SCARBOROUGH, MAINE INC. 1658

AGENDA
TOWN FINANCE COMMITTEE

Thursday – July 11, 2024
Hybrid
5:00 P.M.

LINK TO PARTICIPATE REMOTELY:
https://scarboroughmaine.zoom.us/j/85212586307

TO VIEW MEETING ONLY:
https://www.youtube.com/channel/UCD5Y8CFy5HpXMftV3xX73aw

Item 1. Call to Order.

Item 2. Those Present.

Item 3. Approval of Minutes: June 13, 2024

Item 4. Discussion and possible action on recommended language from Staff on the Fund Balance Policy.

Item 5. Discussion:
a. Discuss approach to achieve Council Goal to "Establish multi-year Capital Facilities prioritization list representing investment needs of $5M or more over the next 20 years."
b. Discuss TIF/CEA Policy Next Steps for Council Goal, including Downs review [Excel Workbook]
c. Discuss how to activate ideas from Budget Retrospective

Item 6. Public Comments.

Item 7. Adjourn.

UNASSIGNED FUND BALANCE

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

In the event of projected revenue shortfalls, it is the responsibility of the Town Manager to report the projections to the Town Council's Finance Committee on a quarterly basis and will include an outline of recommended Management actions to address any shortfall.

The Town aspires to reach an Unassigned Fund Balance of 16.67% (two months or 1/6) of the prior year's Operating Budget. Until the Town reaches this goal, the minimum Fund Balance Policy shall be set to maintain the level of Unassigned Fund Balance equal to 10.00% of the Town's Operating Budget for the prior fiscal year. As the Town increases its Unassigned Fund Balance, consideration should be given to raise the minimum level of Unassigned Fund Balance until the aspirational goal is met. ~~The Town has set a goal, through this Fund Balance Policy, to maintain the level of Unassigned Fund Balance equal to 10.0% of the Town's Operating Budget for the prior fiscal year and to not fall below 8.33% (or 1/12) of the Town's Operating Budget.~~

Once the Town achieves an unassigned fund balance greater than ~~equal to~~ 10.0~~%~~ % but less than 16.67% of Scarborough's Operating
Budget, any excess above 1~~2~~0% may ~~must~~ be assigned by any combination to one of the following:

- Retained in non-spendable and restricted accounts that offset unfunded liabilities, and/or
- Retained in assigned accounts that may be used in future budget cycles as a property tax rate stabilization; available for use during a catastrophic event, and/or
- Funding future capital expenditures and/or projects, and/or
- Retirement of debt, and/or
- Taxpayer refund.

Once the Town achieves an Unassigned Fund Balance greater than 16.67% of the Town's Operating Budget, any excess above 16.67% must be assigned by any combination to one above.

In the event that the balance drops below the established minimum level, the Town Council will develop a plan to replenish the fund balance to the established minimum level within two years.
~~Policy statement: Unrestricted Fund Balance as a Percentage of Revenues: The level of unrestricted fund balance will not be allowed to drop below 8% of annual revenues with a goal of building unrestricted fund balance to 12% of annual revenues.~~

TO: Scarborough Finance Committee
FROM: Karen Martin, SEDCO Executive Director
DATE: July 8, 2024
SUBJECT: CEA Policy Updates

The Town Council adopted a POLICY in 2020 that guides decision making for Credit Enhancement Agreements (CEA's) supporting Economic Development. As we have had time to use the policy over the last few years, there are some areas of the policy that could be made clearer and/or streamlined. This memo outlines some of these areas for consideration by the Finance Committee.

Summaries of Policy, Process and Application

For the convenience of the Finance Committee, a top-level summary of the current policy is attached. We've used this summary as a starting point in discussions with applicants, in addition to providing the full policy. This summary pulls out the basics for approving an Economic Development CEA. We have also outlined the application and approval process for a CEA.

The existing policy is comprehensive with respect to the economic development projects. There are some areas that could be streamlined to provide more clarity, without compromising or changing the objectives. Housing CEA's were not referenced in the original document, and should be added to the policy during any update.

Suggestions:

1) Include a specific section outlining the expectations for a Housing CEA with involvement from the Housing Alliance including objectives, process and application. This can be done either is a separate section of the existing policy or in separate policy statement.
2) Clean up and separate the references to TIF and CEA policies. The terminology is sometimes co-mingled. Project applicants should be focused on the CEA requirements. TIF's and their development programs are strictly a function of the Council and may have other considerations that do not include CEA's. The Finance committee may wish to separate the TIF references to a separate guidance policy altogether – since the establishment of a TIF is guided by the needs of the Council not necessarily the needs of the CEA applicant.
3) Review and clarify the process and application. In particular, clarification of when and what level of negotiation takes place between the Town and the applicant is needed. The current policy inserts a council member to a negotiating team after the project is in a final form. See step 5 of the process. The Finance Committee may wish to establish an earlier entrance into the negotiation process.

Summary of Town of Scarborough's Policy for
Economic Development Tax Increment Financing District's (TIF)
with Credit Enhancement Agreements (CEA)
Adopted 11/4/2020

Projects requesting a CEA must meet at least 3 of the following objectives:

- Assistance supports public infrastructure projects typically funded through municipal budgeting
- The infrastructure project is identified as needed and or determined to deliver a public benefit
- Development project cannot move forward without specified infrastructure
- Development project will create or retain sustainable employment opportunities
- Development project will enhance environmental protections
- Development project is financially advantageous to the Town

The following five items apply to CEA's

- **Amount of Funds:**
  - Applicant is required to submit documentation to justify the need for and use of requested CEA funds
- **Terms:**
  - Agreements can be anywhere from 1 to 30 years
  - Agreements may capture up to 100% of the incremental value
  - Agreements shall have performance measures, which will require annual reports to the town on the status of such measures. Additional reporting requirements may be included in the CEA.
  - Terms may include a reimbursement cap in dollars either annually or over the life of the agreement
  - Assignments will be allowed only for conventional commercial financing purposes or where the proposed assignee agrees to be bound by the same terms and conditions as the original applicant, unless otherwise amended by the Town and developer.
- **Suspension, Reduction and/or Termination of Benefits:**
  - CEA's may contain provisions for the suspension and/or termination of the benefits such as penalties for not meeting agreed upon targets and performance thresholds.
- **Level of Funding Adjustments**
  - The Council may include a requirement that the applicant demonstrate that the funds are being used at appropriate levels for the purpose intended. If the level of funds exceeds the projected need, the amount returned to the applicant shall be adjusted.
- **Financial Analysis:**
  - The applicant will submit a comprehensive cost to serve analysis, tax shift disclosure and expert analysis if the reimbursement is greater than $5,000,000. Expert analysis will not be required for proposed CEA's under $2,000,000. Proposed CEA's between $2,000,000 and $5,000,000 will have a Scarborough staff provided analysis.

