

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

SECOND REGULAR SESSION-2000

Legislative Document

No. 2445

H.P. 1739

House of Representatives, January 10, 2000

**An Act to Amend the Laws Governing Municipal Tax Increment
Financing to Encourage Downtown Investment.**

Submitted by the Department of Economic and Community Development pursuant to Joint Rule 204.

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative GAGNON of Waterville.
Cosponsored by Senator KONTOS of Cumberland and
Representatives: CIANCHETTE of South Portland, O'NEAL of Limestone, Senator:
DAGGETT of Kennebec.

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

2 **Sec. 1. 30-A MRSA §5252, sub-§2**, as enacted by PL 1987, c.
4 737, Pt. A, §2 and Pt. C, §106 and as amended by PL 1989, c. 104,
6 Pt. C, §§8 and 10, is further amended to read:

8 **2. Captured assessed value.** "~~Captured assessed value~~"
10 means the ~~valuation amount by which the current assessed value of~~
12 ~~a tax increment financing district exceeds the original assessed~~
14 ~~value of the district. If the current assessed value is equal to~~
~~or less than the original there is no captured assessed value~~
amount, as a percentage or stated sum, of increased assessed
value that is utilized from year to year to finance the project
costs contained within the development program.

16 **Sec. 2. 30-A MRSA §5252, sub-§4-A and 4-B** are enacted to read:

18 **4-A. Downtown.** "Downtown" means the traditional central
20 business district of a community that has served as the center of
socioeconomic interaction in the community, characterized by a
22 cohesive core of commercial and mixed-use buildings, often
interspersed with civic, religious and residential buildings and
24 public spaces, typically arranged along a main street and
intersecting side streets and served by public infrastructure.

26 **4-B. Downtown development district.** "Downtown development
28 district" means a tax increment financing district located in the
30 municipality's downtown area, as defined in an approved downtown
redevelopment plan consistent with the Department of Economic and
32 Community Development's quality downtown criteria established
pursuant to rules of the department.

34 **Sec. 3. 30-A MRSA §5252, sub-§5-B** is enacted to read:

36 **5-B. Increased assessed value.** "Increased assessed value"
38 means the valuation amount by which the current assessed value of
a tax increment financing district exceeds the original assessed
value of the district. If the current assessed value is equal to
40 or less than the original there is no increased assessed value.

42 **Sec. 4. 30-A MRSA §5252, sub-§8, ¶A**, as amended by PL 1997, c.
220, §2, is further amended to read:

44 A. The term "project costs" does not include the cost of
46 facilities, buildings or portions of buildings used
48 predominantly for the general conduct of government or for
50 public recreational purposes. These facilities and
buildings include, but are not limited to, city halls and
other headquarters of government where the governing body
meets regularly, courthouses, jails, police stations and
other State Government and local government office

2 buildings, recreation centers, athletic fields and swimming
3 pools. Facilities and buildings used by State Government
4 may be included as project costs if located in approved
5 downtown development districts.

6 **Sec. 5. 30-A MRSA §5252, sub-§8, ¶B,** as amended by PL 1999, c.
7 272, §§4 and 5, is further amended by amending subparagraph (11)
8 to read:

10 (11) Costs associated with developing new employment
11 opportunities; promoting public events; advertising
12 cultural, educational and commercial activities;
13 providing public safety; establishing and maintaining
14 administrative and management support; assisting in
15 mitigating any adverse impact of a district upon the
16 municipality and its constituents; funding economic
17 development programs or environmental improvement
18 programs developed by the municipality; marketing the
19 municipality as a business location; and such other
20 services as are necessary or appropriate to carry out
21 the development program if the activities and programs
22 generating such costs are provided for in the
23 development program and bear a reasonable relationship
24 to the improvements or activities within the district
25 or the impacts on the district; and

26 **Sec. 6. 30-A MRSA §5252, sub-§9,** as enacted by PL 1987, c.
27 737, Pt. A, §2 and Pt. C, §106 and as amended by PL 1989, c. 104,
28 Pt. C, §§8 and 10, is further amended to read:

29 **9. Tax increment.** "Tax increment" means ~~that-portion-of~~
30 ~~all~~ those real and personal property taxes assessed by a
31 municipality, in excess of any state, county or special district
32 tax, upon the ~~captured~~ increased assessed value of property in
33 the development district.

