -	\$ -	\$ -
Health Insurance & Employee Benefits	\$ 4,460,387	\$ 32,777	\$ 57,523	\$ -	\$ -	\$ -
Purchased Services	\$ 3,320,967	\$ 24,404	\$ 42,829	\$ 3,320,967	\$ 24,404	\$ 42,829
Utilities	\$ 646,425	\$ 4,750	\$ 8,337	\$ -	\$ -	\$ -
Maintenace/Repairs	\$ 305,965	\$ 2,248	\$ 3,946	\$ -	\$ -	\$ -
Other	\$ 1,114,672	\$ 8,191	\$ 14,375	\$ 1,114,672	\$ 8,191	\$ 14,375
Capital Improvement	\$ 264,500	\$ 1,944	\$ 3,411	\$ -	\$ -	\$ -
Total Expenses, Board of Education	\$ 24,901,796	\$ 182,989	\$ 321,146	\$ 4,435,639	\$ 32,595	\$ 57,204

Table 15

Estimated Annual Revenues - Residential Component Town of Canton Budget						
	High Estimate (Average Cost Approach)			Low Estimate (Blended Cost Approach)		
	Revised Budget FY 2015/16	Scenario 1 Increase	Scenario 2 Increase	Revised Budget FY 2015/16, Variable Expenses	Scenario 1 Increase	Scenario 2 Increase
		1.80%	3.15%		1.80%	3.15%
Motor Vehicle Property Tax	\$ 2,415,502	\$ 43,452	\$ 76,129	\$ 2,415,502	\$ 43,452	\$ 76,129
Town Clerk	\$ 260,000	\$ 4,677	\$ 8,194	\$ 260,000	\$ 4,677	\$ 8,194
Police Department	\$ 64,490	\$ 1,160	\$ 2,033	\$ 64,490	\$ 1,160	\$ 2,033
Parks and Recreation	\$ 49,500	\$ 890	\$ 1,560	\$ 49,500	\$ 890	\$ 1,560
Library	\$ 14,084	\$ 253	\$ 444	\$ 14,084	\$ 253	\$ 444
Charges for Services	\$ 7,500	\$ 135	\$ 236	\$ 7,500	\$ 135	\$ 236
Miscellaneous Receipts	\$ 37,200	\$ 669	\$ 1,172	\$ 37,200	\$ 669	\$ 1,172
Total Revenues	\$ 2,848,276	\$ 51,237	\$ 89,768	\$ 2,848,276	\$ 51,237	\$ 89,768

Table 16

Estimated Annual Revenues - Commercial Component						
Town of Canton Budget						
	High Estimate (Average Cost Approach)			Low Estimate (Blended Cost Approach)		
	Revised Budget FY 2015/16	Scenario 1 Increase	Scenario 2 Increase	Revised Budget FY 2015/16, Variable Expenses	Scenario 1 Increase	Scenario 2 Increase
		0.95%	1.37%		0.95%	1.37%
Motor Vehicle Property Tax	\$ 2,415,502	\$ 22,853	\$ 33,202	\$ -	\$ -	\$ -
Town Clerk	\$ 260,000	\$ 2,460	\$ 3,574	\$ 260,000	\$ 2,460	\$ 3,574
Police Department	\$ 64,490	\$ 610	\$ 886	\$ 64,490	\$ 610	\$ 886
Parks and Recreation	\$ 49,500	\$ 468	\$ 680	\$ -	\$ -	\$ -
Library	\$ 14,084	\$ 133	\$ 194	\$ -	\$ -	\$ -
Charges for Services	\$ 7,500	\$ 71	\$ 103	\$ -	\$ -	\$ -
Miscellaneous Receipts	\$ 37,200	\$ 352	\$ 511	\$ -	\$ -	\$ -
Total Revenues	\$ 2,848,276	\$ 26,948	\$ 39,151	\$ 324,490	\$ 3,070	\$ 4,460

The analysis above is summarized in Table 17, showing the high and low estimates for the change in annual expenses and revenues attributable to Scenarios 1 and 2. Note that new real estate taxes are excluded from the revenues line.

Under Scenario 1, the net annual fiscal impact on the Town ranges from a low estimate of \$80,000 in increased in costs to a high estimate of \$385,000. Under Scenario 2, net impacts range from a \$125,000 net increase in expenses to a \$655,000 increase in expenses. This is, in effect, the minimum amount of real estate tax collections necessary for the project to pay for itself.

