



HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1400
MAINE RELAY 711

David M. Rollins

76 Ganneston Dr
Augusta, ME 04330
David.Rollins@legislature.maine.gov
Cell: (207) 485-6050

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TESTIMONY ON LD 652 BEFORE THE TAXATION COMMITTEE

Senator Grohoski, Representative Cloutier, and Honorable Members of the Taxation Committee. I am Representative David Rollins, and I have come before you to present LD 652, An Act to Provide Qualifying Downtown Businesses and Developments with Assistance Paying Flood Insurance.

According to the Maine Emergency Management Agency flooding can happen anytime, anywhere, and not necessarily near the coast, lakes, or rivers. In recent years, about 25% of national flood insurance claims came from places not considered high risk for flooding. Flooding can be caused by hurricanes, tropical storms, heavy rain, ice jams, fast melting snow and dam failures. Just a few inches of water can cause thousands of dollars' worth of damage to a home or business.

The National Flood Insurance Program (NFIP) was created by Congress in response to the rising cost of disaster relief for flood victims. The Federal Emergency Management Agency (FEMA) manages it.

Maine's average cost of flood insurance per county. York County has the cheapest rates at \$977 per year, while rates in Kennebec County are the most expensive at \$1,787 per year... this is according to Money Geek. According to an AI overview, "In 2020, Maine's flood damage was \$191 million and is expected to increase to \$25 million by 2050. Flooding is a threat year-round in Maine but is most likely to occur in the spring."

Flood insurance is not mandatory in Maine at the state level. However, it may be required by mortgage lenders, especially for properties in high-risk flood zones.

The purpose of this bill is to assist businesses and development in qualified downtown districts with help in procuring flood insurance to help lessen the economic impact to the business, city or town and state. Further, to assist economic development in the affected areas of downtown districts across all of Maine.

Attached is a list of eligible costs under the Maine TIF Statute. I encourage you to add flood insurance as an eligible cost to create and preserve economic development in downtown districts throughout Maine. I submit this bill and ask for a unanimous vote of "Ought to Pass."

§5225. Project costs

1. Authorized project costs. The commissioner shall review proposed project costs to ensure compliance with this subsection. Authorized project costs are:

A. Costs of improvements made within the tax increment financing district, including, but not limited to:

(1) Capital costs, including, but not limited to:

(a) The acquisition or construction of land, improvements, public ways, buildings, structures, fixtures and equipment for public, arts district, new or existing recreational trail, commercial or transit-oriented development district use.

(i) Eligible transit-oriented development district capital costs include but are not limited to: transit vehicles such as buses, ferries, vans, rail conveyances and related equipment; bus shelters and other transit-related structures; benches, signs and other transit-related infrastructure; bicycle lane construction and other bicycle-related improvements; pedestrian improvements such as crosswalks, crosswalk signals and warning systems and crosswalk curb treatments; and the nonresidential commercial portions of transit-oriented development projects.

(ii) Eligible recreational trail-related development district capital costs include but are not limited to new or existing trails, including bridges that are part of the trail corridor, used all or in part for all-terrain vehicles, snowmobiles, hiking, bicycling, cross-country skiing or other related multiple uses, signs, crosswalks, signals and warning systems and other related improvements.

(iii) Eligible development district capital costs for public ways include but are not limited to scenic turnouts, signs, railing and other related improvements;

(b) The demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures and fixtures;

(c) Site preparation and finishing work; and

(d) All fees and expenses that are eligible to be included in the capital cost of such improvements, including, but not limited to, licensing and permitting expenses and planning, engineering, architectural, testing, legal and accounting expenses;

(2) Financing costs, including, but not limited to, closing costs, issuance costs and interest paid to holders of evidences of indebtedness issued to pay for project costs and any premium paid over the principal amount of that indebtedness because of the redemption of the obligations before maturity;

(3) Real property assembly costs;

(4) Professional service costs, including, but not limited to, licensing, architectural, planning, engineering and legal expenses;

(5) Administrative costs, including, but not limited to, reasonable charges for the time spent by municipal or plantation employees in connection with the implementation of a development program;

(6) Relocation costs, including, but not limited to, relocation payments made following condemnation;

(7) Organizational costs relating to the establishment of the district, including, but not limited to, the costs of conducting environmental impact and other studies and the costs of informing the public about the creation of development districts and the implementation of project plans;

(8) In the case of transit-oriented development districts, ongoing costs of adding to an existing transit system or creating a new transit service and limited strictly to transit operator salaries, transit vehicle fuel and transit vehicle parts replacements; and

(9) Costs associated with the development and operation of housing, including, but not limited to, authorized project costs for improvements as described in section 5249 even if such improvements are not made within an affordable housing development district as defined in section 5246, subsection 2; [PL 2021, c. 261, §§2-4 (AMD).]

