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# HOUSE OF REPRESENTATIVES

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*Testimony of Rep Amy Kuhn introducing*

## **LD 1739, An Act to Extend Development District Tax Increment Financing Districts**

*Before the Joint Standing Committee on Taxation*

Senator Grohowski, Representative Perry and honorable members of the Joint Standing Committee on Taxation My name is Amy Kuhn I represent House District 111, which includes the Town of Falmouth It is my pleasure to introduce **LD 1739, An Act to Extend Development District Tax Increment Financing Districts**.

As a Town Councilor in Falmouth, I have seen firsthand how a tax increment financing district (or "TIF") can help a municipality invest in and pay for important infrastructure projects without having to pass on the entire cost to property tax payers By creating a TIF district to shelter an increase in valuation, municipalities can achieve valuable cost savings and revenue benefits This is why there are currently 420 active TIFs in Maine, held by an estimated 131 municipalities and 6 unorganized counties

When those TIFs expire, the municipality's planned capital improvement projects must be resourced from the municipality's general fund instead of TIF revenue This event reduces municipal revenue sharing and state aid for education and increases county taxes, resulting in a net negative for property tax payers

It was in one of our town budget planning discussions that Falmouth's Town Manager, Nathan Poore, came up with the idea for this bill The central concept was to align the interests of local property tax payers with state policy objectives extending the TIF period for another 30 years at current valuation, which benefits the town's property tax payers, while requiring investment in some of Maine's most critical needs, which would bring new benefits to the state

The bill under discussion today does just that It would allow for an extension of an additional 30 years at the original valuation so long as a majority of the funds are put towards affordable housing and/or transit related projects Clearly the construction of new, affordable housing has been identified as a critical priority for the state Similarly, transit projects have also been prioritized as an important tool to help Maine reach our climate goals Simply put, it's a win-win To be clear, this bill does not require municipalities to do anything, it simply provides another tool in their toolboxes for managing local budgets

Before I finish, I want to highlight that I have submitted an amendment to LD 1739, which is meant to replace the original text. This version accomplishes the same goals as the original version but with a couple of technical fixes that I hope will clarify implementation.

The proposed amendment clarifies that a TIF District must have been in effect as of January 1, 2023 to be eligible for extension, and that the extension of the District must be submitted to DECD before the expiration of the original District term. In addition, the proposed amendment specifies that the use of TIF revenue during an extended District term must be consistent with the authorized project costs for affordable housing and transit that are already outlined in statute (Section 5225 of Title 30-A). Lastly, the proposed amendment replaces the definitions with references to existing sections of the statute that already define those same terms. This ensures that these terms will continue to be defined in the same manner in the event other provisions of the TIF statute are amended in the future.

Thank you for your consideration. I am happy to answer any questions.

## **Proposed Amendment**

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 30-A MRSA §5224, sub-§2, ¶H,** as repealed and replaced by PL 2019, c. 3140, §1, is amended by amending subparagraph (1) to read:

(1) A development district that is a tax increment financing district may not exceed a total of 30 tax years beginning with the tax year in which the designation of the development district is effective pursuant to section 5226, subsection 3 or, if specified in the development program, the subsequent tax year, and, except that a district that is in effect as of January 1, 2023 may be extended up to an additional 30 years prior to the expiration of its original term if the district uses at least 51% of tax increment revenue captured during the extended term for affordable housing projects or transit-oriented development within the municipality. The use of tax increment revenue captured during the extended term of the development district shall be consistent with the authorized project costs set forth in section 5225, and may include costs associated with transit operator salaries, transit vehicle fuel and transit vehicle parts replacements. The extension of a development district shall be accomplished in the same manner as an amendment to a development district pursuant to section 5226, subsection 5.

A district that is extended under this subparagraph may continue to use the original assessed value of the district.

For purposes of this subparagraph, "affordable housing" shall have the same meaning as section 5246(1), "transit-oriented development" shall have the same meaning as section 5222(21), and "original assessed value" shall have the same meaning as section 5222(13), and

## **SUMMARY**

This bill allows a development district that is a tax increment financing district to be extended an additional 30 years if the district uses at least 51% of state tax increment revenue for affordable housing or transit-oriented development.