New TIF District:

If a new TIF District is to be created for the purpose of creating a CEA, the following conditions apply:

- TIF Districts may be designated for up to 30 Years
- TIF Districts require, at a minimum, a legal notice, public hearing, majority vote of Council and state approval.

- Eligible TIF Districts must follow State statutes and requirements
- Applicant must provide all documentation associated with the application to be reviewed for compliance with final approvals
- Town will establish the size of the district necessary to meet applicant and Town needs based on the Comprehensive Plan, the Capital Improvement Program or other supporting document recognized by the Community.
- Personal property shall not be captured in a TIF
- TIF development programs that include a CEA shall direct excess funds after the CEA is satisfied to support economic development or to the Town's General Fund.
- The Town may modify the portion of tax revenue within a district to be retained for municipal use by a majority vote of Council and approval by the State.

Review and Approval Process for a Credit Enhancement Agreements

Step One: Identify Qualifying Objectives From Adopted CEA Policy

1) Submit letter to SEDCO & Town Manager which
   a) Briefly describes the proposed project
   b) Identifies the percent of reimbursement requested
   c) Identifies how the project meets a minimum of three town objectives identified adopted Council Policy (p.1)
   d) Identifies contact details of company and any representatives approved to submit information to the Town on behalf of project.
2) SEDCO provides information on the process and policy to the applicant
3) Town Manager reviews the letter to determine whether the objectives have been met
4) Manager may seek input from key Town Departments
5) Town Manager officially invites the applicant to submit (Please note, that invitation to submit, does NOT indicate any form of approval
6) Town Manager notifies Town Council that an application has been invited

Step Two: Applicant Prepares Preliminary Application for Review by SEDCO

1) SEDCO reviews application for completeness
2) SEDCO determines the level of financial analysis needed based on Adopted Policy Guidance
3) Financial Analysis is completed
   a) Includes an assessment of the Town's cost to serve the project compared to the revenues generated by the project
   b) Includes other pertinent information identified by SEDCO or the Applicant that is relevant to the project
4) SEDCO Presents application to Town Manager for discussion

Step Three: Joint Workshop Scheduled

1) Town Manager, in consultation with Council Chair, Schedules Workshop
2) Workshop includes Town Council, SEDCO Board of Directors, and or Scarborough Housing Alliance
3) Applicant presents overview of Project
4) Town Manager and SEDCO provide preliminary input from staff
5) Council Invites feedback from SEDCO and/or Housing Allliance
6) Council provides feedback
7) Discussions will include feedback on proposed terms of the CEA
8) Council Determines if the Application should proceed. An invitation to proceed is NOT and approval of the proposed CEA.

Step Four: Final Application Developed

1) Includes all relevant information from the preliminary Application
2) Includes responses to Comments received during Workshop

3) Town Manager & SEDCO will obtain input from appropriate Department Heads
4) Applicant obtains relevant development approvals including Master Plan, Preliminary Subdivision, Preliminary Site Plan
5) Town Manager and SEDCO revise and or renegotiate as needed based on comments from workshop
6) Includes a draft contract developed by the applicant
7) Includes any application requirements from the State of Maine required to approve a Housing CEA (Not in current CEA).

Step Five: Finance Committee Scores the Application

1) Final Application is presented to the Town Council Finance Committee
2) Finance Committee Members Individually Score the application based on Criteria Identified in the Policy
3) A composite score is calculated and the Finance Committee makes a recommendation to the Town Council
4) *If the Full Council agrees that the application is consistent with thresholds, the Council will vote to form a negotiating team which will include a Town Council Member.*

Step Six: Council Begins Formal Public Process

1) First Reading
2) Public Hearing
3) Second Reading (Final Vote)
4) Public Hearing and Second Reading may occur at same time.

Note: Items underlined are not in the current policy

Preliminary & Final Application for a Credit Enhancement Agreement
In an Existing Tax Increment Financing District

Preliminary Application (after invitation by Town Manager to apply):

I. Contact

a. Name of Company
b. Name of Company Representative
c. Contact Information
    i. Address
    ii. Phone
    iii. Email

II. Project Name and Location

III. Brief Description of Project

a. Purpose of Project
b. Physical Description – land area, square feet, uses within the structures
c. Reason for the request
d. Relevant infrastructure to be built
e. Phasing of the project, including the year of completion of each phase.
f. Any other anticipated development within the next five years
g. Estimated Assessed Value of the Improvements to the Property, including all infrastructure, building and lot improvements
h. Total new jobs and the types of new jobs that will occur because of the Scarborough project
i. Timing/Phasing of the new jobs
j. Estimated Number of Cars/vehicles/equipment to be registered in Scarborough (if any)

IV. Regional and State Impacts of Company and Role of the Scarborough Facility in the Company's Mission and Vision

V. Credit Enhancement Proposal

a. Requested percentage reimbursement of net new property taxes for the increased value. If the reimbursement changes over time, please include a schedule which identifies the year, the value created, and the reimbursement percentage requested.
b. Duration of CEA
c. Brief Explanation of why the Company is requesting a CEA. How will these funds be used to complete the project?
d. Describe any extraordinary Development/Redevelopment Costs such as Environmental remediation, capital purchases, public infrastructure. Remodeling/rehabilitation, or facility expansions?
e. Brief explanation of any public investments in streetscape, trails, infrastructure, that will benefit others
f. What will be extraordinary about this project? What problem does this project address? Potential topics to discuss: sustainability, quality of development, architecture, landscaping, quality jobs, historic preservation, role in the community, Infrastructure which serves beyond the current project. etc.
g. How will this project go beyond basic requirements in terms of aesthetics, building design, materials, energy efficiency.

