MAINE STATE HOUSING AUTHORITY

APPLICATION
Affordable Housing Tax Increment Financing

The Municipal Affordable Housing Development Districts statute, 30-A M.R.S.A. §§5245 – 5250-G, referred to as the "TIF Statute" in this Application, applies to affordable housing tax increment financing in Maine. The TIF Statute provides that before a municipality's designation of an affordable housing development district and its adoption of the associated affordable housing development program for the district become effective, MaineHousing must review the proposed district and development program to ensure compliance with the TIF Statute.

All applications to MaineHousing for review of an affordable housing development district and its associated development program must be on this form and include all eight Attachments noted below.

Sections 1 and 2 below are in fillable PDF format and may be completed on-line. After you have completed Sections 1 and 2, please print the Application and sign where indicated in Section 1.

This Application, with Attachments 1 through 8, may be submitted to MaineHousing in one of two ways:

By e-mail to Don Guild sent to **dguild@mainehousing.org**, *or*
By mail to: Don Guild, MaineHousing, 353 Water Street, Augusta, Maine 04330

In this Application "district" means an affordable housing development district and "development program" means an affordable housing development program.

SECTION 1 – APPLICANT INFORMATION

1-1   Name of applicant city or town: _____

1-2   Municipal official submitting this Application:

_____   _____
Printed name   **Title**

_____
Mailing address

_____   _____
Phone number   **E-mail address**

The municipal official named above certifies that he/she has the authority to submit this Application to MaineHousing and further certifies that to the best of his/her knowledge, the information contained in this Application and its Attachments is true.

_____   _____
Signature   **Date**

1-3   **Municipal official with authority to submit annual reports to MaineHousing on the status of the district:**

_____   _____
Printed name   **Title**

_____
Mailing address

_____   _____
Phone number   **E-mail address**

SECTION 2 – NOTICE AND HEARING

Before designating a district or adopting a development program, the municipal legislative body must

   (a)   hold at least one public hearing,

   (b)   publish notice of the hearing at least 10 days <u>before</u> the date of the hearing in a newspaper of general circulation in the municipality,

   (c)   at the hearing, consider

      (i)   whether the district and development program will contribute to the expansion of affordable housing or the betterment of the health, welfare or safety of the residents,

      (ii) any claim by a party that the district or development program will be detrimental to that party's property interests for which substantial evidence is produced, and whether any adverse economic effect is outweighed by the availability of affordable housing or the betterment of resident health, welfare or safety.

2-1   **Date of public notice:** _____

Attachment 1 – Newspaper Notice

*Include as **Attachment 1** a copy of the newspaper page showing the public notice <u>and</u> the newspaper name and date.*

2-2   **Date of public hearing:** _____

Attachment 2 – Public Hearing Record

Include as **Attachment 2** *the record of the meeting at which the public hearing was held, certified by the municipal clerk.*

Attachment 3 – Additional Documents

Include as **Attachment 3** *all documentation submitted to, or prepared by, the municipality relating to items (c)(i) and (c)(ii) above.*

SECTION 3 – MUNICIPAL APPROVAL

Conditions of municipal approval of district and development program

The TIF Statute sets out conditions for the designation of a district and adoption of a development program by a city or town. A municipality must designate a district and adopt a development program meeting these conditions.

To assist municipalities in ensuring that districts and development programs comply with the conditions of the TIF Statute, we have set out below a **Checklist in Appendix A** that can be used in designating a district and adopting a development program. The Checklist covers the conditions in the TIF Statute that need to be met in approving the district and development program. While MaineHousing does not require municipalities to fill in or follow the format of the Checklist, in reviewing a district and development program approved by a municipality, we will look for specific information in the Application materials (including the Attachments) the city or town submits to us showing compliance with all the conditions of the TIF Statute.

