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Portland
LD 146

Testimony by Nathan Szanton Before the Joint Standing Committee on Taxation on LD 146, “An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit.”
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Senator Grohoski, Representative Cloutier, and distinguished members of the Committee, my name is Nathan Szanton. I’m a longtime resident of Portland, and have worked in affordable housing for 31 years. The company I founded and own (The Szanton Company) has developed 745 affordable apartments in Lewiston, Biddeford, Bath, Auburn, Old Orchard Beach and Portland.

In 2008, the Legislature did a major overhaul of Maine’s Historic Tax Credit - raising the allowable credit to a maximum of \$5 million a year. Since 2008, the cost of construction has risen enormously, changing the \$5 million from a ceiling which affected few projects, to one which presents a big problem for rehab projects of many different sizes.

LD 146 would change the maximum credit claimable from \$5M in any one year, to 10M over any two-year period. This would be a big help to developers trying to bring empty historic buildings back to life as housing, or other uses.

The Maine Historic Credit has been a huge success at incentivizing developers to create affordable housing in historic buildings. But, as anyone who’s recently done a home renovation project knows, the price of construction has grown far faster than the CPI over the last 7-8 years.

Here’s a good example. In 2015, my company did a project called the Lofts at Saco Falls, in Biddeford. It was a complete renovation of an empty mill building into 80 apartments. Construction for that project cost us \$115 a square foot. This month, we just finished a project in Lewiston called Picker House Lofts. It too is a complete renovation of an empty mill building—into 72 apartments. The cost of this project, which was priced 8 years after the Biddeford project, was \$236/SF. The two projects are very similar: the scope of rehab work was essentially the same; both were competitively bid; the number of apartments and amount of square feet were similar. But in just eight years, the cost per SF more than doubled!

(There are many reasons for that, but)

This inflation has created a huge problem for those of us seeking to build housing in historic buildings. What we now have to do is figure out ways to time the construction so that only a certain amount of it is done each year—just enough to yield \$5 million in historic credits, but not more, because any more than \$5 million can’t be claimed, and is wasted. This makes for extremely inefficient construction. Because time is money, and construction costs continue to rise each year, slowing down development drives up the cost of historic preservation projects, and delays much-needed housing from being placed in service.

LD 146 will accelerate housing production by telling developers doing historic rehabs that they can produce twice as much housing in a given year, without hitting that dreaded cap. At a time when our State needs an estimated 80,000 additional housing units between now and 2030, this seems like a good policy change.

Without this bill, I’m certain that many projects seeking to restore historic buildings into new housing will simply not be feasible. The costs will be too high and the risks too great.

Thank you for your time today. I’d be happy to answer any questions you might have.