

Dear Senator Grohoski, Representative Cloutier, and Honorable Members of the Joint Standing Committee on Taxation,

My name is Amy Oberlin, I'm from Portland Maine and a member of the Urbanist Coalition of Portland. I am speaking today to cosign the letters submitted on behalf of UCP by Mako Bates, by UCP President Todd Morse, and to explain why I support LD1464.

Municipalities collect revenue and fund services by taxing property. They do this by assessing the value of both land and land improvements, ("land improvements" typically being buildings) and then taxing them both at the same rate.

Legally, this is all that municipalities appear to be allowed to do, according to the state's current law regarding equal application of a municipal property tax rate.

Of course, it would be unjust to tax one person at a higher rate than his neighbor arbitrarily.

However, there is actually a fundamental difference between land and the buildings built on top of it that warrants a closer look.

What is this difference?

For one thing, land can neither be created nor destroyed. The City of Portland - where I live - has all the land it will ever have. A building, on the other hand, isn't there until someone builds it. This means development can be incentivized, and often needs to be incentivized, due to the inherent investment risks of large construction projects. For a City like Portland, with finite land and many fixed municipal utility and service costs to fund, maximizing efficient land use and encouraging development necessarily becomes a priority.

This key difference means that the optimal tax rate for each entity - land and land improvements - may not be the same rate.

How does this play out in real life?

Say you own an empty lot in downtown Portland, as near to every public amenity as you can be - water mains, sewer, electric, public transit. In the current economy, you are incentivized to wait as long as possible before selling or developing your land, waiting for it to appreciate in value as much as possible, so long as the tax liability on your land is low. Invest a bit of money to turn that land into a surface parking lot, and you can make money hand over fist.

This is great for you, the owner, but it pours fuel on the fires of both our housing crisis - because no housing is being built there - and our city budget crisis - because inflation drives up city costs while no value is being added to the city property tax base.

Both buildings and land appreciate in value in today's economy, but buildings are also a liability - they need upkeep, paint, repairs, and insurance. It takes time to find tenants and keep it clean, or money to hire a property manager to do these things.

You might make more profit eventually if you built a building on your empty lot... but you also might not! Before any profit there's significant risk, due to upfront capital expenditures or financing. And all those improvements that you spent money to build, that now need to be maintained, are taxed at the exact same rate as the land that was already there and was already appreciating in value by doing nothing.

Say you, owner of this lot, also have some spare cash to invest. Are you going to take a risk and build a building?... or will you maybe see if you can just... invest in another empty lot?

In Portland's Downtown District, the densest, most bustling, most amenity-filled district in our city, there are 46 surface parking lots, totaling nearly 20 acres of land. In Portland, we could really benefit from another tool in the toolbox to incentivize development of empty lots and efficient use of our finite land. I can't speak for other towns in Maine, but it seems plausible to me that some of them might be interested in this tool as well. Passage of LD1464 will give municipalities the option, the flexibility, to tax these two entities at different rates if they want.

Thank you for your time.

Amy Oberlin
Portland
Board Member, Urbanist Coalition of Portland