IMPORTANT NOTE: Because the TIF Statute defines a district as "a specified area within the corporate limits of a municipality that has been designated . . . to be developed" under a development program, a development program <u>must</u>, at a minimum, include new construction of affordable housing or rehabilitation of existing housing **_inside_** the district, or both. A municipality may not create a district for the sole purpose of capturing tax increment revenues that would result only from inflationary adjustments to property values with no development of new housing or rehabilitation of existing housing in the district.

Attachment 4 – Municipal Approval

Include as **Attachment 4** *a copy of the order or resolution <u>and</u> vote of the municipal legislative body approving the district and development program, certified by the municipal clerk.*

Attachment 5 – District Maps

Include as **Attachment 5** *a municipal map <u>and</u> tax map showing the district boundaries.*

Attachment 6 – Certification of Original Assessed Value of District

Include as **Attachment 6** *a dated certification signed by the municipal assessor showing the original assessed value of the district. "<u>Original assessed value</u>" means the taxable assessed value of the district as of the March 31st before municipal approval of the district.*

Attachment 7 – Development Program

*Include as **Attachment 7** a copy of the development program approved by the municipality's legislative body.*

Attachment 8 – Credit Enhancement or Other Agreement

*Include as **Attachment 8** a copy of the credit enhancement agreement or other tax increment revenue sharing agreement, whether or not executed.*

See Appendix A below for
Checklist for Approval of District and Development Program

The TIF Statute sets out conditions for the designation of a district and adoption of a development program by a city or town. A municipality must designate a district and adopt a development program meeting these conditions.

To assist municipalities in ensuring that districts and development programs comply with the conditions of the TIF Statute, we have set out below a **Checklist** that can be used in designating a district and adopting a development program. The Checklist covers the conditions in the TIF Statute that need to be met in approving the district and development program. While MaineHousing does not require municipalities to fill in or follow the format of the Checklist, in reviewing a district and development program approved by a municipality, we will look for specific information in the Application materials (including the Attachments) the city or town submits to us showing compliance with all the conditions of the TIF Statute.

☐   District description

         _____   Physical description of district

         _____   Municipal map showing district boundaries

         _____   Tax map showing district boundaries

☐   At least 25% of district acreage is suitable for residential use, blighted, or in need of rehabilitation/redevelopment

         _____   % acreage suitable for residential use

         _____   % blighted

         _____   % in need of rehabilitation/redevelopment

         _____   Physical description of district to support above

         _____   Zoning designation where district is located

         _____   Allowed uses in that zone

☐   District acreage divided by total municipal acreage is not more than 2%

         _____   Total district acreage

         _____   Total municipal acreage

         _____   District acreage as a percent of total acreage

☐ Total acreage of all existing <u>and</u> proposed development districts (affordable housing <u>and</u> DECD districts) in municipality divided by total municipal acreage is not more than 5%

    _____   Total acreage of all development districts

    _____   Total municipal acreage

    _____   Total development district acreage as a percent of total acreage

☐ Original assessed value (OAV)***** of district

    _____   Dated certification signed by municipal assessor showing OAV amount <u>and</u> date

> ***** OAV means the taxable assessed value of the district as of the March 31st before municipal approval of the district.

☐ OAV of all existing <u>and</u> proposed affordable housing development districts in the municipality divided by aggregate taxable property value as of the April 1st before MaineHousing approval is not more than 5%

    _____   Aggregate OAV of existing and proposed districts

    _____   Aggregate taxable property value as of the April 1st before MaineHousing approval

    _____   Aggregate OAV as a percent of total taxable value

☐ Development program start and end dates

    _____   First tax year (i.e., April 1 – March 31) of development program *****

> ***** May be any tax year specified in municipal approval. If none is specified, the development program will start during the tax year of approval.

    _____   Last tax year of development program ******

> ****** Not more than 30 years after tax year of MaineHousing approval.

