

# Sanford Springvale

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Office of the City Manager

**Testimony in Support of LD 1493**

***An Act to Increase Affordable Housing by Expanding Tax Increment Financing***

Senator Nicole Grohoski, Chair  
Representative Joseph Perry, Chair  
Members, Committee on Taxation

I am Steven Buck, City Manager of Sanford, Maine, and I offer Testimony in support of LD 1493.

The City of Sanford has three major initiatives for the development of our City. Economic Development, Workforce Development, and Housing Development for the workforce. Great strides have been achieved through public-private partnerships for economic development and workforce development. The most difficult of these three initiatives has been supporting Workforce Housing Development, also a State recognized universal need.

The City has partnered on eight (8) Workforce and or Low to Moderate Income Housing Projects to date by establishing a Tax Increment Financing (TIF) District around the Projects and extending a Credit Enhancement Agreement (CEA) for Projects that could not be built otherwise. The Credit Enhancement Agreement examines the Revenue to Debt on the Project, established by Banks, typically 1.25 to 1.35 Revenue versus annual debt service, and returns a portion of the tax on the Newly Captured Assessed Value (CAV) on the Project to meet the lending requirements. A well-developed CEA reduces over time as the revenue versus carrying costs of the Projects becomes more favorable with maturity.

Since COVID, the impacts on cost of building materials and labor expense has escalated the overall cost of construction to levels that even given a TIF District and aggressive Credit Enhancement Agreement, the revenue to debt ratios cannot be met on many workforce housing projects. Even with lenders now moving from 25 to 30-year financing options, the requirements for lending are difficult to achieve in Cities such as Sanford having a large manufacturing workforce. That is where the establishment of the Pine Tree Housing Zone would aid to further close the gap in financing these needed housing projects. By reducing the next cost to construct by 5.5% on materials and then to reduce the overall electrical costs for Qualified Projects, the revenue to debt is more attainable when combined again with a TIF District and CEA.

This would represent a Public-Public-Private Partnership towards construction and availability of much needed Workforce Housing. The Municipality would forego property taxation in the short term to gain Workforce Housing, a localized workforce reducing traffic, green house gas emissions, and increasing the economic multiplier of the associated economic development and workforce payroll. The State would forego the Sales Tax, in the short term, for all of the same long-term benefits of the

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economic development potential and jobs made possible by the availability of increased Workforce Housing.

Tax Increment Financing, pursuant to Title 30-A Chapter 206, has been an effective tool to encourage workforce housing development in the City of Sanford, especially as an economically impacted service center community. Pine Tree Development Zones to encourage jobs creation has also been a successful State tool for workforce and economic development in these same areas. Combining these time proven Programs towards Workforce Development is a next logical step.

The short term extension of tax shelters using Tax Increment Financing and Pine Tree Zone credits combined for Workforce Housing redirects property and sales taxes to achieve our Municipal and State objectives as a public-private partnership for our long term economic benefit. LD 1493 will become another means in combination with other pending Housing Legislation to create greater housing opportunities. A wise economist once said, “all economic development is dependent upon housing.” Please consider passage and thereby creating a working relationship of combined Municipal and State incentives for our State’s common good, Workforce Housing.

Respectfully Submitted,

Steven R. Buck  
City Manager  
Sanford, Maine