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Testimony by Nathan Szanton Before the Joint Standing Committee on Taxation on LD 2106,
“An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic
Property Rehabilitation Tax Credit.”

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Senator Grohoski, Representative Perry and distinguished members of the Joint Standing Committee on Taxation, my name is Nathan Szanton. I’m here today to testify in support of LD 2106, “An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit.”

I’m a longtime resident of Portland, and have been in the field of affordable housing development for 30 years. The company I founded and own (The Szanton Company) has developed affordable apartment properties in Lewiston, Biddeford, Bath, Auburn, Old Orchard Beach and Portland.

I applaud the Legislature for prioritizing the issue of housing during this Session. I believe this bill is a key element to build on the smart investments in housing that the Legislature made in the First Regular Session.

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

LD 2106 seeks to raise the maximum annual tax credit for historic rehabilitation projects from \$5 million to \$10 million.

The Maine Historic Property Rehabilitation Tax Credit has been a huge success in incentivizing developers to create affordable housing in historic buildings. But, as anyone who has recently done a home renovation project knows, the price of construction has grown far faster than the consumer price index over the last 6-7 years. Here’s a good example. In 2015, my company did a project called the Lofts at Saco Falls, on Pearl Street in Biddeford. It was a complete renovation of an empty mill building into 80 apartments: 93,000 square feet in all. Construction for that project cost us **\$115 per square foot**.

Today, we’re building a project called Picker House Lofts, on Cedar Street in Lewiston. It too is a complete renovation of an empty mill building into 72 apartments: 85,000 square feet in all. The cost of this project is **\$236 per square foot**. The two projects are extremely similar: the scope of rehab work was essentially the same; the two contractors are very

similar; the number of apartments and amount of square feet rehabbed are very similar. But just eight years later, in 2023, the cost was \$236/SF, rather than the \$115/SF it had been in 2015.

And in 2015, the cost of construction was already higher than it had been in 2008, when that \$5 million annual cap was established by the Legislature.

This has created a huge problem for those of us seeking to build housing in historic buildings. What we have to do is to 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 Tax Credits, **but not more**, because any more than \$5 million that's generated can't be used. This results in slowing down the design and construction processes. Because time is money, and because construction costs continue to rise each year, slowing down development this way drives up the cost of historic preservation projects, and delays much-needed housing from being completed and placed in service.

LD 2106 will accelerate the production of housing by telling developers doing historic rehabs that they can produce twice as much housing in a given year, without hitting that dreaded cap.

Without LD 2106, I am 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.

At a time when our State needs an estimated 80,000 additional units of housing between now and 2030, this seems like a good investment.

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