Table 17

Estimated Net Annual Fiscal Impacts (excluding real estate taxes)				
	Scenario 1		Scenario 2	
	High	Low	High	Low
Expenses - Board of Selectmen Budget	\$ (280,479)	\$ (101,360)	\$ (462,481)	\$ (161,988)
Expenses - Board of Education Budget	\$ (182,989)	\$ (32,595)	\$ (321,146)	\$ (57,204)
Revenues (excl. real estate taxes)	\$ 78,185	\$ 54,307	\$ 128,919	\$ 94,229
Net Annual Fiscal Impact (excl. real estate taxes)	\$ (385,283)	\$ (79,648)	\$ (654,708)	\$ (124,964)

In Table 18, net fiscal impacts are compared to estimated property tax revenues under a 50/50 split and 75/25 split. In both scenarios, the amount of property tax the Town receives under the 75/25 split is enough to cover the "high estimate" net expenses. Under the 50/50 split however, the Town's share of property tax revenues covers "low estimate" net expenses, but not "high estimate" net expenses.

Table 18

Comparison of Net Fiscal Impacts and Property Tax Revenues				
	Net Fiscal Impacts (excl. RE property taxes)		Estimated Property Tax Revenues	
	Low Estimate	High Estimate	Town Receives 50% Share of New Revenues	Town Receives 75% Share of New Revenues
Scenario 1	\$ (79,648)	\$ (385,283)	\$ 346,332	\$ 519,498
Scenario 2	\$ (124,964)	\$ (654,708)	\$ 565,068	\$ 847,602

Table 19 shows the Town’s revenue surplus (or gap) for each scenario. Under the 50/50 split and applying the high estimate, the Town would face a \$39,000 gap for Scenario 1 and a \$90,000 gap for Scenario 2. All other arrangements would lead to a revenue surplus for the Town. We emphasize that the “high estimate” is an extremely conservative approach and that true impacts are likely to be closer to the “low estimate.”

Table 19

Revenue Surplus (Gap)				
	Town Receives 50% Share of New Revenues		Town Receives 75% Share of New Revenues	
	Surplus (Gap) Under Low Estimate	Surplus (Gap) Under High Estimate	Surplus (Gap) Under Low Estimate	Surplus (Gap) Under High Estimate
	Scenario 1	\$ 266,684	\$ (38,951)	\$ 439,850
Scenario 2	\$ 440,104	\$ (89,640)	\$ 722,638	\$ 192,894

The minimum Town share of the tax increment at which no gap would exist under the “high estimate” is approximately 58%. In other words, under the most conservative assumptions, the developer could receive up to 42% of the tax increment, and the project would have a beneficial impact on the Town’s coffers. It should be emphasized that this is a limited fiscal impact analysis for planning purposes only. Actual impacts will vary based on the specifics of the development scenarios. A more in-depth fiscal impact should be completed prior to any final TIF agreements.

Recommendations

Based on the desire of the Town for the highest and best use of the Collins Company Complex and the Town's overall economic development goals we recommend the following for consideration by the Town with regard to a TIF District Master Plan.

District Boundaries

The Town proposes to create a district that defines the district boundaries as the Collins Company Complex, see Figure 2. This would allow the Town to focus specifically on the improvements and incentives needed to have the site sold and developed to its highest and best potential from both the private sector and the Town's perspective. Based on market potentials redevelopment of the site can generate significant economic and fiscal benefits which can be leveraged to assist with public and private development costs, as well as support economic development and activity in the adjacent downtown area and throughout the Town. The Complex is unique in size, history, and scope, and so, focusing on its redevelopment in terms of a TIF district will allow a custom solution that is best for the Town and most affective in the market when working with potential buyers/developers. While the boundaries may be confined to the Complex, planning regarding future connection to, needs of, and impact on the village neighborhood should be considered as part of any future development of the Collins Company. Collinsville, like the Farmington River and the Collins Company Complex, is a unique asset that is vital to the economic well-being of Canton. The development of the Collins Company Complex will have impacts and create opportunities in the entire Collinsville area.

Time Period

In order to mitigate development costs and incentivize the private sector to undertake a redevelopment a project, a minimum TIF period of 20 years is recommended. Twenty years is a reasonable time period for the planning of development and infrastructure costs.

If the Town anticipates using TIF revenues for significant other public infrastructure and related purposes, a period of longer than 20 years and up to 30 years is recommended.