h. How will this project enhance environmental protections?
i. How will this project make sense for the Town's financial health?
j. Suggested performance measures to evaluate the success of your project during the CEA timeframe

VI. Compliance with the Town's Comprehensive Plan

Final Application Must Include:

I. All relevant Information from the Preliminary Application
II. Responses to Feedback from the Council Workshop
III. Description of Development Approvals to Date
IV. Draft contract describing proposed elements of the CEA, prepared by Applicant
V. Includes any requirements from Maine State Housing or Department of Economic and Community Development required for State Approvals
VI. Includes a description of how the project addresses the following criteria contained in the Town's Policy

1) Attract, retain or expand businesses
2) Consistency with the Comprehensive Plan and any other relevant Town Strategy Documents
3) Present extraordinary development/redevelopment costs such as
    a) Remodeling/Rehabilitation/Demolition
    b) Environmental Remediation,
    c) Capital purchases
    d) Facility expansion or Public infrastructure,
4) New employment potential
5) Incremental tax value of at least $2 million, excluding personal property
6) Has infrastructure value beyond the current project
7) Enhances the streetscape and pedestrian experience
8) Preservation or rehabilitation of a significant historic structure.
9) Has a quality of development and overall aesthetics (architectural, site design, landscaping, etc.) beyond that which is minimally required by the Zoning Ordinance.
10) Adhere to higher standards of building design, materials, and energy efficiency such as meeting LEED certification, Energy Star, etc. 11.
11) Enhance environmental protections resulting in a more sustainable community or enhance/increase access to natural resources
12) Makes financial/economic sense for the Town - positive Return-On-Investment
13) Contributes to a specific public policy priority identified by the Town Council

Town of Scarborough

Policy and Process for Economic Development Tax Increment Financing Districts Involving Credit Enhancement Agreements

Adopted November 4, 2020

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SCARBOROUGH TAX INCREMENT FINANCING POLICY AND PROCESS

I. PURPOSE

The purpose of this policy is to outline standards and processes that the Town of Scarborough will use in initiating or considering applications for Tax Increment Financing (TIF) and for Credit Enhancement Agreements (CEA). Notwithstanding this policy, the creation of a TIF district and adoption of a development program is a decision made on a case-by-case basis by the Scarborough Town Council and the Maine Department of Economic & Community Development (*Maine DECD) must also review all TIF districts for statutory compliance*. Receiving a credit enhancement agreement is not a right under Maine law and meeting the standards contained in this policy should not be interpreted as creating any rights or entitlements in any application.

Tax Increment Financing (TIF) is an economic development program authorized under state law to support municipal projects. The TIF program allows municipalities to provide financial assistance to local economic development projects and programs – from infrastructure, economic development programs and staff, to business expansions - by using new property taxes that result from new commercial or residential investment associated with the corresponding increase in property value. The Town of Scarborough may choose to create TIF districts to shelter expected new assessed value to reduce our County tax obligations and to increase the level of State funding we receive. TIF districts may also be created with the intention of entering into CEA with developers and businesses to incentivize development seen as advantageous to the Town's goals.

Scarborough's TIF Policy supports investment in municipal economic development programs, infrastructure investment (which is general through the establishment of area wide or neighborhood TIF districts) and individual project site specific TIF districts to support either infrastructure or individual private project financing needs. Consistent with MRSA Title 30-A Chapter 206, this does not include purely residential development projects.

II. RULES AND CONDITIONS

Tax Increment Financing

Economic development projects will be eligible to apply for Credit Enhancement Agreement (CEA) when they meet at least three of the following objectives:

- The projects receiving TIF assistance are public infrastructure projects in support of the development that would typically be projects the community might fund through the general fund, or capital fund, but did not do so;
- The project is a public infrastructure project identified as needed by the community or an identified public benefit for the community;
- The development project cannot move forward without the infrastructure support;
- The development project itself will create or retain significant and sustainable employment opportunities;
- The project will enhance environmental protections resulting in a more sustainable community; or,
- The project is financially advantageous to the Town.

Applications

Applications (Appendix A & B) for Tax Increment Financing requested by a developer or business will be considered by Town staff and the Scarborough Economic Development Corporation (SEDCO), reviewed for recommendation to the Town Council by the Finance Committee, with ~~all~~ final approval vested with the Scarborough Town Council and the Maine DECD. The terms and specific details of each TIF district, development program and credit enhancement agreement are developed on a case by case basis. The Town Manager, the Manager's designated departments, and a representative from the Town Council will negotiate for the Town based on the merits of the project and this policy, following the criteria scoring system shown in Appendix C of this policy. In developing the application, the applicant (the Town or the developer) shall meet the following basic provisions, as well as the policies and requirements stipulated in subsequent sections.

TIF Development Programs

TIF is a tool that permits a municipality to participate in local project financing by using some or all of the new property taxes from a capital investment within a designated geographic district. The Town has the right to retain TIF proceeds for public infrastructure improvements or TIF eligible expenses that may be located inside or outside the district. Any expenditures out of this TIF fund may only be spent in keeping with the requirements set forth in the Town Charter. The municipality has the option of using the "incremental" taxes to retire bonds it has issued for the eligible projects, fund eligible municipal economic development activities, or reimburse a developer or business for development project costs via a Credit Enhancement Agreement.

TIF Districts may be designated for up to 30 years. The designation of a TIF district requires legal notice, a public hearing, the majority vote of the municipal legislative body, and state approval.

