

Testimony in support of LD 1810, “An Act to Expand the Maine Historic Rehabilitation Credit and Establish a Weatherization Tax Credit.”

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Good morning, chairpersons Grohoski and Perry, and all members of the Taxation committee. My name is Josie Phillips, and I’m representing Maine Center for Economic Policy. I am testifying in favor of LD 1810 because the Historic Rehabilitation Credit is a cost-effective way to preserve and produce affordable housing, of which the state is experiencing a critical shortage. This shortage urgently needs addressing, as it is hurting the health and financial stability of Mainers with low and moderate incomes and impeding businesses’ ability to attract workers into the state.

Over the past 20 years, the costs of homeownership in Maine and renting in the Northeast region have grown more quickly than Mainers’ median household income.^{i ii} This indicates that, for a majority of Mainers who rent or are looking for a new home, keeping a roof over their head has consistently become more challenging over time. At this point, Maine is experiencing a shortage of between 20,000-25,000 affordable housing units across the state.ⁱⁱⁱ

Maine’s lack of affordable housing is hurting our economy. The state economist has acknowledged it as one of the most significant challenges facing Maine’s economy, particularly in relation to the difficulty it adds to attracting working age adults into the state.^{iv} Even when solely considering the residents already in Maine, however, a lack of affordable housing can be a serious impediment to the wellbeing of families’ personal finances and the prosperity of Maine’s state economy. Experiencing housing instability threatens people’s physical and mental health, which can severely impact lifetime earnings, and increases the likelihood of becoming unemployed.^{v vi}

Maine’s Historic Rehabilitation Tax Credit has already proven itself a powerful tool to preserve and increase the stock of affordable housing across the state. An OPEGA review of the tax credit found that between 2008 and early 2021, the tax credit contributed to the creation of 924 affordable housing units and the preservation of 362 additional affordable units.^{vii} The entirety of the Historic Rehabilitation Tax Credit cost approximately \$8 million in Fiscal Year 2022.^{viii} Applying this annual cost retroactively to the time period of 2008-2021, this would come out to a cost of approximately \$113,000 per unit created, or \$81,000 per unit created or preserved. At a time when affordable housing development can cost multiple hundreds of thousands of dollars per unit, this credit represents a cost-effective tool to meet Maine’s housing production goals.

By increasing the value of the Historic Rehabilitation Tax Credit, particularly the section of the credit that deals with affordable housing, LD 1810 would further bolster the credit’s ability to increase the stock of affordable housing in Maine. Because this bill efficiently addresses the affordable housing crisis that is hurting the stability of Mainers with low and moderate incomes, as well as the entire state economy, we encourage this committee to vote yes on LD 1810.

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- ⁱ Federal Reserve Economic Data, “Median Household Income in Maine” and “All-Transactions House Price Index for Maine.” <https://fred.stlouisfed.org/graph/?g=12h7w>
- ⁱⁱ Federal Reserve Economic Data, “Median Household Income in Maine” and “Consumer Price Index for All Urban Consumers: Rent of Primary Residence in Northeast.” <https://fred.stlouisfed.org/graph/?g=12h88>
- ⁱⁱⁱ Portland Press Herald, “Scenes from the affordable housing crisis.” <https://www.pressherald.com/2023/02/12/scenes-from-the-affordable-housing-crisis/>
- ^{iv} The Courier-Gazette, “State Economist sees challenges from inflation, housing crisis, work force shortage.” https://knox.villagesoup.com/news/state-economist-sees-challenges-from-inflation-housing-crisis-work-force-shortage/article_794367c9-2155-591c-b393-7d23a191e4ae.html
- ^v Health Affairs, “Housing and Health: An Overview of the Literature.” <https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/>
- ^{vi} National Low Income Housing Coalition, “Housing Instability Increases Likelihood of Job Loss.” <https://nlihc.org/resource/housing-instability-increases-likelihood-job-loss>
- ^{vii} OPEGA, “Evaluation of the Maine Historic Rehabilitation Tax Credit.” <https://legislature.maine.gov/doc/7498>
- ^{viii} DAFS, “Maine State Tax Expenditure Report 2024 – 2025.” <https://www.maine.gov/revenue/sites/maine.gov/revenue/files/inline-files/2023%20Tax%20Expenditure%20Report%20%28PDF%29.pdf>