Use of TIF Revenues

Beyond utilizing the revenues to mitigate development costs for the developer, the Town should specify any other purposes it wishes to achieve that could be funded through TIF revenues. See potential uses for TIF revenues listed in the Introduction. This amount will determine how much of the revenues should be captured from the TIF district versus utilized for the general fund.

Based on the development scenarios, current market conditions, and the significant costs known to be needed for the redevelopment of the site, the site could warrant up to a 50% reduction in taxes over 20 years. Therefore, the Town should be prepared to consider a 25% to 50% return of taxes to the developer for a period between 20 and 30 years. Note that 25% to 50% is the recommendation for the average return to the developer over the duration of the TIF, and may scale down over the period from a higher amount in early years to a lower amount in later years according to the developer's needs.

Financing Mechanisms

From the Town's perspective, the most flexible and lowest-risk way to assist a developer would be through a Credit Enhancement Agreement (CEA) and is our recommendation for the preferred method. The CEA avoids the cost and risk of issuing bonds to support public and private development while still providing a predictable cash flow that can be utilized by the developer to obtain additional financing. See Appendix B for more information on CEAs.

The Town should remain open to considering other financing mechanisms such as tax abatement and bonds based on the specifics of a given development proposal including the site, infrastructure, and market needs.

Conditions on Developer

In addition to the goals, objectives and criteria previously described on page 4 of this document, in considering and negotiating support for private development costs, the level of support given by the Town should be contingent on the developer meeting the following requirements:

- A minimum level of private investment (for purposes of the creation of a TIF district related to this site we recommend a minimum of \$10 million in proposed private development costs)
- Reasonable buildout timeline for investment and completion of construction with documentation indicating the build-out completion plans with supporting market/feasibility information
- Developer has exhausted use of other available funding and incentives and has integrated other sources to the extent possible
- Developer provides sufficient financial information as deemed necessary by the Town for planning and administration of the district
- Any other documentation requested by the Town to help ensure that the Town will benefit through new investment, new employment, or other public benefits

Administration

For the establishment and implementation of the TIF district, the Town should make available appropriate resources and processes for:

- Assessment/valuation of property
- Planning for and construction of infrastructure and other needs related to the district
- Administration of tax collection and distribution
- Monitoring and reporting on progress within the district



Figure 2

Appendix A | Downtown TIF: Example Uses of TIF Revenues

The purpose of this overview is to summarize how other communities have utilized Tax Increment Financing in their downtowns and to provide examples of the guidelines and criteria that communities have issued for entering into credit enhancement agreements with private developers.

For each community a summary of the TIF arrangement is provided along with a list of the anticipated uses of TIF revenues and their costs. The cost estimates are the total cost for each project or program and do not reflect how much TIF revenue will actually go towards each.

Topsham, ME

In seeking to turn its Main Street into “a place rather than a conduit for traffic” it implemented a 30-year, 326-acre TIF district to fund public improvements. Among these improvements were road construction and paving improvements including engineering and design costs. Other projects included expanded public transit by allocating TIF revenues toward the bus system operating and capital costs. A waterfront park and trail project was also included. Other improvements involved sewer infrastructure, streetscape improvements, and Wi-Fi services in the district. Altogether, the town identified \$12.7 million in projects to be funded with future TIF revenues.

Use	Description	Cost Estimate
Road Improvements	Improve and maintain roads and streets that form the transportation routes most directly impacted by the creation of the District. Road construction and paving improvements within the TIF District, including but not limited to engineering and design work, sidewalk and pedestrian crossing safety improvements, culvert repair, and catch basin and storm water infrastructure work	\$4,820,000 (total 30 years)
Public Transit	Costs associated with a route expansion of the Brunswick Explorer or other new transit service, including capital costs and ongoing costs for transit operator salaries, transit vehicle fuel and transit vehicle parts replacements.	\$800,000 (total 30 years)
Waterfront Park & Riverfront Trail	Design and construction costs associated with a Waterfront Park (including a possible parking area), Riverfront Trail and a Riverwalk Priority trail and overlook. The park will likely be located partially inside the District and partially outside the District. It would provide an attractive amenity to the businesses located and to be located in the future in the lower village area near the river. The park and trails are directly related to the development in the District and would support and promote the District activities. The connected trail system will provide an additional method of travel from residential areas to the commercial area, providing a commuting option for employees and another attractive way to move	\$575,000 (total 30 years)

