

Tax Increment Financing Proposal for Dunham Court

The Szanton Company



Development Team Members and Capacity

The Szanton Company

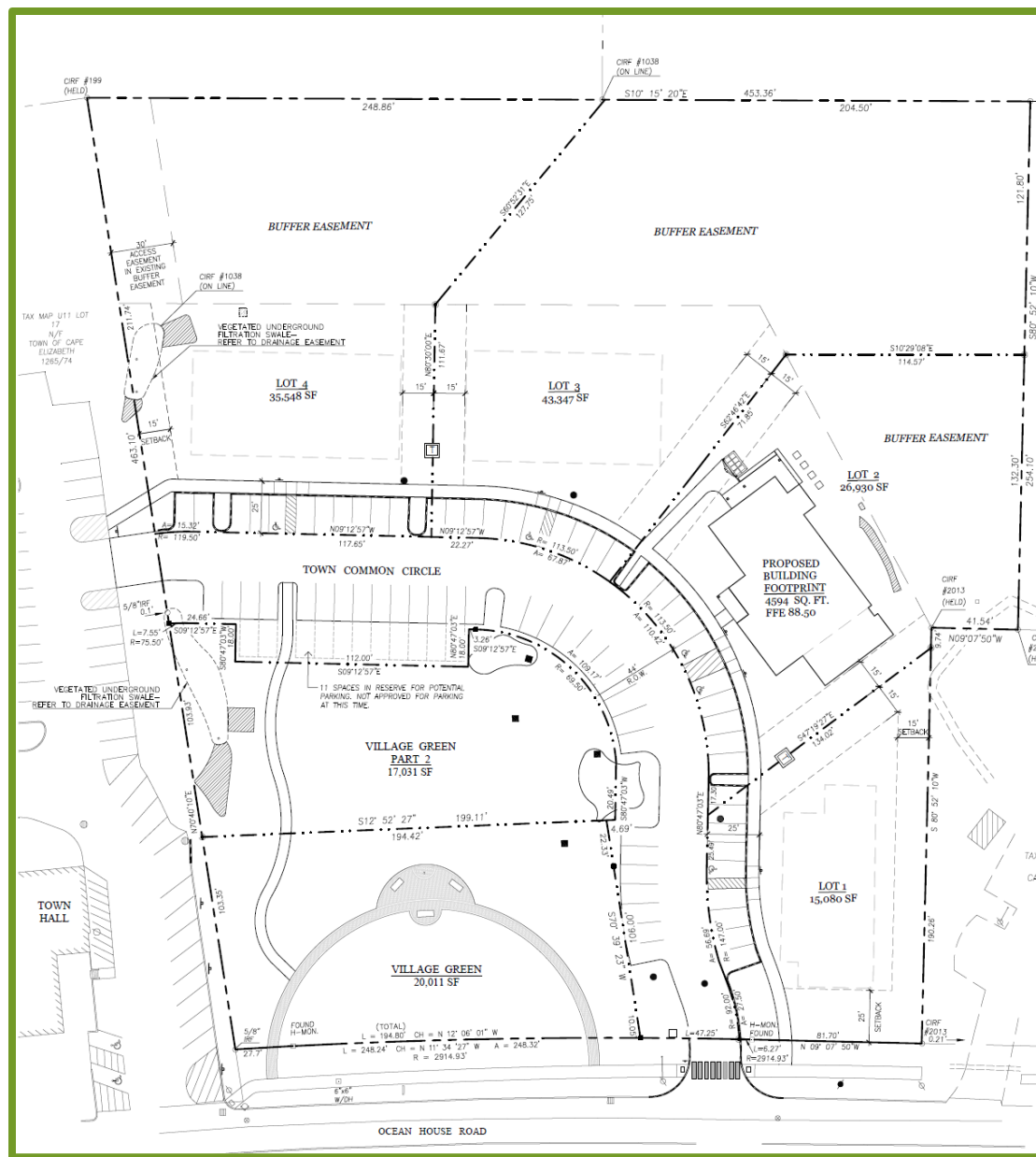
- 11 apartment developments totaling 560 units

Saco Falls Management (affiliate of The Szanton Company)

- Professional property management
- Responsive to renters, neighbors, City staff, and other stakeholders







Demand for Quality Affordable Rental Housing for Older Adults

Market Study completed by The Signal Group in 2021 for The Szanton Company:

- Pent-up demand for affordable rental units in PMA
 - LIHTC properties in PMA report 98.4% occupancy
 - Many have waitlist of 100 households
 - 38% of the current renter households are “rent-burdened”, meaning that they spend more than 30% of their incomes on housing costs

Cape Comprehensive Plan (2019)

- Housing Goals:
 - To promote a diversity of housing types to accommodate residents of all age groups and household sizes.
 - To increase the amount of affordable housing through methods that minimize administrative burdens on town administration.