- Eligible Expenses. Eligible TIF expenses are defined by the State of Maine in the relevant State statutes found in Title 30-A of the Maine Revised Statutes in Sections 5221 through 5235 and Sections 5245 through 5250-G and in regulations related thereto (which may be amended from time to time). The Town Council will consider proposals that further economic development goals endorsed by the Comprehensive Plan.
- Documentation. The applicant is required to provide all documentation associated with the application. This documentation becomes the basis by which the project's implementation is reviewed for compliance with final approvals.
- Geographic Boundaries. The Town reserves the right during the application process to establish the size of the district necessary to meet the needs of the applicant or to meet the needs of infrastructure improvements deemed necessary by the Comprehensive Plan, the Town's capital improvement program, or in other supporting documents recognized by the community.
- Personal Property. Personal property shall not be captured in a TIF.
- Excess Funds. TIF districts and development programs that include one or more CEAs shall include a provision that directs any excess funds after the CEA is satisfied to economic development uses, or to the Town's general fund depending upon the Council's determination.
- Percentage Modification. The Town by vote of Council majority may modify the portion of tax revenue to be retained in the designated development district.

Credit Enhancement Agreement

If the TIF funds are to be used to reimburse a developer or business for development project costs, a Credit Enhancement Agreement (CEA) is created. The CEA, or contract between the municipality and developer or business, is a mechanism to assist the development project by using all, or a percentage of, the tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the developer or business.

The following four items only apply to TIFs that include credit enhancement agreements:

- Amount of Funds. The TIF funds reimbursed/returned to the developer (via a CEA) will not exceed, over time, the amount of funds agreed to in the CEA. During the application process the applicant is required to submit all documentation that will justify the expenditure to be reimbursed as estimated in the TIF development program and CEA.
- Terms. Terms shall be negotiated between the Town and the applicant on a case-by-case basis.
    - Agreements shall extend between 1 and 30 years; and up to 100% of the incremental value can be captured depending upon the merits of the project
    - These terms shall be consistent with state statute
    - Terms shall have performance measures that will be assessed regularly and, if adopted, whose assessment will be provided to the Town in an annual report by the developer.
    - Terms may include a reimbursement cap, in dollars, that the CEA will not exceed over the life of the agreement.
    - To the degree the Town is interested in frequent reporting from the developer such expectations will be negotiated as part of the credit enhancement agreement
    - Assignments will be allowed only for conventional commercial financing purposes or where the proposed assignee agrees to be bound by the same terms and conditions as the original applicant unless otherwise amended by agreement.
- Suspension, Reduction, and/or Termination of Benefits. Credit Enhancement Agreements may contain provisions for the suspension and/or termination of benefits to the applicant as provided for in the agreement. This may include penalties for not meeting agreed upon targets and performance thresholds and timing.
- Level of Funding Adjustments. The Council may consider including a requirement in a CEA that during the application process and during the life of the TIF (and CEA), the applicant shall demonstrate that the funds are being used at appropriate levels for the purpose intended. If the level of funds the applicant receives exceeds the projected need, the amount returned to the applicant shall be adjusted.
- Financial Analysis - Will include a comprehensive cost to serve analysis, tax shift disclosure, and expert analysis. Expert analysis will not be required for proposed CEAs under $2,000,000. Proposed CEAs between $2,000,000 and $5,000,000 will have a staff provided analysis. Proposed CEAs greater than $5,000,000 will have an external expert analysis completed.

III. APPLICATION PROCESS FOR CREDIT ENHANCEMENT AGREEMENTS (CEA)

SEDCO and the Executive Department will coordinate all activities regarding applications for economic development tax-Increment Financing with possible CEAs and CEA Amendments. It is understood that the TIF/CEA process can precede other local approvals, however, the final TIF/CEA approval can make receipt of such approvals as a condition. Working with applicants, the Departments will coordinate the following process:

- Step 1: SEDCO Staff will provide information on Scarborough's Tax Increment Financing program to the applicants and discuss the merits of the development project proposal(s).
- Step 2: SEDCO and the Town Manager will meet to review the viability of any potential application. Where appropriate, the Executive Department will reach out to obtain preliminary input from Town departments, Tax Assessor, Town Attorney, Codes Enforcement Officer, Director of Public Works, Director of Public Safety, and advise applicants on the findings of Town staff. The Town Manager shall have final authority to invite an application. If an application is determined viable, the Town Manager shall notify the Town Council that an application is forthcoming.
- Step 3: The applicant shall file a preliminary application with the Town through SEDCO. SEDCO shall review the application for completeness and then submit a complete application, to include a complete Financial Analysis (see Section II above), to the Town Manager for joint discussion.
- Step 4: The Town Manager, in consultation with the Town Council Chair, will schedule a joint workshop with the Town Council and SEDCO Board of Directors. The workshop should result in feedback about whether the application is an appropriate use of TIF funding. At that meeting:
    - The applicant shall provide an overview of the development project
    - The Town Manager and SEDCO shall provide any preliminary input from staff, and
    - The Town Council shall provide comment, as appropriate
    - There should be a preliminary discussion of terms including those involved with a CEA
- Step 5: Using the comments from that workshop, the applicant may apply for final application approval (the application is a separate document). The Town Manager and SEDCO shall proceed with the following:
    - Meet and obtain input from appropriate department heads, specifically Finance and Assessing
    - Unless otherwise specified by the Town Council, the applicant may be asked to obtain Master Plan approval, preliminary subdivision or preliminary site plan approval
    - Revise, and renegotiate with the applicant as necessary, and
- Step 6: Present the analysis of the factors identified in section IV above, generated by Town Departments and the SEDCO Board of Directors, to the Finance Committee who shall score the application in accordance with the scoring criteria in Appendix C. The Finance Committee shall present a composite score (based on individual members' scores) to the Town Council along with a recommendation. If the Town Council agrees that the application has met the established thresholds, then Council will vote to allow the Town Manager to form a negotiating team to include a Town Council member.

- Step 7: Final TIF/CEA proposal brought to Council for approval using a full public process including a first reading, a public hearing, and a second reading prior to the final vote. At the Town Council's discretion, the public hearing and final action may occur at the same meeting.