	patrons to the businesses. The trails and park also provide another attraction for tourists in the Brunswick/Topsham and Midcoast area.	
Androscoggin River Bike Path:	Design and construction costs associated with the Androscoggin River Bike Path including but not limited to the following three segments: North side of Route 196; Merrymeeting Bridge to Community; and Village Drive to Eagle's Way. TIF Revenues are likely to provide the local match for other grant funding. This trail would connect Topsham to a regional recreational tourist-focused bike path which runs to Brunswick's Cooks Corner. The trail would provide access from other regional commercial areas to the businesses in Topsham's village.	\$640,000 (total 30 years)
Sewer Infrastructure:	Directly related to the creation of the District, the Town may be required to relocate an existing sewer pump station on Green Street (within the TIF District) and build a gravity sewer line and pressure line on Canam Road between Mountain Road and Village Drive (partially outside the TIF District). This project includes any design, engineering and other capital costs associated with sewer infrastructure projects required for the District.	\$1,550,000 (total 30 years)
Site Preparation and Relocation Costs:	Costs associated with preparing sites within the District for redevelopment, real property assembly costs and the costs, if any, associated with relocating individuals or businesses from sites within the District that will accommodate commercial redevelopment.	\$3,000,000 (total 30 years)
Streetscape Improvements	Improve the streetscape along Main Street, including but not limited to historically appropriate decorative street lights, benches and signage. Such improvements would provide recognizable pathways and would communicate more clearly where the center of Topsham is located, attracting businesses and patrons.	\$250,000 (total 30 years)
WiFi	Cost of providing WiFi services to foster economic development within the District.	\$750,000 (total 30 years)
Professional Service and Administrative Costs	Professional service and administrative costs associated with the District and the implementation of the Development Program.	\$300,000 (total 30 years)
Total Municipal Project Costs		\$12,685,000 (total 30 years)

Yarmouth, ME

In July 2016, Yarmouth enacted a 30-year downtown TIF to help finance an estimated \$39 million in identified investments. These investments include purchasing public safety building and equipment including a snowplow, fire truck, and emergency response equipment; sidewalk and parking improvements; underground utilities; road and natural gas infrastructure; trails and bike lanes; as well as storm and wastewater improvements. Other investments in the municipality, but outside the district itself, include economic development studies and operations, marketing the town, local agriculture, bus shelters, GIS capital improvements, broadband infrastructure, streetscape, energy projects, land acquisition, and more. The Downtown Plan also allows for Credit Enhancement Agreements to assist private developers.

Use & Description	Cost Estimate
Commercial business park land acquisition/ redevelopment including construction and permitting	\$3.5 million
Public safety equipment including snow/plow and fire truck, sweeper and emergency response apparatus	\$1.85 million
Sidewalk and crosswalk upgrades/extensions	\$2 million
Parking improvements including facility and related land acquisition/design/construction	\$1.5 million
Mill/Elm Streets and Marina Road/Handy's parking/Pedestrian access	\$500,000
Underground utilities including phone/broadband/ fiber	\$2 million
Road/Intersection improvements including signalization and traffic calming measures	\$2.5 million
Natural gas infrastructure including street and right-of-way construction	\$175,000
Piers, floats and visitor/tourist boat amenities including launch, to support District economic activities	\$450,000
Public fire safety building with associated infrastructure and equipment including hydrants and firefighter gear	\$600,000
Bicycle/Pedestrian trails, bicycle lanes/parking, benches and wayfinding signage including capital/ maintenance but strictly limited to clear commercial connectivity outside District footprint when not trails-related	\$1.1 million
Storm and waste water improvements related to flow or drainage to accommodate Waste Water Treatment Plan increased commercial capacity and business development	\$1.5 million
Sewer infrastructure improvements including waste water pump station capital improvements	\$8.75 million
Economic Development (ED) operations/costs including ED salaries and prorated municipal salaries	\$4.245 million
ED studies including planning, market analysis and associated consulting fees	\$350,000
Capitalization of business revolving loan fund per § 5225(1)(C)(3) for costs authorized by 30-A M.R.S. § 5225 and Department rules as amended from time to time	\$1 million
Marketing Town as a business, tourism and ecotourism destination including programs/events	\$350,000

