STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT

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TESTIMONY OF VICTORIA FOLEY, DIRECTOR OF LEGISLATIVE AFFAIRS & COMMUNICATIONS FOR THE MAINE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT, REGARDING LD 1739 AN ACT TO EXTEND DEVELOPMENT DISTRICT TAX INCREMENT FINANCING DISTRICTS

Senator Grohoski, Representative Perry, and esteemed members of the Joint Standing Committee on Taxation, my name is Victoria Foley, and I am the Director of Legislative Affairs and Communications for DECD I am submitting this testimony neither for nor against LD 1739, *"An Act to Extend Development District Tax Increment Financing Districts "*

Rep Kuhn's proposal calls for allowing municipalities to double the length of a Municipal Tax Increment Financing (TIF) district to 60 years if they spend at least 51% of the TIF revenue on affordable housing or transit-oriented development projects Currently, TIF districts are limited to a maximum of 30 years, and the length is not dependent on project expenditure types

The Mills Administration has made a strong commitment to addressing Maine's housing supply constraints In her first days after taking office, Governor Mills released a long-delayed $15 million senior housing bond The Governor subsequently signed into law the creation of the Maine Affordable Housing Tax Credit program, the largest investment in affordable housing in Maine history, and authorized the refinance of existing housing bonds to make available nearly $40 million in new housing development capital She also dedicated $50 million in funding from the Maine Jobs & Recovery Plan for the creation of new, affordable homes for Maine people Governor Mills remains committed to responding to Maine's unprecedented housing crisis with urgency and action

Our primary concern with this bill is the length of time it would allow TIF districts to last, keeping the original assessed value in place for up to 60 years We are not aware of any state that allows TIF districts of 60 years—most allow between 20 and 30 years Over the course of 60 years, the value of a dollar changes dramatically, not to mention the value of a specific piece of property Sheltering revenue for this period of time could noticeably distort aspects of municipal financing that depend on a municipality's valuation, such as revenue sharing and school budgets We expect most municipalities with TIFs would utilize this extension provision given that 49% of the funds could be used for any other project cost, and "transit-oriented development" could cover a wide range of activity

With this concern in mind, our respectful suggestion would be to amend the bill to require the valuation be reset at the 30-year mark if a municipality decides to seek such an extension This could still offer municipalities an incentive to dedicate a portion of TIF revenues to affordable housing and transit-oriented development by allowing them to continue a given TIF through amendment instead of a brand-new application However, the distortionary effects of sheltering valuation for 60 years would be avoided If the committee decides to move forward with this bill, we also have technical concerns with portions of the language that we can share for work session

Thank you for your time and consideration, I am happy to address any questions or concerns you may have