MaineHousing
MAINE STATE HOUSING AUTHORITY

Testimony of
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Before
The Joint Standing Committee on Taxation

In Support of

LD 1783: An Act to Clarify Municipal Affordable Housing Tax Increment Financing

Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in support of *LD 1783: An Act to Clarify Municipal Affordable Housing Tax Increment Financing.*

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

LD 1783 is a cleanup bill, and I want to thank Representative Salisbury for introducing it. It pulls some practical (and what we assume to be no-cost) elements from a larger TIF bill (LD 1493) that burned up on the special Appropriations Table last year at the end of the 131st. The Affordable Housing TIF is a tool that is used by many municipalities who are seeking to add housing projects to their communities, and we often see these being used in projects that MaineHousing underwrites. This bill simply clarifies how these TIFS work and adds some new features to make them more effective.

What I would argue as being the most significant part of this bill is found in Section 1. This section changes the clock on the TIF, stating that the tax benefits brought by the TIF start when the project is put into service, and not when the TIF is first designated by the municipality. Currently, several years of a 30-year TIF can be lost as a project is being planned and built. This provision just aligns the benefit with the actual active life of the project.

The other sections of the bill are of interest to the municipalities who manage these TIFS: they clarify project-related public safety improvements, they outline financial management considerations relating to what happens with funds that remain after the TIF ends, and they broaden how annual reporting requirements are handled. I can't speak to those sections, as they don't directly affect MaineHousing, but they all appear to be "housekeeping".

I am not an expert in TIFS or how they work, though I know that this is a tool often used by many of our developer and community partners. MaineHousing's legal department has reviewed this bill, and I know that a number of municipal professionals have worked on it as well (or did on the earlier version last year). Last year's bill had a fiscal note associated with another part of that legislation, which is not included here, and that's what brought it down. This bill simply encompasses the no-cost policy tweaks that were worked out as part of that earlier effort.

Thank you.