Grant matching related to 30-A M.R.S. §§ 5221-5235 economic development activities	\$1 million
Creation/Funding for local agriculture commercial endeavors including year-round farmers market and food truck vendors	\$250,000
Bus shelters and transportation amenities such as transit vehicles, rail conveyances, bus shelters/ benches and other transit-related equipment/ infrastructure	\$1 million
GIS Capital Improvement Program including software, ongoing maintenance and training	\$350,000
Streetscape improvements including benches, sidewalks, gateway/way-finding signage or system, lighting and a business facade improvement revolving loan or grant program	\$1 million
3-Phase power implementation	\$500,000
Broadband/Wireless/Fiber infrastructure and business Wi-Fi network	\$1 million
Energy generation and transmission projects including electrical/hydrogen stations	\$1 million
Harbormaster Office construction capital costs and prorated salaries over \$60,000 base adjusted by 2%/YR from 2016	\$250,000
Total Public Costs	\$39 million

Naples, ME

The town of Naples created a downtown and waterfront TIF district to enhance the local economy, promote tourism, and provide access to open space and outdoor recreation opportunities. Specific projects targeted with TIF funds include improving public boat launches, improving picnic areas, establishing a visitor information center, acquiring land to access open space, installing decorative lighting, establishing a façade improvement matching grant program, infrastructure improvements, undertaking planning studies, creating a revolving loan fund for economic development, credit enhancement agreements, and others. Individual cost estimates for each use was not provided.

Use	Description
Public Facilities	Provide adequate public restroom/changing room facilities in Village District and at public recreation sites within TIF district; Improve existing public boat launches and docking facilities; Expand the number of public boat launches and docking facilities; Where appropriate, dredge waterways to provide increased access to recreational areas; Provide improved public picnic areas; Establish Visitors Information Center.
Land Development and Acquisition	Develop available town land to ensure adequate public open space and public access for visitors and residents; Acquire new land to ensure adequate public open space and public access for visitors and residents; Acquire new land to ensure adequate public parking for visitors and residents.
Pedestrian Improvements	Install sidewalks within Village District to encourage development of sidewalk network through Village District and surrounding growth

	areas.
Parking Improvements	Provide adequate and safe public on and off-street parking in Village District and Causeway area; Provide Park and Ride Lot to support new Lakes Region shuttle bus; Provide bicycle racks and related amenities in Causeway area.
Streetscape/Landscape Improvements	Install decorative lighting within district; Plant trees, other plantings within district. Install benches at appropriate locations within district; Install, update or replace informational/directional signage to be consistent in design and materials.
Traffic Improvements	Implement traffic calming measures where appropriate; Implement improved traffic signalization where appropriate.
Building Improvements	Establish Façade Improvements matching grant program to support private sector investment with appropriate incentives to preserve structures of historic and cultural significance.
Infrastructure Improvements	Where appropriate, construction of public water, sewer, telecommunications and power systems to leverage private sector investment and job creation.
Other Improvements	Public Safety equipment and/or maintenance made necessary by the establishment of the District; Public Works equipment and/or maintenance made necessary by the establishment of the District.
Planning	Update Village Design Study to establish design standards for Village District and Causeway area.
Economic Development	Establishment and support of Downtown Manager or other staff dedicated to economic development. Events/festival support and promotion/marketing. Credit Enhancement Agreements. Revolving loan fund. Consultant services in support of economic development. Employment training for residents not to exceed 20% of total project costs.
Administration	Staff time for TIF administration; Consultant services in support of TIF administration.

Lisbon, ME

The Town of Lisbon developed a downtown plan that set strategic priorities. To help achieve its vision for downtown, the town passed a 30-year Downtown Omnibus TIF District to capture 100% of new assessed value in the district. The district is about 175 acres. TIF revenue will be used to support economic development programs and public infrastructure in the downtown areas. The town will also use TIF for Credit Enhancement Agreements (CEAs) to be negotiated with developers or other parties that purchase a development property for the purpose of commercial development. Of note, the TIF District actually encompasses two separate villages, creating two separate sub-districts under a single TIF District and program.

The specific uses of TIF funds are as follows:

Use	Description
Public Improvements	Would generally include pedestrian infrastructure and safety enhancements, street trees and small green spaces, signage and way-finding, lighting and streetscape amenities, and related road, infrastructure and public facilities improvements as appropriate. There are specific improvements and programs in support of the redevelopment of the Lisbon Falls waterfront area, a defunct industrial area.
Economic Development Programs	Programs needed to support redevelopment and business growth in the downtown areas include Credit Enhancement Agreements, a façade program, and other business programs, through the Lisbon Economic Development Department, targeted towards business retention and attraction in the downtowns. The terms and conditions for each CEA will be negotiated by the Town Manager or his designee without need for further public hearing or vote by the Town Council based on investment and employment criteria.

