

May 10, 2023

Senator Nicole Grohowski  
Representative Joe Perry  
Joint Standing Committee on Taxation  
State House Room 127  
100 State House Station  
Augusta, ME 04333

**Re: LD 1739, An Act to Extend Development District Tax Increment Financing (Support)**

Dear Senator Grohowski, Representative Perry, and Honorable Members of the Joint Standing Committee on Taxation.

As the Town Manager for the Town of Falmouth, I am submitting information about tax increment financing and the benefits of passing LD 1739. Maine has successfully allowed tax increment financing (TIF) for several decades. However, TIF Districts are currently subject to a thirty year maximum term. Many existing TIFs are now approaching expiration. LD 1739 would allow expiring TIFs to continue for an additional thirty years so long as the majority of the revenue derived from the TIF is either used for affordable housing or transit.

Transit-related project costs have been an authorized use of TIF revenue under the statute for many years and the Legislature amended the statute in 2021 to include affordable housing as an authorized use of TIF revenue. Both are statewide issues, and both issues are tied together in many communities. LD 1739 furthers the initiative to enable Maine communities to use local tax revenue to address these issues.

In particular, LD 1379 would give municipalities the option to extend an expiring TIF District for a period of up to an additional 30 years. The benefit of this is that the municipality retains what is known as the "original assessed value" of the District. In other words, the base value upon which all new assessed value is determined. The municipality then determines what percentage of that new value it desires to capture for authorized projects. All of property tax revenue from that captured assessed value is retained by the municipality and must be spent as authorized by Maine law and the municipality's development program for the TIF District.

**TOWN OF FALMOUTH**  
271 Falmouth Road ● Falmouth, ME 04105  
[www.falmouthme.org](http://www.falmouthme.org)

Once a TIF District is extended as would be permitted under LD 1739, the municipality can continue to capture up to 100% of the tax revenue from the new value within the District and must use the majority of that TIF revenue on projects related to affordable housing and transit. These uses of TIF revenue are already defined within the statute and municipalities would continue to follow the existing provisions of Maine law related to the use of TIF revenue for these purposes. LD 1739 expands the timeframe within which municipalities can utilize TIF Districts in the same manner as they are currently doing.

A request to extend a TIF District per LD 1739 would be submitted before the TIF District expires to the Department of Economic and Community Development, similar to the current process to amend a TIF District. The administration of approving and monitoring an extended TIF District under LD 1739 would be substantially the same as it is for existing TIF Districts.

I have attached a one-page fact sheet that further describes TIFs and the impact of LD 1739.

I respectfully request that you support LD 1739.

Sincerely,

A handwritten signature in black ink, appearing to read 'N. Poore', with a stylized flourish at the end.

Nathan Poore  
Town Manager

# TIF Districts-LD 1739

An Affordable Housing & Transit Financing Tool



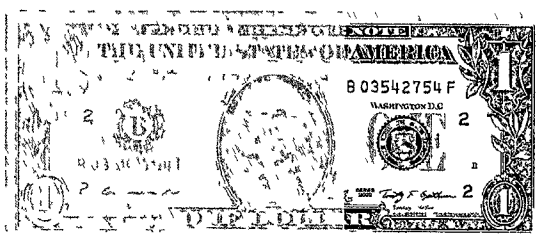
*Maine needs more affordable housing. Maine needs to invest more in transit. LD 1739 will enable municipalities to extend expiring Tax Increment Financing (TIF) districts, providing opportunities to invest more money in new housing and transit initiatives*

## CURRENTLY...

TIF districts were first established in Maine municipalities in the mid-1990s. TIF districts can provide significant fiscal benefits to municipalities. In the simplest of terms, property tax revenues from parcels inside the TIF district are split into two:

- Property taxes from development that already existed when the District was created go into the General Fund. These funds are subject to State Revenue Sharing, State Education Aid, and County Tax formulas.
- Property taxes from new development go into a TIF fund and are not subject to those formulas.

## EVERY NEW TAX DOLLAR WITHOUT TIFs



### 58.82% Lost Revenue

- Decreased School Aid
- Decreased Revenue Sharing
- County Tax

*Example from Falmouth, Maine,  
Camoin 310 Associates, March 2021*

Because TIF dollars are not subject to the State's tax formulas, TIF funds allow communities to spend more on local projects compared to the funds in the General Fund, allowing municipalities to pay for projects that otherwise might not be feasible. TIF districts cannot last more than 30 years. Once a TIF district "expires," the municipal fiscal benefits expire with it, including losses in school aid and revenue sharing, and an increase in County tax assessment.



## WHAT IF...

Since the inception of TIFs, the State allowed specific eligible expenses for affordable housing, downtowns, and transit. To incentivize these investments, the State allows additional TIF district benefits:

**WHAT IF** a community was allowed to extend an expiring TIF district for up to 30 years using the original "base value"?

**WHAT IF** the TIF funds in the new district could be focused on eligible affordable housing and transit?

## EVERYONE WINS

This TIF law change could provide communities with additional funding for affordable housing and transit—money that did not exist before.

Communities could use this revenue in a variety of ways as long as it meets the State's current affordable housing and transit TIF requirements.



The State of Maine would not be fiscally affected. Its distribution of funds simply shifts. If TIF districts expire or are extended, the total amount of State funds to be disbursed is unchanged. Similarly, this new approach has no fiscal impact on County expenses either.

## CONCLUSION

The overall benefit of this proposal is that more affordable housing and transit projects could be created in Maine, meeting some of the State's top priorities—filling a much needed gap in the current housing market and expanding transit opportunities.