

4/23/2021



Testimony Regarding Proposed Parameters for OPEGA Full Tax Expenditure Review of Maine Historic Property Rehabilitation Tax Credit

Chairman Libby, Chairman McDonald, and members of the Government Oversight Committee;

My name is Elizabeth Frazier and I am an attorney at Pierce Atwood. On behalf of our client, the Maine Real Estate & Development Association, as well as the Maine Historic Tax Credit Coalition (the Coalition) – Greater Portland Landmarks, GrowSmart Maine, Maine Alliance for Smart Growth, Maine Preservation, CEI, and the Genesis Fund – we wish to comment on the proposed parameters for a full tax expenditure evaluation of the Credit for the Rehabilitation of Historic Properties, also known as the Maine Historic Property Rehabilitation Tax Credit (MHRTC).

As noted by the Office of Program Evaluation and Government Accountability (OPEGA), Maine statute at 3 MRSA § 999 requires the Government Oversight Committee (the Committee) to approve the following general parameters:

- 1. Purpose, Intent or Goals.** The purpose, intents or goals of the tax expenditure, as informed by original legislative intent as well as subsequent legislative and policy developments;
- 2. Intended Beneficiaries.** The intended beneficiaries of the tax expenditure;
- 3. Evaluation Objectives.** The evaluation objectives; and
- 4. Performance Measures for Evaluation Objectives.** Performance measures appropriate for analyzing the evaluation objectives.

OPEGA has further provided you with their recommendations for these parameters specific to the MHRTC. We agree with OPEGA's conclusion that no evaluation parameters are included in the MHRTC law, as is often the case with newer tax expenditures. As such, we wish to applaud OPEGA for its work in assessing which factors will most closely provide qualitative and quantitative data for a fair evaluation of this important credit. Indeed, we concur with most of the identified parameters. However, we would like to put forth a couple of factors for your consideration, with respect to each of the statutory factors outlined above.

- 1. Purpose, Intent or Goals.** We agree that the purpose and goals of the program include: rehabilitation of historic properties and historic preservation, community revitalization, and economic activity and job creation. In addition, the inclusion of a higher tax credit value for affordable housing (as well as resulting construction of affordable housing units) argue for including affordable housing as another purpose. We also believe that the passage of recent legislation to extend the sunset date for the credit evidences as legislative intent that the program also result in greenhouse gas and building efficiencies.
- 2. Intended Beneficiaries.** We believe OPEGA has correctly identified the broad audience of beneficiaries for this credit under its discussion on page 5. We do not believe it is OPEGA's intent to consider only the direct recipients of the tax credit to be the beneficiaries. However, because the first page of the proposed parameters do state that "taxpayers affected" are approximately 30 individuals, we wanted to provide some clarification as to who we believe are the intended beneficiaries as evidenced by legislative intent.

As OPEGA notes, the credit broadly provides public benefits to the State of Maine. OPEGA further notes that the Committee may wish to move forward without identifying specific beneficiaries. In some ways, this makes sense – the beneficiaries are many. However, for reasons discussed below, we believe it is important to identify beneficiaries at this stage, to ensure adequate evaluation. For this reason, MEREDA suggests that the Committee consider the following as intended beneficiaries of this program:

- Maine citizens, who will have the opportunity to see and enjoy historic properties in their communities and around the State that might otherwise have been lost and are real contributors to the character and culture of our cities, towns and state;
- Municipalities, who have received increased revenue both from the higher property taxes paid on the rehabilitated property and from the indirect development and added property tax revenue that typically accompanies MHRTC projects;
- Maine taxpayers, who benefit from the direct and indirect spending attracted to Maine by these projects – often from out-of-state funding sources. This infusion of capital represents an investment in Maine that ultimately helps grow our economy and ease the tax burden across the board; and
- Historic building owners and property developers, who directly benefit from the credit to help close the funding gap to make the rehabilitation of these historic properties possible.

3. Evaluation Objectives. We agree with OPEGA’s assessment that the statutory objectives under 3 MRSA § (999)(1)(a) are generally appropriate. However, we raise concern with (d), which is “the extent to which those actually benefiting from the tax expenditure program are the intended beneficiaries.” Id at § 999(1)(a)(d).

We believe inclusion of this evaluation objective is only practical to the extent this Committee is able to identify the beneficiaries. If the Committee does not identify specific beneficiaries, we believe it will be difficult for OPEGA to conduct an objective review of the criteria under (d). Id.

Our view is that the building owners and developers that employ the credit are agents to accomplish the purposes outlined above in 2. The law was not passed so that they would be beneficiaries, but rather that they would be able to accomplish the other purposes outlined.

4. Performance Measures for Evaluation Objectives. As a general matter, we believe OPEGA has correctly identified the majority of possible performance measures for the evaluation of the MHRTC. However, we would encourage the committee to add a performance measure that looks at: 1) the amount of outside public and private capital investment attracted to Maine as a result of the program; and 2) the amount of indirect spending and revenue arising from the rehabilitation of historic properties.

In closing, the Coalition wishes to thank OPEGA for its efforts thus far in recommending the evaluation parameters for its review of the MHRTC. We believe that, with the minor modifications suggested above, we can ensure that the MHRTC Full Tax Expenditure review is thorough, accurate, and informative for future policy development.

We welcome an opportunity to continue to work with OPEGA and the Committee as it moves through the evaluation process.

Thank you for your consideration of these comments.

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