    _____   Municipal fiscal year *******

> ******* Example: July 1 – June 30

☐ The development program meets an identified housing need in municipality

    _____   Description of need

    _____   Description of how development program meets need

    _____   Number of new rental units to be constructed

_____   Number of existing rental units to be rehabilitated

_____   Number of new single-family homes, including condominiums, to be constructed

_____   Number of existing single-family homes, including condominiums, to be rehabilitated

☐   District must be a primarily residential ***** development

_____   Description of residential and non-residential uses in district <u>and</u> acreage of each

_____   Description of accessory uses relating to residential use

> ***** A district is primarily residential if the overall character of the uses in the district is residential. Residential uses include both housing and uses related to residential uses, such as recreational facilities and child care facilities available to the residents of the district and small-scale nonresidential uses that are intended to provide services primarily to the residents of the district.

☐   At least 33% of the housing units in the district must be affordable housing *****

_____   Number of affordable single-family owner-occupied homes, including condominiums, in district

_____   Number of affordable rental units in district

_____   Total number of housing units in district

_____   Affordable housing units as a percent of total units

> ***** Affordable housing is an owner-occupied single-family home or condominium or a rental unit for a household earning no more than 120% of area median income (AMI). The housing must be decent, safe and sanitary. Affordable housing does not include facilities such as emergency shelters, nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories, regardless of income level. No purchase price limits on homes or rent restrictions on rental units are required to establish that a unit is affordable.
>
> 2015 AMI for counties and other designated areas in Maine can be found at http://www.huduser.org/portal/datasets/il/il15/Section8_IncomeLimits_Rev.pdf. After scrolling down to the Maine pages, use the information in the first column at "FY 2015 MFI: _____" for the county or other area of interest. Multiply that MFI figure by 120% to determine the maximum income level.
>
> HUD updates AMI annually. 2015 AMI will remain in effect until HUD publishes AMI for 2016.

☐   Mechanism to ensure ongoing affordability of 33% of the housing units in district for required time

      _____   Length of affordability period for owner-occupied single-family homes and condominiums *****

> ***** The minimum affordability period for single-family owner-occupied homes and condominiums is 10 years.

      _____   Description of affordability mechanism for single-family owner-occupied homes and condominiums

      _____   Length of affordability period for rental units ******

> ****** The minimum affordability period for rental units is 30 years.

      _____   Description of affordability mechanism for rental units

> A district may contain only homeownership units or only rental units or a combination of both, but a minimum of 33% of the total number of housing units in the district must be affordable for the required time, i.e., 10 or 30 years, depending on the housing type.
>
> The affordable units can be fixed (particular units are subject to the affordability requirements and never change, i.e., those specific units must remain affordable during the applicable affordability period and other units cannot be substituted for them) or they can float (units initially designated as affordable may change over time and other affordable units can be substituted in their place) provided that at least 33% of the total number of housing units in the district are affordable housing at any given point in time.
>
> Whether the units are rental or homeownership units, the affordability period begins to run when the units have been constructed or rehabilitated into decent, safe and sanitary housing and (i) are available for occupancy if the development is subject to a declaration of covenants and restrictions that requires the units to be affordable (i.e., restricted to households with income not exceeding 120% of AMI), or (ii) when the units are occupied by a household with income not exceeding 120% of AMI if the development is not subject to a declaration. The development program needs to include timing information on the development and availability for occupancy of the affordable units in the district. To comply with the TIF Statute's requirement that at least 33% of the housing units in the district be affordable housing, in a mixed-income development, the development program must provide for the construction/rehabilitation of the affordable units within a reasonable timeframe during the construction phase of the project and not leave them to the end of the project if the units will be made available for occupancy or sale as they are constructed or rehabilitated.