34 **Sec. 7. 30-A MRSA §5253, sub-§1,** as amended by PL 1995, c.
35 669, §2, is further amended to read:

36 **1. Districts.** The municipal legislative body may designate
37 development districts within the boundaries of the municipality.
38 Before designating a district, the municipal legislative body or
39 the municipal legislative body's designee shall hold at least one
40 public hearing. Notice of the hearing must be published at least
41 10 days before the hearing in a newspaper of general circulation
42 within the municipality. The conditions in paragraphs A to E do
43 not apply to approved downtown development districts.
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2 A. At least 25%, by area, of the real property within a
development district must meet at least one of the following
criteria:

4 (1) Must be a blighted area;

6 (2) Must be in need of rehabilitation, redevelopment
8 or conservation work; or

10 (3) Must be suitable for industrial or commercial
12 sites.

14 B. The total area of a single development district may not
exceed 2% of the total acreage of the municipality. All
16 development districts may not exceed 5% of the total acreage
of the municipality. The boundaries of a development
18 district may be altered only after meeting the requirements
for adoption under this subsection.

20 C. The aggregate value of equalized taxable property, as
22 defined in Title 36, sections 208 and 305, of a tax
increment financing district determined as of the April 1st
24 preceding the date the designation of the district becomes
effective, plus all existing tax increment financing
26 districts determined as of the April 1st preceding the date
the designation of each such district became effective, may
28 not exceed 5% of the total value of equalized taxable
property within the municipality as of the April 1st
30 preceding the date the designation of the development
district becomes effective. However, excluded from the
32 calculation of this limit is any district involving project
costs in excess of \$10,000,000, the geographic area of which
34 consists entirely of contiguous property owned by a single
taxpayer and the assessed value of which exceeds 10% of the
36 municipality's total assessed value. For the purpose of
this paragraph, "contiguous property" includes a parcel or
38 parcels of land divided by a road, power line or
right-of-way.

40 D. The aggregate value of municipal general obligation
42 indebtedness financed by the proceeds from tax increment
financing districts within any county may not exceed
44 \$50,000,000, adjusted by a factor equal to the percentage
change in the United States Bureau of Labor Statistics
46 Consumer Price Index, United States City Average, from
January 1, 1996 to the date of calculation.

48 E. The designation of captured assessed value of property
50 within a tax increment financing district is subject to the
following limitations.

2 (1) The Commissioner of Economic and Community
4 Development shall adopt rules necessary to allocate or
6 apportion the designation of captured assessed value of
property within tax increment financing districts in
accordance with these limitations.

8 (2) The acquisition, construction and installment of
10 all real and personal property improvements, buildings,
12 structures, fixtures and equipment within the district
14 contemplated by the development program and to be
16 financed through municipal bonded indebtedness must be
completed within 5 years of the designation of the tax
increment financing district by the Commissioner of
Economic and Community Development.

18 F. Before final designation of a tax increment financing
20 district, the Commissioner of Economic and Community
22 Development shall review the proposal to ensure that the
24 proposal complies with statutory requirements and shall
26 identify tax shifts within the county where the tax
28 increment financing district will be designated. A
designation under this subsection is effective upon approval
by the municipal legislative body and, for tax increment
financing districts, upon approval by the Commissioner of
Economic and Community Development. In the case of downtown
development districts, the State Planning Office and the
Department of Transportation shall review proposals and
provide advice to assist the Commissioner of Economic and
Community Development in making decisions under this
paragraph. If the municipality has a charter, the
designation of a development district must not be in
conflict with the provisions of the municipal charter.

36 SUMMARY

38 This bill amends the municipal tax increment financing laws
40 by removing the percentage limitations on district size and value
42 for downtown investment and redevelopment projects. The bill
also makes technical changes.