Income and Rent Ranges

- 49 apartments
 - 80% affordable; 20% market-rate

Type	Income Range (household of 1)	Percentage of Apartments	Expected One-Bedroom Monthly Rent
60% area median income	1 person - Up to \$42k 2 people – up to \$48k 3 people – up to \$54K	About 80%	1 bedroom - \$1,080 2 bedroom - \$1,299 3 bedroom - \$1,495
Market-Rate	1 person – above \$42k 2 people – above \$48k 3 people – above \$54k	About 20%	1 bedroom - \$1,495 2 bedroom - \$1,695

Rent includes heat, hot water, wi-fi, fitness room, community room, resident services coordination, and parking.

**Income ranges are approximate*

Recent Changes to Sources that have impacted TIF request

- **4% LIHTC rate goes flat**
 - Dec 2020 – COVID-19 relief package included a stable 4% tax credit rate, giving the tax credits more value
 - this previously floated (averaged 3.2%)
 - Reduced TIF need from 65 to 45%
- **Change in MH financial model**
 - August 2021 – due to rising construction costs, MH announced an increase in the subsidy available per unit
 - Means the project is eligible to receive more subsidy per affordable rental unit, further reducing the TIF need
- **Awarded Cumberland County HOME funds**
 - August 2021 – applied for federal funds and were notified in August that Dunham Court is eligible to receive \$200,000 in HOME funds.
 - Introduced a new source of funds, further reducing the TIF need

Why does this project need a TIF?

- Project has a gap between cost to develop and financial sources available
 - TIF Allows project to take on additional debt to fill gap
 - All proceeds of TIF are used to pay debt

