

MAINE STATE LEGISLATURE

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1 (EMERGENCY)
2 (New Draft of H.P. 1328, L.D. 1863)
3 SECOND REGULAR SESSION
4

5 ONE HUNDRED AND TWELFTH LEGISLATURE
6

7 Legislative Document

No. 2285

8
9 H.P. 1622 House of Representatives, March 31, 1986
10 Reported by Representative Cashman from the Committee on Taxation
11 and printed under Joint Rule 2. Original bill sponsored by Representative
12 Murray of Bangor. Cosponsored by Representative Cashman of Old Town,
Representative Jackson of Harrison and Representative Masterman of Milo.

EDWIN H. PERT, Clerk

13
14 STATE OF MAINE
15

16 IN THE YEAR OF OUR LORD
17 NINETEEN HUNDRED AND EIGHTY-SIX
18

19 AN ACT to Remove Maximum Annual Limits on the
20 Captured Assessed Values within Tax
21 Increment Financing Districts.
22

23 Emergency preamble. Whereas, Acts of the Legis-
24 lature do not become effective until 90 days after
25 adjournment unless enacted as emergencies; and

26 Whereas, the need to expand the scope of tax in-
27 crement financing must be addressed in the tax year
28 beginning on April 1, 1986; and

29 Whereas, certain critical projects must utilize
30 provisions contained within this bill before it would
31 normally become effective; and

32 Whereas, in the judgment of the Legislature,
33 these facts create an emergency within the meaning of
34 the Constitution of Maine and require the following
35 legislation as immediately necessary for the preser-

1 vation of the public peace, health and safety; now,
2 therefore,

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

5 Sec. 1. 20-A MRSA §1, sub-§37-A is enacted to
6 read:

7 7-A. State valuation. "State valuation" means
8 the value certified to the Secretary of State as pro-
9 vided in Title 36, section 305, subsection 1.

10 Sec. 2. 30 MRSA §4862, sub-§7-A, as enacted by
11 PL 1981, c. 676, §5, is amended to read:

12 7-A. Project costs. "Project costs" means any
13 expenditures made or estimated to be made or monetary
14 obligations incurred or estimated to be incurred by
15 the municipality which are listed in a project plan
16 as costs of ~~public works or~~ improvements, including
17 public works, acquisition, construction or rehabili-
18 tation of land or improvements for sale or lease to
19 commercial or industrial users, excluding the build-
20 ings, or portions of the buildings, used predominant-
21 ly for the general conduct of government, the build-
22 ings include, but are not limited to, city halls and
23 other headquarters of government where the governing
24 body meets regularly, courthouses, jails, police sta-
25 tions and other State Government and local government
26 office buildings, within a development district plus
27 any costs incidental thereto, diminished by any in-
28 come, special assessments, or other revenues, other
29 than tax increments, received or reasonably expected
30 to be received by the municipality in connection with
31 the implementation of this plan. These project costs
32 include, but are not limited to:

33 A. Capital costs, including, but not limited to,
34 the actual costs of the construction of public
35 works or improvements, new buildings, structures
36 and fixtures; the demolition, alteration, remodel-
37 ing, repair or reconstruction of existing
38 buildings, structures and fixtures; the acquisi-
39 tion of equipment; and the clearing and grading
40 of land;

- 1 B. Financing costs, including, but not limited
2 to, all interest paid to holders of evidences of
3 indebtedness issued to pay for project costs and
4 any premium paid over the principal amount there-
5 of because of the redemption of the obligations
6 prior to maturity;
- 7 C. Real property assembly costs, meaning any
8 deficit incurred resulting from the sale or lease
9 as lessor by the municipality of real or personal
10 property within a development district for con-
11 sideration which is less than its cost to the mu-
12 nicipality;
- 13 D. Professional service costs, including, but
14 not limited to, those costs incurred for archi-
15 tectural, planning, engineering and legal advice
16 and services;
- 17 E. Administrative costs, including, but not lim-
18 ited to, reasonable charges for the time spent by
19 municipal employees in connection with the imple-
20 mentation of a project plan;
- 21 F. Relocation costs, including, but not limited
22 to, those relocation payments made following con-
23 demnation;
- 24 G. Organizational costs, including, but not lim-
25 ited to, the costs of conducting environmental
26 impact and other studies and the costs of inform-
27 ing the public with respect to the creation of
28 development districts and the implementation of
29 project plans;
- 30 H. Payments made, in the discretion of the local
31 legislative body, which are found to be necessary
32 or convenient to the creation of development dis-
33 tricts or the implementation of projects plans;
34 **and**
- 35 I. That portion of the costs related to the con-
36 struction or alteration of sewerage treatment
37 plants, water treatment plants or other environ-
38 mental protection devices, storm or sanitary sew-
39 er lines, water lines or amenities on streets or
40 the rebuilding or expansion of which is necessi-

1 tated by the project plan for a development dis-
2 trict, whether or not the construction, altera-
3 tion, rebuilding or expansion is within the de-
4 velopment district; and

5 J. Training costs, including, but not limited
6 to, those costs associated with providing skills
7 development and training for employees of busi-
8 nesses within the development district, the costs
9 not to exceed 20% of the total project costs and
10 must be designated as training funds within 3
11 years of the designation of the district.

