

Testimony to Committee on Taxation

SP 899, LD 2106

“An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit”

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**BY: Matt Assia, Vice President of Development and Asset Management
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Good afternoon, Senator Grohoski, Representative Perry, and members of the Committee on Taxation. My name is Matt Assia. I am a Scarborough resident and Vice President of Development and Asset Management for Chinburg Properties. Chinburg is a vertically integrated real estate developer and investor focused on housing and mixed-use properties. The company has been in business for 35 years and has been converting historic buildings into housing for 28 years starting with our first mill conversion in 1996. We presently have over 1,800 apartments under management and the majority are in historic buildings rehabilitated by the Chinburg team. Our market areas are Maine, New Hampshire, Massachusetts and Vermont.

As a Maine resident and a housing development professional focused on rehabilitating historic properties, I am here today to offer our support for the proposed legislation to strengthen the Historic Property Rehabilitation Tax Credit.

Since our first historic rehabilitation in 1996, our projects have become larger, more complex, more costly and increasingly more difficult to finance. Over the last 15 years, we have found that the cost to convert mill buildings into housing far exceeds the value of the completed project. When costs exceed the value created, an investor typically does not proceed. However, by utilizing federal and state historic property rehabilitation tax credits we and other developers can solve our financing gaps and turn stalled projects into financially viable investments. Chinburg has successfully completed nine (9) projects using historic tax credits including Saco Mill No. 4 in Saco, home to 150 apartments, and Lincoln Mill in Biddeford, home to 147 apartments. Projects like these do not happen without both the federal and state historic tax credits.

While similar in apartment count, the construction cost per unit for the Saco and Biddeford projects were vastly different. The Saco project closed on financing and started construction in 2015 and completed construction in May 2017. Five years later in March 2020, we closed on financing and started construction for the Lincoln Mill. We completed its second phase of apartments in February 2022. The construction costs for the Saco were \$138,888 per apartment. For the Biddeford project five years later, the construction costs were \$260,714 per apartment. That is an increase of 87.7%. From 2022 to today,

costs have continued to rise. We present this 87.7% increase as an example to support increasing the Maine Historic Property Rehabilitation Tax Credit from \$5,000,000 to \$10,000,000 per project per year.

At the current \$5,000,000 credit cap, a \$20,000,000 project is the per year limit. Both projects that I highlighted had more than \$20,000,000 in qualified rehabilitation expenses (“QREs”). We know that a similar sized project, if started today, would require phased occupancy over two to three years to earn the full benefit of the Maine credit. However, increasing the cap will accelerate the pace of housing creation. We would be able to deliver the apartments in a single year rather than over multiple years. Importantly, phasing projects creates additional costs and complexity. Therefore, raising the cap would also put more dollars towards housing creation rather than towards costs associated with phasing.

Not surprisingly, the properties that are candidates for rehabilitation in 2024 are often exceptionally large and suffer from years of vacancy, benign neglect and deferred maintenance. Chinburg owns one such property, the 440,000 square foot Continental Mill in Lewiston. We are collaborating with our architect on plans to create 375 market-rate apartments in the Continental Mill. On the same mill campus, The Szanton Company has started a 72-unit mixed-income housing project.

In today’s high-cost environment, the creation of 375 apartments in the Continental Mill will not be financially feasible without enactment of the proposed legislation. The scale of the project requires more gap financing than the current Maine tax credit provides even if we phased it over several years. Additionally, there is the added pressure with the federal tax credit program to complete a phased project within a five-year measuring period. Our five-year period begins with the completion of Szanton’s project on the Continental Mill campus. The urgency is threefold – we need to start the project by the end of 2024 to gain the most benefit from the federal tax credit; adding time only adds unwanted costs that could stall the project; and, as we all know, Maine needs more housing as fast as we can deliver it.

To launch the 375 apartment Continental Mill project and create the housing and vibrancy that comes from such a transformative project, we ask that you enact the proposed legislation.

Thank you for allowing me to speak today. I welcome the opportunity to answer your questions now or at the upcoming work session.