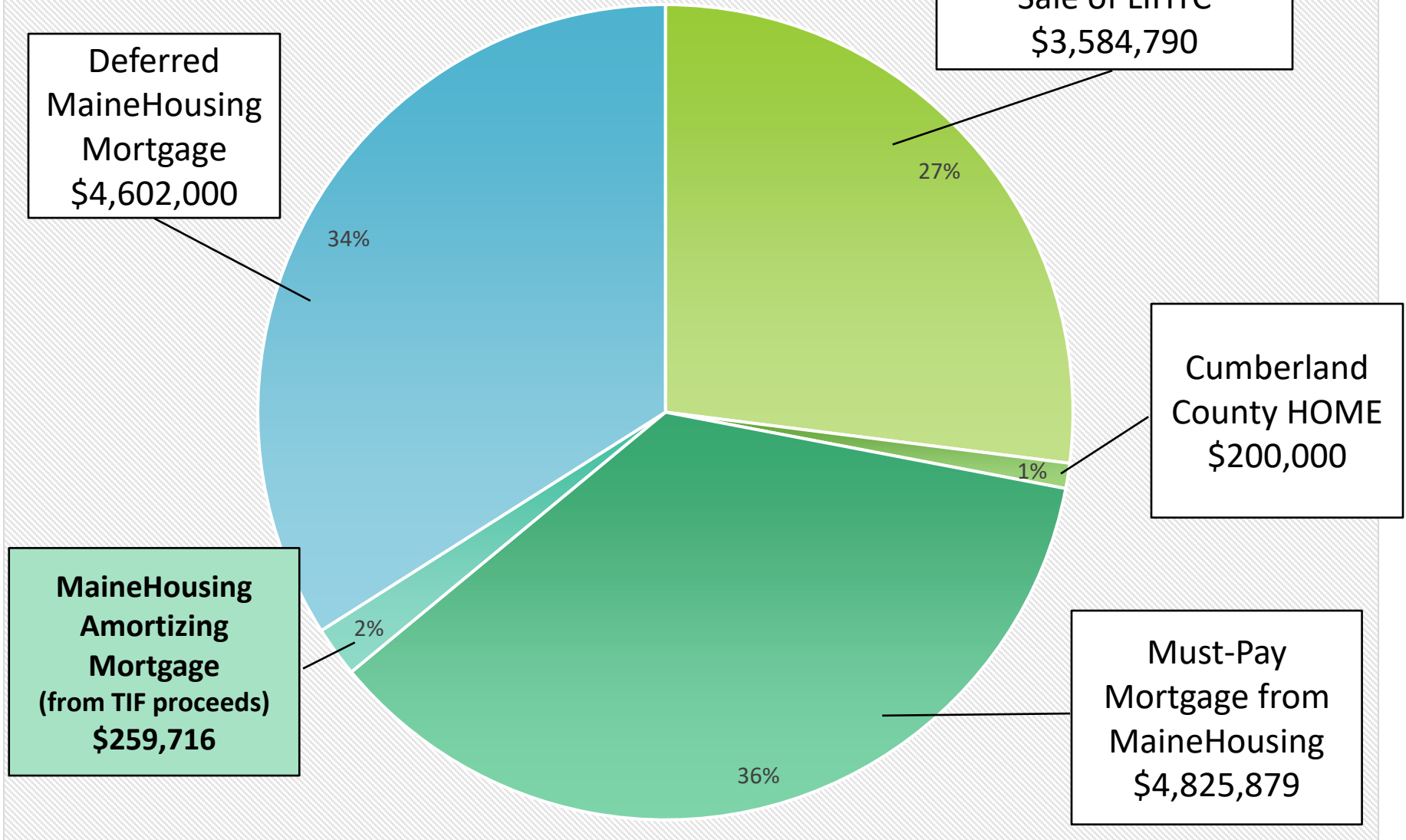
Dunham Court TIF Scenarios

	Scenario One (original scenario)	Scenario Two (increase in 2-bedrooms)	Scenario Three (some 3-bedrooms)
Total Units	49 total apartments	49 total apartments (increases footprint by 300sf)	46 total apartments
Unit Breakdown	41 one-bedrooms <ul style="list-style-type: none"> • 34 LIHTC • 7 Market 8 two-bedrooms <ul style="list-style-type: none"> • 5 LIHTC • 3 Market 0 three-bedrooms	37 one-bedrooms <ul style="list-style-type: none"> • 29 LIHTC • 8 Market 12 two-bedrooms <ul style="list-style-type: none"> • 10 LIHTC • 2 Market 0 three-bedrooms	35 one-bedrooms <ul style="list-style-type: none"> • 28 LIHTC • 7 Market 8 two-bedrooms <ul style="list-style-type: none"> • 6 LIHTC • 2 Market 3 three-bedrooms <ul style="list-style-type: none"> • 3 LIHTC
TIF Request	25% for 30 years OR 40% for 15 years	40% for 30 years OR 55% for 15 years	50% for 30 years OR 75% for 15 years

Development Expenses

Category	Cost	Notes
Construction	\$10,015,200	
Site Acquisition	\$717,500	
Consulting & Professional Fees	\$869,500	Market Study Analyst, Appraisals, Accounting, Environmental Consulting, Developer Overhead & Fee, Soft Cost Contingency
Financing Fees & Interest	\$402,367	
Architectural/Engineering	\$438,000	
Operating Escrows	\$518,818	Pre-funding of reserves as required by our equity investor and lender
Legal	\$209,000	
City/State/Federal Fees	\$245,000	
Insurance	\$45,000	
Taxes	\$12,000	
Total	\$13,472,385	

Financing Sources



– Total Sources: **\$13,472,385**

Financial Impact of TIF Scenarios

Current ('21-22) Valuation	\$382,000
Current ('21-22) Taxes	\$7,747
New Valuation After Construction (estimated based on similar buildings in our portfolio)	\$3,935,000
New Taxes	\$78,400
Increment Tax Increase (only this revenue shared through a TIF)	\$78,400-\$7,747 = \$70,653

	Scenario One (original scenario)	Scenario Two (increase in 2-bedrooms)	Scenario Three (some 3-bedrooms)
30-year TIF	25% TIF \$17,663 to developer \$60,737 to Town	40% TIF \$28,261 to developer \$50,139 to Town	50% TIF \$35,326 to developer \$43,074 to Town
15-year TIF	40% TIF \$28,261 to developer \$50,139 to Town	55% TIF \$38,859 to developer \$39,541 to Town	75% TIF \$52,990 to developer \$25,410 to Town

Tax Shift Benefits

Without a TIF

New taxable assessed value created results in new tax dollars:

- But a portion is lost to increases in County Taxes
- And a portion is lost to decreases in State Revenue Sharing

With a TIF

- Town saves the % lost to increase in County Taxes
- Town saves the % lost to decreases in State Revenue Sharing

How common are Affordable Housing TIFs?

Property Name	Municipality	TIF Percentage	TIF Length	Start Year
The Lofts at Bates Mill	Lewiston	50%	15 years	2013
The Lofts at Saco Falls	Biddeford	75% 4% each year after 15	30 years	2016
Huse School Apartments	Bath	50%	15 years	2017
The Hartley Block	Lewiston	50%	20 years	2019
48 Hampshire	Auburn	50%	30 years	2020
Furman Block	Portland	75%	30 years	2021
Milliken Heights	Old Orchard Beach	80%	15 year	2022
The Uptown	Bath	50%	20 years	2023

What does a TIF for the project accomplish?

- Makes feasible a project that will help fill a need in Cape Elizabeth for high-quality, energy-efficient, affordable rental housing.
- Increases the taxable value of the property, adding money annually to Town coffers for TIF period, and more every year after that.
- Brings new year-round households, each one a “little economic engine”
- Brings the first affordable housing to Cape Elizabeth in 50 years

Questions?



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