☐   Operation of housing and facilities in district

_____ Description of how housing and facilities in the district will be operated after completion

_____ Entity responsible for operation

_____ Source of operating funds

☐ Specific planned uses of tax increment revenues from the district *****

> ***** See §5249 of the TIF Statute for eligible uses of tax increment revenues from the district.
>
> **IMPORTANT NOTE:** Municipalities are cautioned that a broad recitation in a development program of all or substantially all the authorized project costs listed in the TIF Statute will not be accepted by MaineHousing.
>
> A non-residential use included in a development program may be funded with tax increment revenues from the district, provided that the non-residential use contributes to a specific, identified improvement of the health, welfare or safety of the residents of the municipality, including a specific, identified benefit to the residents of the district, or to the expansion of affordable housing within the municipality. The district and development program must otherwise comply with the requirements of the TIF Statute, including the requirement that the district be a primarily residential development. Tax increment revenues may not be used to construct new "pure" commercial facilities within a district or to rehabilitate those facilities.

_____ Description of each improvement, facility, program, or other activity included in the development program that may or will be funded in whole or in part with tax increment revenues *****

> ***** Include all intended uses and potential alternative uses.

_____ List which of these improvements, facilities, programs, or other activities are inside the district

_____ List which of these improvements, facilities, programs, or other activities are outside the district ******

> ****** To be funded with tax increment revenues, costs outside the district must be **_directly related to or made necessary_** by the creation or operation of the district. Include any supporting studies, research, estimates, and assumptions.

_____ Amount of tax increment revenues to be used for each improvement, facility, program or other activity inside and outside the district *******

> ******* Only the proportion of costs outside the district that are **_directly related to or made necessary_** by the creation or operation of the district may be paid with tax increment revenues.

_____ Amount <u>and</u> source of other funding for the development program

_____ Timing of each planned improvement, facility, program, or other activity

☐ A municipality may use tax increment revenues from a district to establish a permanent housing development revolving loan fund or investment fund. *****

_____ A description of the fund, including type, purpose, operation, and provisions for repayment or return of fund proceeds to the fund

_____ The timing of the establishment and use of the fund

_____ The property to be purchased with investment fund proceeds and the housing to be developed with revolving loan fund proceeds and timing

_____ The location of the property and the housing

---

* A permanent housing development revolving loan fund or investment fund must be used solely for the development of affordable housing as defined above.

Loans made from a revolving loan fund must be repaid to the municipality, and all loan repayments must be deposited into that loan fund and used for additional loans for the development of affordable housing. Loans may be made from the revolving loan fund for both new construction of affordable housing and the rehabilitation of existing housing.

Funds in an investment fund may be used only for the purchase of property by the municipality for the development of affordable housing by the municipality itself or by a developer to which the municipality sells or leases the property. All sales proceeds or rental revenues must be placed in the investment fund and used for additional purchases of property by the municipality for that purpose.

Creating a district around an existing residential area for the purpose of funding a revolving loan fund or investment fund still requires that there be some development of affordable housing _within_ the district, whether new construction or the rehabilitation of existing housing, or both.

Because revolving loan funds and investment funds are capitalized with tax increment revenues resulting from the development of affordable housing in a district and proceeds disbursed from a loan or investment fund are required to be returned to the fund, it is not necessary for a municipality to make any further showing that costs of establishing a permanent housing development revolving loan fund or investment fund are directly related to or made necessary by the district.

☐ A financial plan showing for **_each year_** the development program will be in effect

_____ An estimate of increased assessed value ***** of the district (including assumptions)

---

* Increased assessed value is the amount, if any, by which the current assessed value as of the most recent April 1st exceeds OAV.

_____ Amount _or_ percent _or_ method or formula for determining amount or percent of increased assessed value to be retained as captured assessed value ****** and applied to pay development program costs _and_ resulting tax increment *******

> ****** Captured assessed value is the portion of increased assessed value that is used from year to year to finance the project costs authorized under the development program.
>
> ******* Tax increment means the municipal real estate taxes assessed on the increased assessed value of the property in the district.