B. Costs of improvements that are made outside the tax increment financing district but are directly related to or are made necessary by the establishment or operation of the district, including, but not limited to:

(1) Costs related to the construction, alteration or expansion of any facilities not located within the district that are required due to improvements or activities within the district, including, but not limited to, sewage treatment plants, water treatment plants or other environmental protection devices; storm or sanitary sewer lines; water lines; electrical lines; improvements to public safety facilities; and amenities on streets;

(2) Costs of public safety improvements related to the establishment of the district;

(3) Costs of funding to mitigate any adverse impact of the district upon the municipality or plantation and its constituents. This funding may be used for public facilities and improvements if:

(a) The public facilities or improvements are located in a downtown tax increment financing district; and

(b) The entire tax increment from the downtown tax increment financing district is committed to the development program of the tax increment financing district; and

(4) Authorized project costs for improvements as described in section 5249 in support of municipal economic development activities regardless of whether such costs are within an affordable housing development district as defined in section 5246, subsection 2; [PL 2021, c. 261, §5 (AMD).]

C. Costs related to economic development, environmental improvements, fisheries and wildlife or marine resources projects, recreational trails, broadband service development, expansion or improvement, including connecting to broadband service outside the tax increment financing district, employment training or the promotion of workforce development and retention within the municipality or plantation, including, but not limited to:

(1) Costs of funding economic development programs or events developed by the municipality or plantation or funding the marketing of the municipality or plantation as a business or arts location;

- (2) Costs of funding environmental improvement projects developed by the municipality or plantation for commercial or arts district use or related to such activities;
- (3) Funding to establish permanent economic development revolving loan funds, investment funds and grants;
- (4) Costs of services and equipment to provide skills development and training, including scholarships to in-state educational institutions or to online learning entities when in-state options are not available, for jobs created or retained in the municipality or plantation. These costs must be designated as training funds in the development program;
- (5) Costs associated with quality child care facilities and adult care facilities, including finance costs and construction, staffing, training, certification and accreditation costs related to child care and adult care;
- (6) Costs associated with new or existing recreational trails determined by the department to have significant potential to promote economic development, including, but not limited to, costs for multiple projects and project phases that may include planning, design, construction, maintenance, grooming and improvements with respect to new or existing recreational trails, which may include bridges that are part of the trail corridor, used all or in part for all-terrain vehicles, snowmobiles, hiking, bicycling, cross-country skiing or other related multiple uses;
- (7) Costs associated with a new or expanded transit service, limited to:
 - (a) Transit service capital costs, including but not limited to: transit vehicles such as buses, ferries, vans, rail conveyances and related equipment; bus shelters and other transit-related structures; and benches, signs and other transit-related infrastructure; and
 - (b) In the case of transit-oriented development districts, ongoing costs of adding to an existing transit system or creating a new transit service and limited strictly to transit operator salaries, transit vehicle fuel and transit vehicle parts replacements;
- (8) Costs associated with the development of fisheries and wildlife or marine resources projects;
- (9) Costs related to the construction or operation of municipal or plantation public safety facilities, the need for which is related to general economic development within the municipality or plantation, not to exceed 15% of the captured assessed value of the development district;
- (10) Costs associated with broadband and fiber optics expansion projects, including preparation, planning, engineering and other related costs in addition to the construction costs of those projects. If an area within a municipality or plantation is unserved with respect to broadband service, as defined by the ConnectMaine Authority as provided in Title 35-A, section 9204-A, subsection 1, broadband and fiber optics expansion projects may serve residential or other nonbusiness or noncommercial areas in addition to business or commercial areas within the municipality or plantation;
- (11) Costs associated with the operation and financial support of:
 - (a) Affordable housing in the municipality or plantation to serve ongoing economic development efforts, including the further development of the downtown tax increment financing districts; and

(b) Housing programs and services to assist those who are experiencing homelessness in the municipality or plantation as defined in the municipality's or plantation's development program; and

(12) Up to 50% of the capital costs related to the construction or renovation of a municipality's or plantation's central administrative office, the need for which is related to general economic development within the municipality or plantation, not to exceed 15% of the captured assessed value of the development district; [PL 2023, c. 142, §§1-3 (AMD).]

D. Costs of constructing or improving facilities or buildings leased by State Government or a municipal or plantation government that are located in approved downtown tax increment financing districts; and [PL 2021, c. 261, §7 (AMD).]

E. Costs associated with the development and operation of affordable housing or housing services for persons who are experiencing homelessness as defined in the municipality's or plantation's development program. [PL 2021, c. 261, §8 (NEW).]

[PL 2023, c. 142, §§1-3 (AMD).]

2. Unauthorized project costs. Except as provided in subsection 1, paragraph C, subparagraphs (9) and (12) and subsection 1, paragraph D, the commissioner may not approve as a project cost the cost of facilities, buildings or portions of buildings used predominantly for the general conduct of government or for public recreational purposes, including, but not limited to, city halls and other headquarters of government where the governing body meets regularly, courthouses, jails and other state and local government office buildings, recreation centers, athletic fields and swimming pools.

[PL 2023, c. 142, §4 (AMD).]

3. Limitation. Tax increments received from any development program may not be used to circumvent other tax laws.

[PL 2001, c. 669, §1 (NEW).]