Application Fee

All developer or business applicants are required to:

- At the time of final application submission to the Town Council, a retainer of $2,500 will be made by the applicant to account for staff time, legal fees, consulting costs, and any other professional services required to process or consider the application. Any funds not used during that time may be returned when the construction project is completed. If the retainer is insufficient to cover all related costs, the applicant agrees to assume responsibility for all third-party costs as broadly outlined above.
- Applications will be provided by the Scarborough Economic Development Corporation, 360 US Route 1, Scarborough, Maine 04074. Application materials are available on the Town of Scarborough's website, scarboroughmaine.org, as well as on the SEDCO website, sedcomaine.com.

Appendix A - TIF/Credit Enhancement Agreement Application

Name of Applicant:
Applicant's Address:
Applicant's Phone:
Applicant's e-mail:
Location of Project: (map/lot)
Brief Project Description: (new building, square footage, use)
Reason for the TIF and Credit Enhancement Request:
Estimated project cost:
Current assessed value of land and existing development:
Proposed duration of credit enhancement benefit:
Proposed amount of credit enhancement benefit:
Projected project completion date:
Anticipated additional development within the next 5 years:
Waivers from the standards contained in the Town's TIF policy requested if any:
Retainer of $2,500 received from developer

Appendix B – TIF/CEA Applicant Narrative

Name of Applicant:
Name of Project:

Date:

Please describe below how the proposed development project meets the criteria listed in Appendix C.

1. Attract, retain or expand businesses for the purpose of improving the Town's economic base
2. Directly implement specific recommendations of the Town's strategic planning documents such as the Comprehensive Plan
3. Present extraordinary development/redevelopment costs such as:
   - Remodeling/Rehabilitation/Demolition
   - Environmental Remediation
   - Capital purchases
   - Facility expansion
   - Public infrastructure
4. Include new employment potential
5. Create incremental tax value equal to or greater than $2 million, excluding personal property
6. Have infrastructure value beyond the current project
7. Enhance the streetscape and pedestrian experience
8. Preserve or rehabilitate a locally significant historic structure.
9. Have a quality of development and overall aesthetics (architectural, site design, landscaping, etc.) beyond that which is minimally required by the Zoning Ordinance.
10. Adhere to higher standards of building design, materials, and energy efficiency such as meeting LEED certification, Energy Star, etc.
11. Enhance environmental protections resulting in a more sustainable community or enhance/increase access to natural resources
12. Makes financial/economic sense for the Town - positive Return-On-Investment

Application Component Checklist

_____Completed TIF/CEA Application, including application fee
_____Inclusion of accompanying financial documents
_____Request for policy waivers or modifications, if any
_____Retainer of $2,500.00 toward reimbursement for town staff time and direct expenses

APPENDIX C
ASSESSMENT CRITERIA for PROPOSED CREDIT ENHANCEMENT AGREEMENTS

The Town Council will use the following rubric to determine the value of proposed projects and to decide if a CEA is appropriate and, if so, under what terms.

Credit Enhancement Agreement Criteria to be Assessed			
Does the project:	Possible Score	Applicant Self-Score	Finance Com Composite Score
1. Attract, retain or expand businesses for the purpose of improving the Town's economic base • Documentation of financial projections must be provided by the party making the request and will serve as the basis for the agreement	0-10		
2. Directly implement specific recommendations of the Town's strategic planning documents such as the Comprehensive Plan	0-10		
3. Present extraordinary development/redevelopment costs such as:	0-10		
• Remodeling/Rehabilitation/Demolition • Environmental Remediation • Capital purchases • Facility expansion • Public infrastructure			
4. Include new employment potential • Number of new employees • Skill and education levels required for the jobs • Range of salary and compensation rates for the jobs as compared with the median income level for the community	0-5		
5. Create incremental tax value equal to or greater than $2 million, excluding personal property	0/15		
6. Have infrastructure value beyond the current project	0-5		
7. Enhance the streetscape and pedestrian experience.	0-5		
8. Preserve or rehabilitate a locally significant historic structure.	0-5		

9. Have a quality of development and overall aesthetics (architectural, site design, landscaping, etc.) beyond that which is minimally required by the Zoning Ordinance.	0-5		
10. Adhere to higher standards of building design, materials, and energy efficiency such as meeting LEED certification, Energy Star, etc.	0-5		
11. Enhance environmental protections resulting in a more sustainable community and enhance/increase access to natural resources	0-5		
12. Makes financial/economic sense for the Town - positive Return-On-Investment	0-10		
Total	0-90		

SCARBOROUGH

FISCAL IMPACT ANALYSIS

SCARBOROUGH
MAINE

IN 2018:
DO EXISTING RESIDENTS SUBSIDIZE GROWTH?
DOES LAND USE MAKE A DIFFERENCE?

WHAT IS THE QUESTION?

SCARBOROUGH
MAINE

CAN WE SIMPLIFY THE MODEL?

WHAT ASSUMPTIONS ARE WE USING?

WHAT ELSE CAN YOU DO WITH THE MODEL?

CAN WE RECALCULATE THE DOWNS BASED ON ACTUAL DEVELOPMENT ?

WHERE DO THE TAX DOLLARS FLOW?

IN 2024:

SCARBOROUGH
MAINE

FISCAL IMPACT

Fiscal impact analysis looks at the “direct, current, and public costs and revenues” as a result of land development.

A fiscal impact assessment is the net (positive or negative) of the costs incurred and the revenues received by the Town

Fiscal impact does not take into account Economic Impacts such as jobs; it does not assess environmental or land use compatibility, nor impacts on neighbors. Indirect effects not included.

