Sanford Springvale

SREGC
Sanford Regional Economic Growth Council

Testimony in Support of LD146

February 5, 2025

Senator Nicole Grohoski, Chair
Representative Kristen Cloutier, Chair
Members of the Taxation Committee

My name is Keith McBride and I am the Executive Director of the Sanford Regional Economic Growth Council. We help bring sustainable economic growth to the City of Sanford which increases the city's tax base, improves quality of life, promotes business retention and expansion, fosters high quality jobs and capitalizes on public-private partnerships to achieve these goals.

Of particular importance in this mission statement is its emphasis on public-private partnerships. Our job is to attract private investment to Sanford that meets our priorities for commercial and industrial development, workforce development, downtown and mill redevelopment and housing. We do this by being table-setters: making sure that the figurative (and sometimes literal) landscape in Sanford is in the best possible condition for the private sector to succeed.

We have been innovative and creative in how we have utilized a variety of programs and tools at our disposal to foster our public-private partnerships in Sanford. The proposed language in LD 146 will update and amplify the impact of one of those tools. Specifically, this re-adjustment of the limits of the historic preservation tax credit will help us accomplish two of our highest priority goals: housing and mill redevelopment.

Sanford is proud of its industrial history. Manufacturing remains a large component of our local economy even today. But the historic use of downtown riverfront land for textile mills, and the discontinuation of those uses in the mid-20th century have left us with a problem not unique among Maine cities: how can we make these landmark buildings productive and useful again?

The answer to that question comes back to public-private partnerships. We need the private sector. To lose these buildings to fire (which has happened) or to planned demolition and removal is a tragic loss. First, because they are landmarks of our community's history and heritage, and second because these options are more expensive to the community than redevelopment.

Historic preservation tax credits have been a critical part of every pro forma I have seen from any developer who has considered mill redevelopment in Sanford. It is a vital tool.

And yet, many of those pro formas I've reviewed have not been able to demonstrate a financially viable redevelopment project. Renovation of large, historically industrial mill buildings is more expensive than building on greenfields.

Improving the availability of historic preservation tax credits is needed in Maine to make these large scale projects more viable. It encourages downtown, infill projects that are less demanding on municipal services than sprawl-patterned development in rural areas. Which means more sustainable growth, and I mean sustainable in all three meanings of that term: socially, economically, and environmentally.

The proposed legislation does not expand the state of Maine's tax credit obligation. We are simply going from $5 million cap in year 1, and $5 million in year 2, and moving instead to a cap of $10 million over two years. We are simply front-loading the credits for developers with Qualified Reimbursable Expenses for historic preservation. This is impactful for two reasons:

1) As we all know, these credits are not kept and used by the developers (in most cases) but instead are typically sold on a secondary market, and converted into cash that developers use to help fund their project. In my conversations with developers, they have said that the need for cash is not later in the project; it is at the closing table. Money available next year is less valuable both to the developer and to the secondary market buyers of tax credits, which ultimately means it is far less valuable, and less impactful for the redevelopment project. Front-loading the tax credits ensures that the project gets its infusion of cash when it is most needed.

2) Because of the current law, developers are incentivized to keep units off of the market. If they have Qualified Reimbursable Expenses that justify more than $5 million in tax credits, they are better off doing less of the project in year one because of the inflexibility of the cap. Allowing up to all $10 million in the first year incentivizes developers to get housing units completed and on the market in the first year.

And that's what this change is all about: making new housing available to Mainers who need it by maximizing the power of a public-private partnership. This is economic development, and I would encourage it to be passed in its current form.

Thank you.