

# Mahoney City Center Committee (M3C) – Funding Subcommittee

- Appointed by M3C to develop a funding plan
- Goal: **Minimize property tax impact** of the Mahoney project
- Members: Mike Hulse, Brian Clark, Josh Reny, Phil Selberg, Kevin Davis, Ellen Sanborn
- Met on **July 30** and **November 12**

# General Obligation Bonds (GOBs)

- Main funding source for the project
- Bonds issued for up to 30 years
- Debt service paid primarily by property taxes
- Other funding sources could be used to reduce annual debt service cost

# Grant Funding

- Federal grants:
  - Have annual application cycles
  - Require detailed project designs
  - Would not be awarded before the referendum
  - Are usually not available for municipal buildings
- Energy grants (e.g., geothermal):
  - Reimbursed after construction
  - Could help offset future debt service, not reduce referendum amount
- State grants are typically federal pass-through funds

# Tax Credits

- City does not pay income taxes so is not eligible for tax credits
- Private ownership model (to capture credits) was discussed
- Subcommittee rejected this due to:
  - Loss of City ownership
  - Public and Council concerns

# Fundraising Opportunities

- Potential fundraising for:
  - Library
  - Auditorium / theater
  - Outdoor spaces
- Would require professional fundraising consultant
- Capital campaign could supplement bond funding

# Auditorium & Gym Considerations

- Possible separate ownership or nonprofit management
- Could impact:
  - Bond eligibility
  - Building design
  - How spaces are used
- Final design and use likely unknown before referendum

# Naming Rights

- Potential to sell naming rights for the building or specific spaces inside
- Legal counsel confirmed there are no restrictions on naming based on donations
- Council may want to adopt a formal naming policy

# Tax Increment Financing (TIF)

- TIF law revisions allow use for Mahoney renovation
- Current TIF funds have been appropriated for initial design and engineering work
- Largest revenue generating TIFs have or will be expiring
  - Diodes – June 30, 2024
  - OnSemi – June 30, 2026
- New TIF districts could:
  - Help pay construction costs

# Sale of Vacated Properties

- Potential sale of:
  - City Hall
  - Assessing building
  - Hamlin building
  - Library building
- Could generate:
  - One-time sale proceeds
  - Ongoing property tax revenue if privately owned
- Buildings could not be sold until departments

# Local Option Sales Tax

- Could help fund the project
- Not allowed under current Maine law
- Would require State legislative change

# Overall Conclusion

- Bonds would be the primary funding source
- Other tools can help **reduce the tax impact**, including:
  - Property sales
  - TIF revenues
  - Fundraising
  - Naming rights
- Many funding options depend on:
  - Project design
  - Legal review
  - Future state and local decisions

City of South Portland

Facilities Project

Estimated Tax Rate Impact

	Without Homestead Exemption			With Homestead Exemption		
	FY26	increase	%	FY26	increase	%
Tax Rate per \$1,000	\$ 13.65	\$ 2.26	16.6%	\$ 13.65	\$ 2.26	16.6%
Homestead value exemption				\$ 25,000	\$ 25,000	
<u>Property Value:</u>						
\$350,000	\$ 4,778	\$ 791		\$ 4,436	\$ 735	
\$514,000 (average single family)	\$ 7,016	\$ 1,162		\$ 6,675	\$ 1,105	
\$700,000	\$ 9,555	\$ 1,582		\$ 9,214	\$ 1,526	
\$900,000	\$ 12,285	\$ 2,034		\$ 11,944	\$ 1,978	