



PORTLAND
Regional Chamber of Commerce

93 Exchange Street Portland, ME 04101 • (207) 772-2811

chamber@portlandregion.com • PortlandRegion.com

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Testimony in Support of LD 1498-An Act to Limit Municipal Impact Fees on Housing Development

Joint Standing Committee on Housing and Economic Development

April 22, 2025

Senator Curry, Representative Gere and members of the Committee on Housing and Economic Development,

I am Eamonn Dundon, the Director of Advocacy of the Portland Regional Chamber of Commerce. We represent 1,300 businesses in our region, collectively employing over 75,000 Mainers. I submit this testimony on behalf of our organization to express strong support for LD 1498.

This commonsense legislation will bring much-needed transparency and predictability to the way municipalities assess development impact fees. Currently, these fees are often levied through unclear processes, and the final amount may not be known until a building permit is issued or a certificate of occupancy is requested. At that stage, developers and small business owners have typically already secured financing, and unexpected fees can disrupt well-structured financial plans, threatening projects that would provide much-needed housing and expand the municipal tax base.

Impact fees effectively act as an additional tax on new homeowners and renters, above and beyond the property taxes they will pay that already support municipal services. While these fees can play a valid role in funding infrastructure, they should be assessed fairly and transparently. Clear methodologies are essential, and the fees must reflect the actual strain a development places on local infrastructure. When used to fund broader infrastructure upgrades unrelated to a specific project's impact, sometimes decades after a development is constructed, these fees place an unfair financial burden on residents of new housing.

This concern was reinforced by the U.S. Supreme Court in *Sheetz v. County of El Dorado*, decided last year. The Court held that even impact fees enacted through municipal legislation must show a direct connection to the development's impact. This decision affirmed that the "essential nexus" and "rough proportionality" tests under the Takings Clause of the U.S. Constitution apply to all such fees, reinforcing the need for fairness and transparency¹.

Small business face similar hurdles. Impact fees are often due before a business opens, a time when owners are typically operating with limited cash flow and relying on personal savings, high-interest loans, or equity from friends and family. In Portland, for example, Novel Book Bar & Café was assessed an \$18,000 fee, even though the previous tenant operated a similar café and gallery². In Oxford, a resident faced a \$36,000 fee to open a laundromat, which was eventually reduced to \$1,000³. These examples highlight how unpredictable fees can block Mainers from starting businesses that serve their communities' needs.

Across our region, municipalities handle impact fees differently. South Portland does not publish any readily accessible information about the amounts or methodologies for impact fees on its website. Portland and Scarborough do provide fee information online, but do not offer publicly available methodologies to explain

¹ https://www.supremecourt.gov/opinions/23pdf/22-1074_bqmd.pdf

² <https://www.bangordailynews.com/2023/09/15/portland/portland-coffee-shop-owners-18k-impact-fee-joam40zk0w/>

³ <https://www.sunjournal.com/2019/11/14/selectmen-waive-most-of-impact-fee-for-laundromat/>



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how these fees comply with the “essential nexus” and “rough proportionality” tests long required by U.S. Supreme Court precedence. Interestingly, Westbrook does not assess municipal impact fees at all, and is currently one of the top housing producers in Southern Maine.

Regardless of a community’s stance on impact fees, they must be legally compliant, transparently calculated, and clearly disclosed to developers and small business owners before significant time and money are invested in permitting and financing. This is essential for supporting responsible development and addressing Maine’s urgent housing shortage.

We urge the committee to advance LD 1498 and thank you for your time and commitment to addressing Maine’s housing and economic development challenges. Thank you for your consideration.