_____ Calculation of estimated tax shifts showing the effect on the municipality's state revenue sharing, education subsidies, and county taxes resulting from creation of district and the capture of increased assessed value. ********

> ******** Use the tax shift formulas in **<u>Appendix B</u>** to this Application to calculate tax shifts.

_____ Allocation of total tax increment revenues from the district

      _____ Portion ***** to be allocated to project owner

      _____ Portion ***** to be allocated to municipality

> ***** May be stated as a percent _or_ amount _or_ by formula.

      _____ Copy of credit enhancement or other tax increment revenue sharing agreement (whether or not executed)

☐ Relocation plan for persons temporarily or permanently displaced by development activities

      _____ Relocation plan description, _or_

      _____ Statement that no relocation is necessary

☐ Description of environmental controls to be applied

      _____ Statement regarding environmental controls, such as permitting and licensing or use of environmental mitigation measures during development and operation of district

☐ Development program consistent with comprehensive planning

      _____ Date of comprehensive plan final adoption

      _____ Statement of no conflict with comprehensive plan

      _____ Statement indicating how development program complies with Maine law limiting growth-related capital investments (see 30-A M.R.S.A. §4349-A)

☐   District not in conflict with municipal charter

         _____   Statement of no conflict with municipal charter

☐   **For municipal debt financing only:**   Amount of public debt with maximum 30-year maturity to be incurred to finance development program costs

         _____   Principal amount, maturity and type of each municipal debt issuance

         _____   List of improvements inside the district ***** to be financed with municipal debt

> *****   Under §5250-D of the TIF Statute, municipal debt may be issued to finance only development program costs <u>inside</u> the district.

Appendix B
Tax Shift Formulas

To calculate the state education subsidy tax shift: For fiscal year 2015 – 2016 and each subsequent fiscal year, the state education subsidy formula is based on the average of the certified state valuations for the three (3) most recent years prior to the most recently certified state valuation. The education tax shift is computed by comparing Maine Department of Education Form ED 279 for the municipality with and without retained captured assessed value. The difference in the actual education subsidy and the adjusted education subsidy represents the projected state education subsidy tax shift for that year.

To calculate the state revenue sharing tax shift: The first step in determining the revenue sharing tax shift is to obtain the total municipal revenue sharing amount from the State Treasurer. The five steps outlined in the following formula are then applied ("CAV" below means projected captured assessed value):

Step 1: $$\frac{\text{Municipal Population} \ \ \text{x} \ \ \text{Local Property Tax Levied}}{\text{State Local Valuation}} = \text{Current Factor}$$

Step 2: $$\frac{\text{Municipal Population} \ \ \text{x} \ \ \text{Local Property Tax Levied}}{\text{State Local Valuation} + \text{CAV}} = \text{Adjusted Factor}$$

Step 3: $$\frac{\text{Current Factor}}{\text{Adjusted Factor}} = 1.X$$

Step 4: $1.X - 1.0 = .X$

Step 5: $.X$ (total municipal revenue sharing amount) = Revenue sharing tax shift

To calculate the county tax shift: The steps in determining the county tax shift are as follows ("CAV" below means projected captured assessed value):

Step 1: Obtain the most recent County State Valuation from Maine Revenue Services.

Step 2: Determine the average CAV for the District over the life of the District.

Step 3: Determine the municipality's current share of the county tax:

$$\frac{\text{Current State municipal valuation}}{\text{Current State county valuation}}$$

Step 4: Determine what the municipality's share of the county tax would be if the new value from the District were added to the municipal valuation without the creation of the District:

$$\frac{\text{Current State municipal valuation + average new value}}{\text{Current State county valuation + average new value}} = \% \text{ of county tax shift}$$

Step 5:   Determine the estimated average annual county tax over the life of the District. To arrive at this number, determine the average change in county tax for the last five (5) years and the percentage increase projected to the middle of the District's life.

Step 6:   Multiply the projected tax from Step 5 by the percent of county tax shift from Step 4 to determine the county tax shift.