



Testimony to the Joint Standing Committee on Taxation
in support of
LD 2106, An Act To Accelerate the Production of Affordable Housing and Strengthen the Historic
Property Rehabilitation Tax Credit

Submitted by
Daniel Wallace, Chief Investment Officer and Amy Winston, Senior Director-State Policy
1/24/24

Dear Senator Grohoski, Representative Perry, and members of the Taxation Committee:

My name is Amy Winston. I am the state policy director at Coastal Enterprises, Inc. (CEI). I live in Edgecomb. My colleague, Daniel Wallace, is the Chief Investment Officer at CEI and serves as the Chief Executive Officer at 30FSI (30 Federal Street Investments LLC), a wholly owned subsidiary of CEI specifically formed to put the state historic rehabilitation tax credit (HRTC) to use for the benefit of mission-aligned projects across the state. Daniel lives in Portland. Together we are testifying on behalf of CEI.

CEI is a nonprofit CDC (Community Development Corporation) and CDFI (Community Development Financial Institution) based in Brunswick. CEI's mission is to build a just, vibrant, and climate-resilient future for people and communities in Maine and rural regions. We do this by integrating finance, business expertise, and policy solutions in ways that make the economy more equitable. In 2023, CEI invested \$21.9 million in 106 unique businesses in Maine. This lending and investment helped create or preserve 875 jobs across multiple industries including sustainable agriculture and food systems, aquaculture and fisheries, renewable energy, manufacturing, childcare, and community revitalization projects.

As a subsidiary of Coastal Enterprises, Inc., 30 Federal Street Investments LLC (30FSI) increases access to affordable housing, helps communities revitalize downtowns, and supports local businesses and job creation through the restoration and rehabilitation of historic Maine properties. In the past five years alone, 30FSI has invested \$28.5 million in projects across the state, including communities as varied as Augusta, Bangor, Bath, Dover-Foxcroft, Fairfield and Portland. These projects supported 21 unique restorations, including 12 for commercial, childcare, and mixed use, and 9 that expanded housing options and affordability for students, workers, and people with low incomes.

While we were not involved in development of this bill, CEI supports LD 2106, *An Act To Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit*. Here's why.

The state HRTC program has been key to reviving Maine's iconic downtowns and rehabilitation of landmark mill buildings. The preservation and reuse of historic buildings revitalizes downtowns, catalyzes economic activity and job creation, and enhances quality of place. Historic preservation projects prevent and reverse disinvestment, which leads to blight. They honor Maine's industrial past while providing fresh, energy-efficient space for local enterprise and housing. Preservation and rehabilitation is a place-based development approach that aligns with the state's climate action plan and 10-year economic development strategy.

CEI is engaged in business and sector-specific economic development throughout Maine. CEI supported LD 201, which extended but did not remove the sunset on the state historic tax credit, in the 130th. In 2021, OPEGA (Maine’s Office of Program Evaluation and Government Accountability) released a positive evaluation of the credit, affirming its cost effectiveness, positive fiscal impact, and economic benefit to the state in the form of affordable housing, community revitalization, job creation and economic growth.

In 2019, Maine’s Historic Preservation Commission (MHPC), which administers the program, and is also required by statute to analyze the credit’s effectiveness as an incentive for repurposing historic buildings and economic development, noted its overall economic benefit to the state. MHPC found that “the tax credits have a significant effect on the number of historic buildings rehabilitated in Maine, investment generated, and the assessed value of rehabilitated historic properties. It is also evident that the tax credits have incentivized economic development.”

In 2015 and again in 2020, economic impact analyses by Planning Decisions also quantified very tangible benefits in terms of projects completed and underway, square footage restored, leveraged investment, affordable housing produced, construction jobs, ongoing year-round employment sustaining Maine families, and more than \$166 million in increased property tax revenues to host communities.

For its part, CEI has invested over \$62 million in 61 projects across eight counties. These projects all reinvent landmark structures to foster new economic pursuits in converted mills, former schools, and vintage buildings, resulting in loft apartments; workforce, senior and affordable housing; professional offices; childcare centers; and boutique hotels with cafés and restaurants. Stories from eight Maine communities illustrate the HPTC program’s effect on downtowns from Biddeford-Saco to Dover-Foxcroft to Bangor. These projects would not have happened without the state historic tax credit.

This program is effective in helping to produce much-needed affordable, workforce and market rate housing units. CEI is currently allocating state historic tax credits to projects in Bangor, Biddeford, and Portland, that:

- are converting a dormant office building into 20 units to house healthcare professionals;
- have installed 96 apartments in a former foundry, which were fully rented within 5 months of the project breaking ground; and,
- are adapting the former Mercy Hospital campus into 165 rental apartments within walking distance of downtown jobs, services, and amenities.

In each of these projects, there is ground-floor commercial, retail and dining/café space. Thoughtful design includes bike parking, storage facilities, and both interior and exterior shared space to facilitate shared meals and community involvement. CEI also has active projects in Bath, Gardiner, Lewiston, Waterville, and Skowhegan.

Without this program, historic preservation projects would not be financially feasible. And without the restoration of historic structures of all kinds – from granges and mills to schools and hospitals – Maine communities would lose some of the quality of place that these buildings afford.

As construction costs skyrocket, the need for state support to incentivize these projects is only more pronounced. According to the Maine Affordable Housing Coalition, construction costs have more than doubled since 2013. Therefore, LD 2106 proposes an increase in the maximum tax credit amount that is available for what are known as substantial certified historic rehabilitation projects – projects over \$250,000 and that qualify for the federal historic tax credit – from \$5 million to \$10 million annually per project. Additionally, as drafted, this bill allows nonprofit organizations that claim the historic

rehabilitation tax credit or the affordable housing tax credit and that have offset fiscal years to file their tax returns on a calendar year basis if they so choose, to better align with project timelines.

The state historic preservation and affordable housing tax credit program has clear administrative guidelines and a straightforward application process to ensure projects' strict adherence to quality standards and compliance with historic requirements. As OPEGA, the MHPC, and Planning Decisions have concluded, the credit more than pays for itself. The tax and spending revenues, employment, and economic activity generated by the credit exceed the costs of the credit to the state, resulting in a net positive economic impact to the state budget.

It is also worth noting that LD 1810, *An Act to Expand the Maine Historic Rehabilitation Credit and Establish a Weatherization Tax Credit*, is a carryover bill which makes changes to the small project tax credit portion of this program. LD 1810 is intended to make it more affordable for homeowners to preserve the historic character of their homes while increasing their energy efficiency. While CEI is not involved in residential consumer financing or the small project rehabilitation credit, as a practitioner with deep understanding of the program, we see value for the state in expanding the allocation to smaller and residential projects, as proposed in LD 1810.

Thank you for the opportunity to share our experience with the State Historic Rehabilitation Tax Credit Program and insights into LDs 2106 and 1810. We encourage the committee to Vote Ought-to-Pass on both.