

## Memorandum

To: Board of Selectmen

Fr: Mike Weston, Mary Beth Gilbert, and Laurie Smith

Re: Proposal to lower the tax impact of the Town Hall construction

Dt: August 2, 2023

The Town Hall Building Committee made their presentation to the Selectboard at the July 13, 2023, meeting. During the presentation, we discussed the current costs for the project were estimated at \$8.8 million, assuming a 2024 construction start. The Board discussed ways in which we might attempt to lower the property tax impact and appointed the subcommittee of Mike Weston and Mary Beth Gilbert, along with Town Manager Laurie Smith. The members of the subcommittee met on three occasions and included Werner Gilliam, Chris Simeoni, and April Dufoe in these discussions. We also had members of the public – Alan & Jane Evelyn and James Mulvihill - reach out to discuss the subject with the committee.

At the July 13 meeting, staff discussed the options of selling the current Town Hall at 6 Elm Street, along with the use of capital reserves, to lower the bond required for construction. The estimate of \$1,000,000 from the sale of 6 Elm Street and the use of \$800,000 in reserves could decrease the bond amount by \$1.8 million. The subcommittee considered other revenues that might have a similar effect. One of the ideas presented was the potential to increase fees; however, upon closer examination, it was determined that the fee increases would not have the necessary magnitude to affect a reduction in a large capital cost. The committee began considering the sale of additional Town property. A review of a long list of Town properties found that most were in use or tax acquired. Due to the recent Supreme Court decision and Maine statute change, Towns are no longer able to gain financially from tax-acquired property sales. Therefore, these properties would not produce the desired effect. Upon further examination, the committee did find two properties that were deeded to the Town which could potentially be sold.

1. 49 Beachwood – the old Town Garage site. The lot is approximately 1 acre in size and is assessed at \$160,000. The Town has owned it since the 1950s and paid \$1.00 for the property originally. Our initial thoughts are it could sell for at least \$200,000.
2. School Street - McCabe Parcel – adjacent to Parson Field and Recreation Center. The lot is approximately 8 acres in size and can access water and sewer. The Town purchased the property in 2014 for \$385,000. We believe it could sell for at least \$500,000.

Another idea that was suggested by both the Evelyns and Mr. Mulvihill was the prospect of raising funds through naming rights in the new building. This idea was considered at length, including the perceptions of donations being tied to a “quid pro quo”, especially in a public building that should feel free from bias. The idea developed into the concept of targeting donations toward people who have contributed to the community. This then evolved into the vision of a memorial wall, where donations could recognize people and businesses in the community, such as the one to the right.



The grander vision would be to create a mural wherein the artwork can recognize families or individuals, such as the one on the left. The committee imagined a mural that reflects Kennebunkport's culture and heritage – perhaps a design featuring a boat on the water.

Should the Board be willing to consider all of these ideas, this *could* result in a \$3.0 million reduction to the bonded amount.

Town Hall Construction Cost	\$ 8,800,000
Sale of 6 Elm Street	\$ (1,000,000)
Use of Reserves	\$ (800,000)
Fundraising	\$ (500,000)
Additional Property Sales	\$ (700,000)
Bonds needed for project	\$ 5,800,000

Whatever the Town borrows will need to be paid back over a 20-year period on an annual basis. When we examined the property tax rate impacts of three bond amounts it varied greatly. The average annual difference between the \$8.8 million and \$5.8 million bonds is approximately \$220,000, or about \$0.06 on the tax rate.

Bond Amount	Average Annual Payment	Tax Impact	\$ Impact Per \$100,000 value	\$ Impact Per \$500,000 value
\$8.8 million bond - 20 years	\$ 605,000	\$ 0.17	\$ 17.23	\$ 86.15
\$7.0 million bond - 20 years	\$ 497,000	\$ 0.14	\$ 14.15	\$ 70.77
\$5.8 million bond - 20 years	\$ 385,000	\$ 0.11	\$ 10.96	\$ 54.82

In addition to these potential savings, the Town will experience naturally occurring reductions in debt; please see the chart below. Between the years 2026 and 2029 (a 5-year period), the Town will save approximately \$480,000 annually in debt payments. Although the Town Hall bond will likely occur in the calendar year 2024, the first debt payment could be arranged to occur in FY 2026. By 2027, year one of the initial debt payment, the natural reduction in debt payments would be approximately \$300,000, or a decrease of \$0.09 in the tax rate.

Debt Retirements - FY26 - FY29			
Year	Project	Principal	Interest
2026	Wastewater	\$ 33,590.27	\$ 1,604.23
2027	Police	\$ 42,254.17	\$ 2,936.86
2027	Radio Tower	\$ 200,000.00	\$ 19,380.06
2028	Recreation	\$ 45,000.00	\$ 5,801.40
2029	Seawall	\$ 105,000.00	\$ 26,270.83
	Total:	\$ 425,844.44	\$ 55,993.39
	Grand Total		\$ 481,837.83

The subcommittee recommends that the Board consider these various ways in which we might move forward with this important and needed project while decreasing the effect on Kennebunkport property owners. The ballot before voters would authorize the bond for the Town Hall project but also approve the sale of properties, use of reserves, and potential fundraising opportunities.