12 Sec. 3. 30 MRSA §4862, sub-§11, as enacted by PL
13 1977, c. 397, is amended to read:

14 11. Tax increment. "Tax increment" means that
15 portion of all real and personal property taxes as-
16 sessed by a municipality, in excess of any state,
17 county or special district tax, upon the captured as-
18 sessed value of property in the development district.

19 Sec. 4. 30 MRSA §4863, sub-§1, as amended by PL
20 1985, c. 163, §4, is further amended to read:

21 1. Districts. The governing body of a munici-
22 pality may designate development districts within the
23 boundaries of the municipality. Prior to designating
24 a district, the governing body shall consult with the
25 municipal planning agency or department and with an
26 advisory board, if established under section 4870,
27 and shall also hold at least one public hearing, no-
28 tice of which shall be published at least 10 days
29 prior to the hearing in a newspaper of general circu-
30 lation within the municipality.

31 A. Not less than 25%, by area, of the real prop-
32 erty within a development district shall meet at
33 least one of the following criteria:

34 (1) Is a blighted area;

35 (2) Is in need of rehabilitation,
36 redevelopment or conservation work; or

37 (3) Is suitable for industrial sites.

1 B. The total area of a single development dis-
2 trict shall not exceed 2% of the total acreage of
3 the municipality and all development districts
4 shall not exceed 5% of the total acreage of the
5 municipality. The boundaries of a district may
6 be altered only after meeting the requirements
7 for adoption under this subsection.

8 B-1. The aggregate value of equalized taxable
9 property of a tax increment financing district,
10 plus all existing tax increment financing dis-
11 tricts, shall not exceed 5% of the total value of
12 equalized taxable property within the municipali-
13 ty.

14 B-2. The aggregate value of indebtedness fi-
15 nanced by the proceeds from tax increment financ-
16 ing districts within any county shall not exceed
17 \$50,000,000.

18 C. The designation of captured assessed value of
19 property within a tax increment financing dis-
20 trict shall be subject to the following limita-
21 tions:

22 (1) The annual increase in captured as-
23 essed value of property within tax incre-
24 ment financing districts must not exceed
25 \$5,000,000 in any county, and within any
26 county may not exceed the lesser of 1% of
27 the total annual value of equalized taxable
28 property within the county annually or
29 \$20,000,000 within a 24-month period; if 1%
30 of a county's equalized taxable value is
31 less than \$5,000,000, the annual limit for
32 that county is \$5,000,000;

33 (2) The annual increase in captured as-
34 essed value of property within tax incre-
35 ment financing districts must not exceed
36 \$15,000,000 statewide. The Director of the
37 State Development Office shall promulgate
38 any rules necessary to allocate or apportion
39 the designation of captured assessed value
40 of property within tax increment financing
41 districts in accordance with these limita-
42 tions; and

1 (3) Fifteen percent of the project costs
2 for the development program must be incurred
3 within 9 months of the designation by the
4 Director of the State Development Office of
5 the tax increment financing district. The
6 development program must be completed within
7 5 years of the designation by the Director
8 of the State Development Office of the tax
9 increment financing district.

10 D. Before final designation of a tax increment
11 financing district, the Director of the State De-
12 velopment Office shall review the proposal to en-
13 sure that it is in compliance with statutory re-
14 quirements and shall identify tax shifts within
15 the county where the district will exist. A des-
16 ignation under this subsection shall be effective
17 upon approval by the governing body of the munic-
18 ipality and, for tax increment financing dis-
19 tricts, the Director of the State Development Of-
20 fice. If the municipality has a charter, the
21 designation shall be done in accordance with the
22 provisions of the charter.

