



Michael Chamblings
Economic & Community Development Director
City of Auburn
60 Court Street
Auburn, ME 04210

Re: Loring Farm TIF and HOME funds request

Dear Michael:

I am writing this letter in documentation and support of our recent TIF request to the City of Auburn for property located at 37 Loring Avenue in Auburn. As you are aware, Manx Development LLC has the property under agreement and is pursuing an affordable housing tax credit project this fall with MaineHousing. We anticipate approximately 48 workforce housing units in a townhouse style configuration that will allow most of the 15 acre parcel to remain undeveloped. We hope to work with Androscoggin Land Trust on a conservation easement benefiting the public and also plan to offer public access across our site in extension of the City's trail network. We have designed the project to be responsive to the current scoring system contained with MSHA's QAP and are confident that it will be successful. To ensure the project scores the maximum available number of points, we are requesting a 50% credit enhancement for 30 years and \$250,000 in HOME funds.

Given current and projected assessed values, we are projecting that even after this TIF reimbursement, the City will net approximately 1100% more in real estate taxes than are currently received from the property. To achieve this, we would suggest that the City shelter 100% of the increment and dedicate 50% to the project and 50% to offset costs to local schools, which is permissible under the statute governing the Affordable Housing TIF program. According to our projections, 47% of all new unsheltered tax revenue in Auburn is lost to fiscal impacts of the county and state, so the credit enhancement we are requesting is essentially dollars which would be lost to the City regardless.

However, this project will not occur without a TIF – there would be no additional tax dollars to split. It is critical for two reasons – scoring and financial underwriting.

First, scoring. As you know the QAP is highly competitive and the program is typically 3x oversubscribed. It is possible for very worthwhile projects to sit on the waitlist for several years or even not get funded at all. Nearly all successful projects in recent years have had the benefit of a municipality working alongside the developer by contributing such a TIF. The TIF we propose will score 5 points, one less than the maximum of 6. We are not asking for a 6 point TIF because that would be a 75% CEA - and we would no longer be able to say that essentially the City is not losing any money even if you made the (false) assumption that the project could move forward without a TIF. Again, a 50% TIF is reasonable as it is essentially asking the municipality to assign money to the project that would have otherwise gone to the county and state. 5 points is still a very good number and will give us an advantage over many applications and hold us even with most or all others. Typically the difference between the winners and losers is only a point or two.

Second, financial underwriting. As we have discussed, Auburn assesses its tax credit projects at a very high ratio relative to many other communities around the state. This is perfectly defensible, and we take no issue with it whatsoever, but it creates a hardship for the project operating budget since rents can never be raised past 50% and 60% AMI regardless of the assessment. That, coupled with the basic fact of high taxes which affects all service centers statewide, means that the credit enhancement is actually pretty critical to the basic underwriting of the project. Today the market for sale of credits is very competitive, but it is still unclear that the project could meet basic underwriting standards of both investor and MSHA if a TIF is absent.

For these reasons, we will likely not proceed with the project if we are not able to negotiate a mutually beneficial TIF arrangement. The TIF would need to be approved and sent to the state by the first council meeting in September.

Finally, we are also requesting \$250,000 in HOME funds that will allow us to score 2 more points in our application. The third point would come at around \$500,000 in HOME funds and, based on prior history, that seems to be more than is a reasonable ask. The first point comes at \$100,000, which seems to be a relatively low amount of commitment for adding 50 new units to Auburn's workforce housing stock.

This project has come up relatively late in the spring and we are currently going full speed ahead. We are working hard on a Planning Board application and we expect to be able to have a full package submitted in the coming weeks.

I hope this letter has provided some baseline information as you evaluate this request and I will be happy to provide any other information you may require. I am hopeful that we will be able to appear before your Council on August 15 for workshop on our requests with a public hearing and final vote on the first meeting in September. This schedule will allow for all materials to be submitted to MaineHousing in time for the fall application.

Thank you,

A handwritten signature in black ink, appearing to read 'KB', written in a cursive style.

Kevin Bunker, Manager

DC Predevelopment LLC

Authorized Agent for Manx Development LLC