This analysis does not include any shift benefit analysis from Sheltering Value in a TIF

It’s one piece of the puzzle for making decisions about the future

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FISCAL IMPACT IN SCARBOROUGH

Used during the review of the Downs CEA

Based on work that was done by a consultant For Comp Plan

Consultant Determined the original factors

Project reviewed by two outside consultants

Over time, factors updated based on current Budgets & Census Bureau Data

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SIMPLIFY

Original Analysis estimated each year separately (30 Workbooks)

Simplification:

Converted from 30 separate workbooks to 3 Connected workbooks

Reorganized the work into Revenues, Costs, Build Scenario, and Summary

Provides options for different assumptions

Uses a “Sandbox” for relevant data

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UPDATE

- Assumes reval every 5 years starting in year 6
- Provides options for Assumptions (to look at different Scenarios)
- Adds the Balance of the Town
- Updates costs to latest available numbers
- Lets the user select the Key Data Points

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BASIC CONCEPT

REVENUES - CEA INVESTMENT - COSTS =
FISCAL IMPACT

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COMPONENTS: REVENUES

- Property tax generated by Values assigned by type of use
- Revenues separated into Sharable under CEA (Original Assessed Value Subtracted)
- CEA Share subtracted from Sharable Revenues
- Original Assessed Value (OAV) added back to revenues after CEA dollars removed
- Excise tax calculated and added into mix

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COMPONENTS: COSTS

* 2024 Department Net Budgets used as base
* Education, Public Works, Police, Fire/EMS, Library, Community Services
* These budgets represent 77% of total Town Tax Levy in 2024

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COMPONENTS: COSTS

Capital Costs are not included

Impact Fees intended to cover capital

Direct costs Only as Reflected in Budget

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OPTIONS: REVALS

Year 6 Valuation Increase (Town) – 50% (recommended by Assessor)

Year 6 Valuation Increase (The Project) – 50%

Years 11, 16, 21, 26 (Townwide) – 15%

Alternate Assumptions can be made for a project

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BUDGET ASSUMPTIONS

Annual Town Tax Levy Increases Non Revaluation Years:	4.5%
Annual Town Tax Levy Increases Revaluation Years:	4.5%
Annual Department Increases:	4%
Annual Increase in Townwide Valuation:	1.5%

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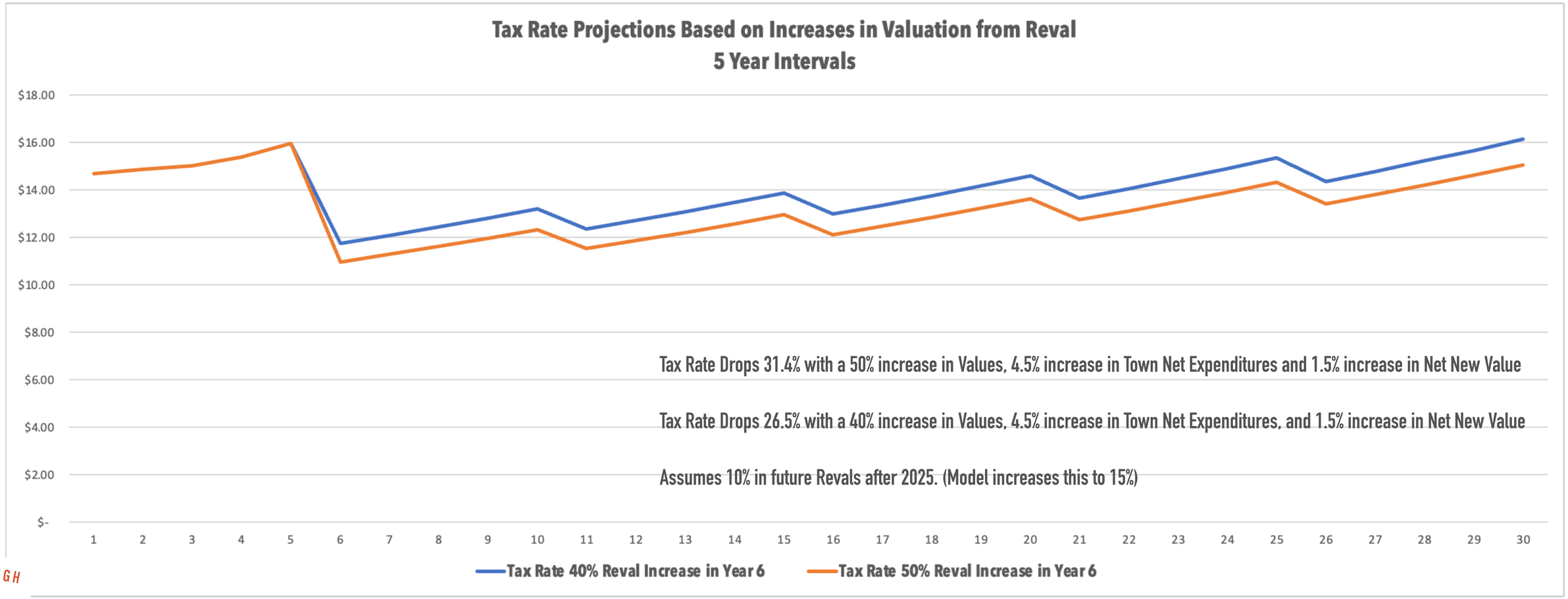
TAX RATE PROJECTIONS



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2023 HOUSING SALES

January through December Housing Sales in Scarborough

Category	Single Family	Townhouse	Condo	All Units
# Sold	214	25	44	283
Ave Price	$742,980	$610,240	$572,875	$704,806
Total # of Bedrooms	725	67	94	886
Ave Number of Bedrooms	3.39	2.68	2.14	3.13
# of Units with 4 or More Bedrooms	91	1	1	93
% of Units with 4 or More Bedrooms	42.5%	4.0%	2.3%	32.9%
Ave Square Feet	2,266	1,798	1,374	2,086
# of New Units (Built 2022-2023)	49	6	13	68
New Units as a % of Total	23%	24%	30%	24%
Ave Price of New Units	$837,788	$622,000	$488,115	$755,339

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THE MODEL

4 LINKED SPREADSHEETS:

- GENERIC FISCAL IMPACT 24 (SAND BOX)
- GENERIC FISCAL IMPACT 24 REVENUES
- GENERIC FISCAL IMPACT 24 COSTS
- GENERIC FISCAL IMPACT 24 SUMMARY