23 Sec. 5. 30 MRSA §4864, sub-§1, as amended by PL
24 1985, c. 506, Pt. A, §66, is further amended to
25 read:

26 1. Captured assessed value. The municipality may
27 retain all or part of the tax increment of a develop-
28 ment district for the purpose of financing the devel-
29 opment program, for purposes of calculating state aid
30 for education under Title 20-A, effective for dis-
31 tricts designated after December 31, 1986, only 75%
32 of the captured assessed value within the tax incre-
33 ment financing district is excepted from the equal-
34 ized just valuation of a municipality as defined in
35 Title 36, section 305, subsection 1. The amount of
36 tax increment to be retained shall be determined by
37 designating the amount of captured assessed value to
38 be retained. At the time of adoption of a develop-
39 ment program for a tax increment financing district,
40 the governing body shall adopt a statement of the
41 percentage of captured assessed value to be retained
42 in accordance with the development program. Once
43 adopted, the percentage may only be decreased in sub-
44 sequent years, unless a new development program is

1 adopted, or the present plan is amended or altered
2 under section 4863. The municipal assessor shall cer-
3 tify the amount of the captured assessed value to the
4 municipality each year.

5 Sec. 6. 30 MRSA §4867, as amended by PL 1981, c.
6 676, §11, is further amended to read:

7 §4867. Financing

8 The governing body of the municipality may autho-
9 rize, issue and sell ~~general obligation~~ bonds, in-
10 cluding, without limitation, general obligation or
11 revenue bonds or notes, which shall mature within 30
12 years from the date of issue, to finance all project
13 costs as defined in section 4862, subsection 7-A,
14 needed to carry out the development program within
15 the development district. All revenues derived under
16 section 4864 or under section 4865, subsection 1, re-
17 ceived by the municipality shall be pledged for the
18 payment of the incurred indebtedness and used to re-
19 duce or cancel the taxes, which may otherwise be re-
20 quired to be expended for that purpose, and the
21 notes, bonds or other forms of financing shall not be
22 included when computing the municipality's net debt.
23 Nothing in this section may restrict the ability of
24 the municipality to raise revenue for payment of
25 project costs in any manner otherwise authorized by
26 law.

27 Sec. 7. 36 MRSA §305, sub-§1, as amended by PL
28 1983, c. 859, Pt. N, §3, is further amended to read:

29 1. Just value. Certify to the Secretary of State
30 before the first day of February in the year of the
31 regular session of the Legislature the equalized just
32 value of all real and personal property in each mu-
33 nicipality and unorganized place which is subject to
34 taxation under the laws of this State, except cap-
35 tured assessed value located within a tax increment
36 financing district, for purposes of calculating state
37 aid for education under Title 20-A, effective for
38 districts designated after December 31, 1986, only
39 75% of the captured assessed value within a tax in-
40 crement financing district is excepted from a
41 municipality's equalized just valuation. Such equal-
42 ized just value shall be uniformly assessed in each

1 municipality and unorganized place and shall be based
2 on 100% of the current market value. It shall sepa-
3 rately show for each municipality and unorganized
4 place the actual or estimated value of all real es-
5 tate which is exempt from property taxation by law or
6 is the captured value within a tax increment financ-
7 ing district. The valuation as filed shall remain in
8 effect until the next valuation is filed and shall be
9 the basis for the computation and apportionment of
10 the state and county taxes;

11 **Emergency clause.** In view of the emergency cited
12 in the preamble, this Act shall take effect when ap-
13 proved.

14 STATEMENT OF FACT

15 This new draft clarifies and extends the applica-
16 tion of tax increment financing for economic develop-
17 ment through the modification of conditions and the
18 removal of present limitations of the financing. Spe-
19 cifically it makes the following changes:

20 1. Redefines acceptable project costs to include
21 improvements which may be sold or leased to a commer-
22 cial user and certain training costs. It specifically
23 excludes portions of building projects which include
24 government offices;

25 2. Includes personal property taxes within the
26 definition of tax increment;

27 3. Removes the state cap on tax increment fi-
28 nancing and changes county caps from the current
29 \$5,000,000 to 1% of annual value of equalized taxable
30 property in the county to a maximum of \$20,000,000
31 every 24 months with the exception that in any county
32 where the value of equalized taxable property is less
33 than \$5,000,000, the county may have an annual in-
34 creased value within tax increment financing dis-
35 tricts of \$5,000,000. The total aggregate cap for a
36 county is set at \$50,000,000;

37 4. Imposes time constraints for project costs by
38 providing that 15% of all project costs must be com-

1 pleted within the 9 months of the designation of the
2 district and the project must be completed within 5
3 years;

4 5. Expands the use of acceptable financing in-
5 struments to include revenue bonds and notes, but
6 limits the duration of those instruments to 20 rather
7 than the current 30 years; and

8 6. Provides that for tax increment financing
9 districts designated after December 31, 1986, only
10 75% of the captured assessed value is excluded from
11 equalized just value for purposes of state aid to ed-
12 ucation.

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