Richmond, ME

In 2005, Richmond approved a 25-year TIF district in its downtown covering about 100 acres. The TIF was implemented to achieve the following:

- Promote long-term sustainable employment opportunities for area residents;
- Capitalize on the town’s proximity to major highway routes as well as the Kennebec River;
- Create a more pedestrian friendly and accessible downtown;
- Establish a gateway to the town;
- Redevelop, restore and enhance buildings with historic significance within the village;
- Revitalize Fort Richmond Park;
- Upgrade town infrastructure including sidewalk improvements, rerouting overhead utilities, creation of additional parking, and establishing more green space in the community; and
- Redevelop older properties in the downtown area.

Since the creation of the Downtown TIF District, many of the above objectives have been met, such as redeveloped and enhanced historic buildings, upgraded infrastructure, a more pedestrian friendly downtown, and

improvements to Fort Richmond Park (“the Waterfront”). A significant contribution of capital investment in the community has also been made by several private business owners and the Maine DECD.

Several downtown initiatives proposed in the Downtown Revitalization Plan could be implemented with TIF revenues and public/private investment, including:

- Implementation of the Downtown Parking Master Plan
- Continued implementation of bicyclist/pedestrian infrastructure, including the state-approved Richmond Village Merrymeeting Trail.
- Village gateway and way-finding signage.
- Restoration of downtown historic buildings, such as the Hathorn Building on the corner of Main and Front Street.

Appendix B | Credit Enhancement Agreements (CEAs)

Credit Enhancement Agreements allows municipalities to provide reimbursements of future incremental property tax revenues to developers to help cover development costs. Their purpose is to make otherwise financially infeasible projects possible to develop by the private sector. Communities with TIF Districts adopt guidelines for how and when they will consider CEAs with private entities. These guidelines typically include:

- Minimum base criteria
- Guidelines that determine the municipality's level of participation
- Application requirements
- Process description

The following are examples of the guidance and criteria that communities have adopted that outline how and when communities will consider credit enhancement agreements within TIF districts.

Yarmouth, ME (draft guidelines)⁵:

Base Criteria for CEAs include projects that:

- 1) Would not likely occur otherwise;
- 2) Create or retain employment opportunities;
- 3) Expand significantly the Town's tax base; and
- 4) Conform to the quality and types of development sought by the Town as outlined in the Zoning Ordinances, Comprehensive Plan, the Tax Increment Financing District Development Programs, and other policies enacted by the Town Council.

Process for CEAs:

CEA Applications (whether initiated by the Town or requested by a developer or business) will be considered by the Town Manager, Economic Development Director and the Town Council with all final approvals granted after a public hearing, by the Yarmouth Town Council and the Maine Department of Economic Development (DECD). The Economic Development Director will coordinate all activities regarding applications and will assist the developer throughout the CEA process. The terms and specific details of each CEA will be developed on a case by case basis. The Town Manager and the Manager's designated representatives will negotiate for the Town based on the merits of the project and these guidelines following the process laid out in this document.

CEA Goals:

- A. Creates new jobs
- B. Assists existing business to retain jobs
- C. Creates significant long-term employment
- D. Improves the local economy
- E. Broadens the tax base

⁵ http://www.yarmouth.me.us/vertical/sites/%7B27541806-6670-456D-9204-5443DC558F94%7D/uploads/Yarmouth_CEA_Guidelines_draft_recommended_by_EDAB_2016_0113.pdf

- F. Improves blighted areas
- G. Creates or expands public infrastructure beyond project
- H. Supports community projects
- I. Creates public benefits for other workers and/or businesses

Mandatory Guidelines:

- A need to offset infrastructure costs unique to the site; or
- A need to offset economic advantages available to a corporate entity if it should develop a project (or expand operations) outside of Yarmouth; or
- A lack of sufficient private or other public funding sources to meet the full capital investments needed to undertake a project.
- The project creates significant new tax value equal to or greater than \$TBD and creates or retains jobs within the Town's established TIF Districts.
- The applicant is financially capable to undertake the project.
- The applicant has not engaged in illegal or unfair labor and employment practices; unsafe employment practices; or adverse or illegal environmental practices.
- The applicant is compliant with all statutory and regulatory guidelines of the Town of Yarmouth and the State of Maine.

