



**MAINE MUNICIPAL
ASSOCIATION SINCE 1936**

60 Community Drive | Augusta, ME 04330-9486

1-800-452-8786 (in state)
(T) 207-623-8428
(F) 207-624-0129

Testimony of the Maine Municipal Association

In Support For

LD 1493 - An Act to Increase Affordable Housing by Expanding Tax Increment Financing

April 26, 2023

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Rebecca Graham, and I am offering testimony in support for LD 1493 on behalf of the 70 municipal leaders who were elected by their peers to serve on the Association's Legislative Policy Committee and directed to establish MMA's position on bills of municipal interest.

This bill forms part of MMA's platform initiatives and intends to increase the ability for communities to incentivize affordable housing projects through existing programs that frequently require some form of property tax reductions to meet margin goals to qualify for financing.

The bill does two things. First it adds an allowance for communities to use the retained value created by the establishment of a tax-increment financing (TIF) district to purchase or rehabilitate housing in the municipality with intent to keep that housing as long term affordable or workforce housing stock based on that communities needs to meet their economic development goals. Secondly, it adds a new tax zone overlay for affordable housing projects that returns the sales tax on building materials and services expended by the developer on affordable housing projects to improve their revenue ratios to better meet the bank financing requirements.

Currently, retained value is not able to be used outside the TIF district except for a When a community establishes a TIF district for economic development, the "retained value" can only be used to address infrastructure or service needs in that section of the community with a few exceptions. We are asking the committee to broaden those exceptions to allow for the use of those funds to create housing when there is stock that not only could add to the mix of housing options broadly in the community but also rehabilitate older housing stock that may need too much work to qualify for rehabilitation funds.

This is important is important because it provides an opportunity to create housing throughout the community in ways that may provide more family friendly options or be better for the mix of workforce needs for the businesses in the economic development zones.

The second part of the bill creates a new Pine Tree Affordable Housing Zone to further improve the financial picture for developers who are interested in developing such projects but need additional revenue to meet banking ratios to qualify for funding. This section would return the sales tax spent on those projects to the developer as long as the project was kept on a long-term affordable basis. This would help mitigate the costs of construction materials that have skyrocketed since the pandemic.

While the department may have additional needs to make sure the language accurately meets their needs, MMA hopes the committee will keep the two intended outcomes of this legislation deliverable as you debate its merits. We are happy to work with our state partners to make such a program workable and officials hope that you will vote “ought to pass” on this initiative.