



*Testimony of*

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*Before*

The Joint Standing Committee on Taxation

In Support of

**LD 146: An Act to Increase the Maximum Amount of the Historic Property Rehabilitation Tax Credit That May be Taken in a Year**

Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in support of LD 146, **An Act to Increase the Maximum Amount of the Historic Property Rehabilitation Tax Credit That May be Taken in a Year**

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

Maine's Historic Property Rehabilitation Tax Credit has been an important tool for developers to use as they save and repurpose old buildings in communities around the state. The credit provides a resource that can provide new life for former schools, mills and other structures. While this tax credit can support different types of development, more often than not, these properties are transformed into affordable housing, and thousands of new affordable units have been created as a result

A typical affordable housing development requires a number of funding sources to succeed. It's a matter of finding a workable mix of loans and subsidy, one that generally includes various tax credits. Without question, the Historic Tax Credit is a tool that helps make these projects happen. But, as distinct from other funding mechanisms, the benefits of this credit go far further. By bringing historic structures up to modern standards, while still maintaining their historic integrity, these projects become community assets that strengthen quality of place wherever they are. We can point to projects around the state where landmark structures, from former mills to old schools, to a convent, and even a former women's prison, have been converted into modern, sustainable and affordable housing.

OPEGA has looked at this program and agrees about its value: in 2021, their tax expenditure review found that the program exceeded expectations, not only

advancing historic preservation but also boosting housing development and job creation. At that time, 106 projects had used the credit to create or preserve 1,911 housing units, and nearly 1,300 of those were affordable. These numbers have increased since then.

This technical bill simply adjusts the timing on when this tax credit can be taken during the first two years, from a maximum of \$5 million *per* year, to a maximum of \$10 million total across the same time frame. The two-year cost to the state is the same, but modifying the timing better reflects the realities of the current environment, where costs have more than doubled since this credit was first established.

The current limit of \$5 million in credit per year has sometimes forced developers to break large projects into multiple smaller components, in order to meet the timing requirements. While that approach will unlock the tax credit, it also increases overall project cost and causes unnecessary delays. Allowing projects to claim the full credit earlier in the construction process can make a project easier to finance and reduce the amount of debt that a project will ultimately need in order to be completed.

MaineHousing does not administer or allocate this tax credit, but many of the projects that we underwrite have included it as a key component in their financing. We hope you will look favorably on this important but inexpensive pro-affordable-housing legislation.

Thank you.