Guidelines that determine level of municipal participation:

- The project assists an established business in the Town of Yarmouth, thus retaining existing employment opportunities;
- The project creates long-term, permanent and quality employment opportunities; } The project contributes to the revitalization of the Downtown District, Route 1 North and Route 1 South TIF Districts; or any other approved TIF district;
- The project improves a blighted building site in need of rehabilitation;
- The project creates public infrastructure facilities that have application beyond the particular development such as improvements to utilities, telecommunications, traffic patterns, parking facilities, green space, etc.;
- The project supports or will support community projects, provides job training, provides student internships, supports local contractors and suppliers; and
- The project supports or will support local efforts and programs that assist those who are underemployed or low to moderate income (LMI).
- The developer has a responsible history with property tax payment and pledges the continued responsibility.

CEA Application Requirements

- A. The cost of public infrastructure improvements unique to the project or site.
- B. The developer demonstrates the financial capacity to undertake the project and provides evidence in support of this capacity. Evidence will include but is not limited to:
 1. Development budget and pro-forma
 2. Financial commitments of project lenders

3. A project implementation plan and schedule.

C. (All such information shall be kept confidential to the extent permitted by law. The Town Council, Town staff and Council designee(s) will sign a non-disclosure agreement, if deemed necessary and to the extent permitted by law.)

D. The project creates incremental assessed tax value equal to or greater than \$1 million, excluding personal property

E. The developer is compliant with all statutory and regulatory guidelines of the Town of Yarmouth and the State of Maine.

Hamden, ME⁶

Mandatory Guidelines:

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 Hamden, or
- c) The unavailability of sufficient private or other public funding sources to meet the full capital investment needs of the entity seeking assistance. {EP - 01192887 - v3}

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.

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.

⁶ http://www.hampdenmaine.gov/vertical/sites/%7B1FCAF0C4-5C5E-476D-A92E-1BED5B1F9E05%7D/uploads/TIF_Policy_Revised_Draft_7.2.13.pdf

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.

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.

Gardiner, ME⁷

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

- A need to offset infrastructure costs unique to the site; or
- A need to offset economic advantages available to a corporate entity if it should develop a project (or expand operations) outside of Gardiner; or
- A lack of sufficient private or other public funding sources to meet the full capital investments needed to undertake a project.
- The project creates significant new tax value throughout the City's planned development, commercial, and industrial zones, including projects located in the Downtown Shopping District, the Associated Grocers Business Park, the area surrounding the Libby Hill Business Park, and other areas the City Council deems necessary.
- The developer is financially capable to undertake the project.
- The developer is compliant with all statutory and regulatory guidelines of the City of Gardiner and the State of Maine

GUIDELINES THAT DETERMINE THE LEVEL OF MUNICIPAL PARTICIPATION

- The project assists an established business in the City of Gardiner, thus retaining existing employment opportunities;
- The project creates long-term, permanent and quality employment opportunities;
- The project contributes to the revitalization of the Downtown Shopping District or other areas in need of redevelopment;
- The project improves a blighted building site in need of rehabilitation;
- The project creates public infrastructure facilities that have application beyond the particular development such as improvements to traffic patterns, parking facilities, green space, etc.;
- The project supports or will support community projects, provides job training, provides student internships, supports local contractors and suppliers; and
- The project supports or will support local efforts and programs that assist those who are under-employed or who are making the transition from welfare to work, etc.

⁷ [http://www.gardinermaine.com/Public_Documents/GardinerME_policies/f-TIF%20Guidlines%20Gardiner%20-%202003%20\(2012%20amendment%20incorporate.pdf](http://www.gardinermaine.com/Public_Documents/GardinerME_policies/f-TIF%20Guidlines%20Gardiner%20-%202003%20(2012%20amendment%20incorporate.pdf)

Saco, ME⁸

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.

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.
 - c) Environmental Standards - The applicant shall ensure that high environmental standards are met and that all state, federal and local environmental standards are met.

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
 - b. 1 - 5 years - 50 percent
 - c. 6 - 10 years- 40 percent
 - d. 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

⁸ <http://www.sacomaine.org/Administration/Policies/Tax%20Increment%20Financing%20Guidelines.pdf>

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.

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.

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.

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.

Camoin Associates, Inc.
120 West Avenue, Suite 303
Saratoga Springs, NY 12866
518.899.2608
www.camoinassociates.com
@camoinassociate

