



Maine Real Estate &
Development Association

Supporting Responsible Development

Testimony in Support

LD 1498, An Act to Limit Municipal Fees on Housing Development

April 22, 2025, 1:00 p.m.

Housing Committee

Chair Curry, Chair Gere, and Honorable Members of the Housing and Economic Development Committee;

My name is Elizabeth Frazier, on behalf of the Maine Real Estate and Development Association (MEREDA) and I am testifying in support of LD 1498, An Act to Limit Municipal Fees on Housing Development. The intent of this bill is to adopt best practices for municipalities in setting and imposing required infrastructure improvements of fees-in-lieu (impact fees) as part of the approval for a new development project. MEREDA believes this is the approach that is needed to provide fair, practical, and predictable impact fees that meet municipal needs without overburdening developers and raising the cost of housing. We also believe the guidelines imposed by the bill will

Specifically, this bill would:

- Require municipalities to adopt guidelines for the imposition of impact fees on a proposed development.
- Limit any required land improvements or impact fees to property that directly abuts the proposed development.
- Require municipalities to show that the infrastructure improvement or impact fee is necessary in order to accommodate the development.
- Impose a proportionality requirement on any fees imposed, measured by the developer's intended use of the infrastructure improvement for which the money will be spent.
- Require any impact fees collected be spent by the municipality within 180 days of receipt of the fee.

MEREDA supports LD 1498 because it would adopt into state statute clear guidelines and best practices for the municipal adoption of impact fees. While MEREDA respects that development in a community sometimes requires investments in infrastructure, we believe the current law allows municipalities too much flexibility. LD 1498 would require municipalities to have a rational nexus between the proposed fee or infrastructure project and the development project. This is a fair minimum requirement to ensure that developers are not unfairly shouldering the burden of community improvements that are only loosely or tangentially related to the project at hand. Today, impact fees are too often used by municipalities as a way to extract community benefits from a real estate development project. Without legal guidelines, municipalities have too much discretion in setting these fees.

Examples of overly broad impact fees include Gorham's Recreational Facilities and Open Space impact fee, which, in 2009, collected enough money from residential development

projects to spend \$245,000 on a recreational field house. This fee is still in place today and applies to projects that create new dwelling units. In essence, it is simply a development tax on housing. While the funds may go to laudable projects, like the field house, they represent a burden-shifting onto developers which simply adds to affordability challenges.

MEREDA believes LD 1498 is an important step toward lowering the costs of construction, and housing in particular. Thank you for your thoughtful consideration of this important policy initiative, and for all you do for the State of Maine.

Sincerely,

Elizabeth Frazier

On behalf of the Maine Real Estate and Development Association (MEREDA)