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VALUES PER UNIT

Value per Unit	2019	4/1/23	Revaluaton # 1 Year 6 FY 24-25	Revaluation # 2 Year 11 FY 24-25	Revaluation #3 Year 16 FY 34-35	Revaluation #4 Year 21 FY 39-40	Revaluation #5 Year 26 FY 44-45)
Single Family	$275,000	$475,000	$712,500	$819,375	$942,281	$1,083,623	$1,246,167
Condos	$225,000	$375,000	$562,500	$646,875	$743,906	$855,492	$983,816
Apartments - Market Rate	$130,000	$125,000	$187,500	$215,625	$247,969	$285,164	$327,939
Apartments - Subsidized		$79,000	$118,500	$136,275	$156,716	$180,224	$207,257
Senior Apartments - Market Rate	$130,000	$125,000	$187,500	$215,625	$247,969	$285,164	$327,939
Senior Apartments - Subsidized		$79,000	$118,500	$136,275	$156,716	$180,224	$207,257
Assisted Living/Special Units	$130,000	$250,000	$375,000	$431,250	$495,938	$570,328	$655,

Based on 50% increase in 2025, 15% increases in remaining Years

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VALUES PER SQUARE FEET

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Value per Sq Ft	2019	2023	Revaluaton # 1 Year 6 FY 25	Revaluation # 2 Year 11 FY 30	Revaluation #3 Year 16 FY 35	Revaluation #4 Year 21 FY 40	Revaluation #5 Year 26 FY 45
Small Retail	$125	$130	$195	$224	$258	$297	$341
Large Retail	$100	$123	$185	$212	$244	$281	$323
Restaurants	$160	$185	$278	$319	$367	$422	$485
All Other Retail & Service (Nursing Homes)	$150	$150	$225	$259	$298	$342	$394
Recreational Fields/sports facilities	$75	$75	$113	$129	$149	$171	$197
Office	$125	$130	$195	$224	$258	$297	$341
Medical Office	$200	$220	$330	$380	$436	$502	$577
Research/Professional Office/Production	$100	$212	$318	$366	$421	$484	$556
Production	$100	$105	$158	$181	$208	$240	$275
Warehouse	$50	$70	$105	$121	$139	$160	$184
Hotel/Lodging		$175	$263	$302	$347	$399	$459

Based on 50% increase in 2025, 15% increases in remaining Years

COSTS: BASED ON DEPARTMENT BUDGETS

Category	Basis	Factor	30 Year Forecast
Public Works	Per Mile	$32,918	$87,753
Police	Per Call/Landuse	$261	$724
Fire	Per Call/Landuse	$1,049	$2,980
Education- Total	Per Student	$18,736	$49,947
Education: less 22% Fixed Costs	Per Student	$14,614	$38,959
Community Services	Per Person	$34	$91
Library	Per Person	$53	$141

Includes 4% annual increase in cost factor

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TEST PROJECT:
MIXED USE WITH SOME SUBSIDIZED UNITS

810 POP
471 UNITS, 90 SENIOR SUBSIDIZED, 24 MARKET RATE SENIOR
52 STUDENTS
36,000 SQ FT COMMERCIAL

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MODEL OUTPUT

Summary of Fiscal Impacts
Project: Test A/Mixed Use with Subsidized Units

Project Components:

95 Single Family
72 Condos
256 Market Rate Apartments
24 Subsidized Apartments
24 Senior Market Rate Apartments
90 Senior Subsidized Apartments
10 Specialized Units
36,000 Square Feet of Commerical

Buildout over 7 Years starting in 2020

In Year 30:		
Revenues Sharable	$	3,678,327
Revenues Excise	$	500,749
Revenues OAV	$	12,609

In Year 30:		
Municipal Costs	$	1,295,396
School Costs	$	2,035,810
CEA:	$	735,665

Assumptions:	
CEA:	20%
Length of CEA	30 Years
OAV	$ 1,000,000
Reval Year Increase 2025	50%
Future Reval Increases	15%
Annual Budget Increases	4.50%
Annual Townwide Increase in Value	1.50%
Annual Increase in Department Budgets	4%

Fiscal Impact Year 7:	$ 554,347
Fiscal Impact Year 15:	$ 435,771
Fiscal Impact Year 20:	$ 371,870
Fiscal Impact Year 30:	$ 124,812

Property Tax Rates	
2020	$ 14.70
2025	$ 10.96
2030	$ 11.03
2035	$ 11.09
2040	$ 11.16
2045	$ 11.22
2049	$ 12.61

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THOUGHTS ON MODEL

Models do better estimating larger areas

Estimating total students doesn't identify pinch points

Model uses average growth in department budgets – major changes that affect service delivery should be identified

Universal approach is starting point, but there will likely be unique circumstance to each large project

Complicated relationship between growth and cost to serve – example School Population.

Some service types may need a slider – 10% less and 10% more with Model output as base

This model looks at marginal costs operating budgets

Concept of Public Services as a vending machine – Sometimes you get more than you put in, sometimes you get less!

We are asking others to review the new concepts to help improve our model. A little "crowd sourcing"

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TO: John Anderson, Chair of Finance Committee
FROM: Karen Martin, SEDCO Executive Director
DATE: February 5, 2024
SUBJECT: Fiscal Model Update

Overview

The Finance Committee requested a refresh of the fiscal model that has been used in conjunction with The Downs project. Staff understood the request as the following:

1) How can we make the model useful to other projects?
2) How can we simplify the existing model?
3) What factors are being used to generate the fiscal impact?
4) Can we update the model, using first five years of actual data, for The Downs

At the meeting on Thursday, I plan to go over the major workings of the fiscal model. I also hope to get some general consensus regarding the inputs. Once there is a general consensus about how the model works, we can go to item 4, a full analysis of The Downs in a future meeting.

