



Maine Real Estate &
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A Developer's Primer: How to Make Use of Maine's Municipal TIF Program

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While municipalities across the state of Maine are increasingly using tax increment financing (TIF) as a tool to foster economic development within the municipality, there is wide disparity around the state in terms of when, how and even whether TIFs will be used to help a developer finance some aspect of a development project. The following tips are designed to provide assistance to developers who wish to obtain TIF support for a development project.

- **Do your homework in advance.**

TIFs can be created by Maine cities, towns, plantations and even counties acting for an unorganized territory (UT), and TIFs can be a hot button issue in some municipalities. Before approaching a municipality with a TIF proposal, it is best to do some homework on the municipality in which your project will be located. You should find out what type of government is in place for the municipality (i.e., town meeting form of government, town council, city council or county commission), since a TIF district and development program must be approved at the local level by the legislative body. You should also find out whether the municipality has adopted a TIF policy, and if it has done so, identify the criteria that a developer must meet in order to obtain TIF funding for a project. Regardless of whether the municipality has a written policy, the municipality may have articulated goals that it likes to accomplish in order to grant TIF benefits to a project (e.g., job creation or retention goals, public infrastructure projects, etc.). It is also helpful to know if the municipality has created TIF districts in the past, or if your project will be the municipality's first experience with a TIF. Finally, is there a prevailing attitude (positive or negative) about TIFs in the municipality where your project will be located?

- **Think about timing.**

It is best to give some thought to the timing of when to submit a TIF proposal. The important date to keep in mind is the date of the original assessed value (OAV). A TIF only works if the TIF program is in place with an OAV that pre-dates the development (i.e., before there is new taxable value resulting from the development project). The OAV date is set by statute and looks backward in time, so there is often flexibility in terms of when to come forward with a TIF proposal. Don't wait too long, though, because it is never ideal to come forward with a TIF proposal when you have very short financing deadlines or when your project deadlines create unnecessary emergencies for municipal staff.

- **Be prepared when you meet with municipal officials.**

Initial TIF meetings with municipal staff tend to go better when the developer attends the meeting prepared to introduce the company, introduce the project, has preliminary architect or engineering drawings of the proposed project, and when applicable, attends the meetings with some financial information relevant to the TIF request. It is also helpful to approach the municipality with a specific request explaining what you are asking for in TIF benefits and why you need them.

- **Be proactive regarding the estimated value for your project.**

Remember that the developer's TIF reimbursement comes directly from the property taxes the developer has already paid to the municipality. It is always a good idea to discuss the tax valuation method that the municipality will apply to determine the taxable value of the project once it is completed and to use your own consultant to help determine what the taxable value should be for the project. Getting agreement on the tax valuation method and projected starting value can pay dividends over the life of a project.

- **Help the municipality maximize the tax shelter benefit and educate the public.**

There is a lot of misinformation about TIFs in Maine, and many people do not understand exactly how they work. It is often helpful if the developer is willing to help educate the community and municipal officials about TIFs generally and the financial benefits of the project, including the tax shelter benefit that municipalities enjoy through the TIF program.

- **Make sure the credit enhancement agreement is assignable.**

The credit enhancement agreement (CEA) is the legal contract between the developer and the municipality that dictates the terms of the TIF reimbursement, among other things. The terms of most CEAs are fairly standard, but make sure that the CEA will be assignable for the purpose of financing the project without the need for consent from the municipality.

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