Update and Simplify

The attached Presentation (Presentation Fiscal Impact 24.pdf) includes details on the following:

- Model Background
- Model Simplification
- Model Updates
- Current Fiscal Assumptions on net budget Increase
- Current Fiscal Assumptions regarding background growth
- Current assumptions about department budget increases
- Current Assumptions about Revaluations
- Forecast of tax rates
- Current Cost per unit/Square foot assumptions
- Current assumptions on values
- Sample Project Analysis

A test project of a mixed-use development was used in the updated model to show how development impacts revenues, costs and net impacts.

Model Spreadsheet-Inputs

In addition to pdf presentation I have included the first of the workbooks which contains the balance of the research involved with updating the model.

I refer to this workbook as my "sandbox" because it contains research on budgets, on values and on tax rate projections. There is a table of contents as the first sheet in the workbook which allows you to jump to the various sheets in the workbook.

My suggestion would be to open the tax rate projection sheet in this workbook. In this sheet, you can input your own assumptions at the top of the spreadsheet and watch how the tax rate changes.

Once we make decisions about the inputs, the balance of the workbooks can be synchronized with the assumptions, and we can evaluate The Downs input at your next meeting.

Summary of Fiscal Impact

The Downs Based on Revaluation Increases in Year 6

of 53% Residential & 45% Non Residential

Project Summary	
Residential Units:	
Single Family	462
MF	1,523
Total	1,985
Percent Senior Units	17%
Non Residential:	
Commerical (Retail/Service/Office)	1,163,270
Research/Production	768,245
Total	1,931,515
People	3,636
Students	253

In Year 5 & 30:	Year 5	Year 30
Revenues Sharable for CEA	$ 2,860,655	$ 29,553,728
Revenues Excise	$ 310,406	$ 2,110,374
Revenues OAV	$ 116,033	$ 103,566
Total Available for Cost to Serve	$ 3,287,094	$ 31,767,668

In Year 30:	Year 5	Year 30
Municipal Costs	$ 492,773	$ 6,080,496
School Costs	$ 880,592	$ 16,063,970
CEA:	$ 1,144,262	$ 2,000,000
Total Cost to Serve + CEA	$ 2,517,627	$ 24,144,466

Assumptions:	
CEA:	40%/10%/$2 Mil
Length of CEA	30 Years
OAV	$ 7,265,700
Reval Increase 2025-Residential	53%
Reval Increase 2025-NonResidential	45%
Future Reval Increases (All Uses)	15%
Annual Budget Increases	5.00%
Annual Townwide Increase in Value	1.50%
Annual Increase in Department Budget	5%

Fiscal Impact Year 5:	$ 769,467
Fiscal Impact Year 7:	$ 1,320,814
Fiscal Impact Year 15:	$ 2,349,030
Fiscal Impact Year 20:	$ 7,290,231
Fiscal Impact Year 30:	$ 7,623,202

Property Tax Rates	
2020	$14.70
2025	$11.05
2030	$11.38
2035	$11.73
2040	$12.08
2045	$12.45
2049	$14.25

Cumulative Revenues Over 30 Years	$ 485,386,786
CEA Obligation:	$ 81,394,510
Cost to Serve:	$ 283,501,303
Fiscal Impact:	$ 120,490,972
CEA Obligation % of Revenues:	16.8%

Estimated Cumulative Increased Assessed Value (IAV) in Future Years

		Cottages at Sawyer			Enterprise Business Park		
	FY	Est Assessed Value	IAV	Description	Est Assessed Value	IAV	Description
	23-24	3,778,100		OAV	23,600,200		OAV
Reval →	24-25	5,542,300	1,764,200	New Construction & Reval	37,500,400	13,900,200	New Value Mostly Due to Reval
	25-26	7,742,300	3,964,200	Est 4 New SFH (550k/per)	37,500,400	13,900,200	Est No New Value
	26-27	9,942,300	6,164,200	Est 8 New SFH (550k/per)	47,100,400	23,500,200	Est 48 new apt units 200k/per
	27-28	12,142,300	8,364,200	Est 12 New SFH (550k/per)	56,700,400	33,100,200	Est 96 new apt units 200k/per
	28-29	14,342,300	10,564,200	Est 16 New SFH (550k/per)	66,300,400	42,700,200	Est 144 new apt units 200k/per
	...						
	Future Years	Continue to add value from ≥ 4 new homes per year at 550k/per [aka +2,200,000] until 50 total new homes completed. Also, follow conventions/assumptions for future Revals every 5 years (ie. 10% reval-related increase)			Continue to add value from 48 new apt units per year at 200k/per [aka +9,600,000] until 336 total new units completed. Also, follow conventions/assumptions for future Revals every 5 years (ie. 10% reval-related increase)		
		Estimate Explanation Pre-exisitng "Cottages" phase 1 homes assessed at approx. 550k per home. Future phase plans for 50 total new homes. Conservative est of only 4 new homes/year based on prior work by same developer. Could be more new homes per year if lots sold to other builders.			*Estimate Explanation* 200k per unit based on comps. 336 Total Future Apt Units Estimated in undeveloped phase of Enterprise Business Park.		

Third Amendment
37.09 Acres

Cottages at Sawyer
30.31 Acres

Enterprise Business Park
69.4 Acres

Town Of
Scarborough
Maine
http://www.scarborough.me.us/dpw/

Disclaimer: The data contained within the Scarborough GIS is intended as a public resource of general information. The Town of Scarborough makes no warranty or representation as to the accuracy, timeliness or completeness of any of the data, and shall assume no liability for the data contained, for omissions, or any decision made or action taken or not taken in reliance upon any of the data. Parcel data is intended for general map reference only and is a general representative of approximate lot configuration, and is not intended for boundary determination, legal description, delineation, or transfer. Any service utility information shown is intended for general information only. Other utilities may be present, and the appropriate utility owner should be contacted for detailed information. GIS data is not intended for engineering design. Field verification is recommended.

0 500 1,000 2,000
Feet

N

Downtown Omnibus Tiff District
Cottages at Sawyer
Enterprise Business Park
Third Amendment
Print Date: 11/8/2023

EXHIBIT B
Credit Enhancement Agreement
Total of 1084.93 Acres