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**Testimony of Nancy Smith, CEO of GrowSmart Maine In Support of
LD1810, An Act to Expand the Maine Historic Rehabilitation Tax Credit**

May 9, 2023

Senator Grohowski, Representative Perry and Honorable Members of the Joint Standing Committee on Taxation,

My name is Nancy Smith, I live in Ellsworth, and I am the CEO of GrowSmart Maine. We are a statewide non-partisan non-profit organization helping communities navigate change in alignment with smart growth. We advocate for comprehensive policies and funding for smart growth practices and outcomes.

We have partnered with Build Maine to guide a transparent crowd-sourcing of policy proposals that began over a year ago, and has drawn together a hundred people from across Maine and beyond. Policy Action 2023 has resulted in sixteen proposals from eight working groups, all addressing the shared goal, ***“to address barriers to and create incentives for equitable, sustainable growth and development that strengthens downtowns and villages of all sizes while pulling development pressure away from productive and open natural areas. We do so acknowledging that Maine has urban, rural, and suburban settings for which any solution may or may not be a fit and a variety of people who deserve to be welcomed to their communities.”***

This testimony reflects the positions of GrowSmart and Build Maine.

There are three goals for Policy Action 2023, and we are already seeing results in each category:

- To pass sound policy solutions to address the goal noted above
- To build advocacy capacity within the broad reach of Mainers who support the goal
- To advance the provocative discussions necessary for meaningful outcomes with long term, sustainable impacts in strengthening our downtowns and pulling development pressure away from productive and open natural areas.

Those who have been leading this effort represent respected organizations with a long history of effective public policy work. With LD 1810, they are proposing sound policy that will lead to the deep discussions needed to maximize the value of this tax credit. The 2008 Historic Rehabilitation Tax Credit replaced an earlier program that was ineffective and therefore unused. While the substantial project credit has encouraged the rehabilitation and reuse of historic buildings throughout much of the State since that time, the small credit has only been used on 13 projects. LD 1810 will open to tax credit for use by more people on more historic buildings.

The 2020 economic impact study, as well as the 2021 OPEGA report, also affirm its value. Several recommendations from that report are addressed with this bill:

C. Legislative Reporting Requirements	Recommendation C.1	OPEGA recommends that policymakers consider whether biennial reporting for the HRTC is meeting the Legislature's needs and is efficient.
	Recommendation C.2	OPEGA suggests the Legislature clearly specify one or more legislative committees to which reports must be submitted and consider whether this should include the policy committees with jurisdiction over relevant areas.
D. Small Project Credit	Recommendation D.1	OPEGA recommends that policymakers work with MHPC and stakeholders to clarify the small project credit's purpose so that its effectiveness can be measured in the future.
E. Property Types Eligible for the Credit	Recommendation E.1	OPEGA suggests that policymakers consider whether expanding eligibility for the HRTC aligns with State policy priorities while weighing the costs and benefits of expanding eligibility.

From the OPEGA report:

"The current HRTC, which was enacted in 2008 (36 MRSA §5219-BB), replaced a previous version of the credit (36 MRSA §5219-R) that was much more limited than the current version. Since enactment, the current HRTC has undergone relatively few substantive changes. The enacting law and changes are as follows:

- PL 2007, c. 539, Part WW enacted the current HRTC under 36 MRSA §5219-BB.
- PL 2007, c. 693 provided for the allocation of credits under the HRTC to project partners, members or owners that are exempt from taxation.
- PL 2009, c. 361 changed the basis for determining "certified affordable housing" and the basis of qualification as a "certified qualified rehabilitation expenditure" and assigned responsibility for certifying historic structures to the Director of the MHPC. • PL 2011, c. 240 provided for the application of the credit to condominiums.
- PL 2013, c. 550 changed the \$5 million cap from per certified rehabilitation project to either per certified rehabilitation project or per each building that is a component of a certified historic structure, whichever is greater. This change allowed a portion of a building or a single building in a complex to qualify for the \$5 million cap. It also provided that a certified rehabilitation project placed in service over multiple taxable years is allowed up to \$5 million in credit for the portion of the certified rehabilitation placed in service for each taxable year.

Since enactment, much of the current credit's overall design has remained unchanged, including key elements such as eligibility requirements, credit percentage, and credit limitations. For many of these design features, there may have been changes if the underlying federal eligibility requirements changed."

The benefits of this proposal are significant, as outlined in the attached Fact Sheet.

For the owner-occupied structures:

- There is an additional 5% credit for property owners at or below 120% of Area Median Income, for properties will include an affordable dwelling unit provided to a renter at or below 100% of the Area Median Income, or for properties that have been vacant for more than five years. These provisions strengthen the vibrancy and fiscal health of the community.
- Including energy efficiency and resiliency in the list of qualified expenditures adds to the many climate benefits of rehabilitating historic buildings.

- The tax credit is voluntary for the property owner, increases the municipal tax base, and creates jobs in construction and tourism sectors

For small projects that don't make use of the federal tax credit, the state credit is increased from 25% to 30% and the cap on qualifying expenditures increases from \$250,000 to \$1,000,000. These changes will make possible more of these small projects across Maine.

We urge the committee to support LD 1810. GrowSmart and Build Maine stand ready to assist the committee in any way that is helpful.

Nancy E. Smith

LD 1810 An Act to Expand the Maine Historic Rehabilitation Credit

Sponsor: Rep. Maureen Terry

Action Working Group #5
**HISTORIC REHABILITATION TAX
CREDIT**
Point person: Tara Kelly, Maine Preservation
tara@mainepreservation.org

OVERVIEW: What does the bill do?

LD 1810 will expand the Maine Historic Rehabilitation Tax Credit by updating the program reporting requirements, improving the small credit to make it more user-friendly and accessible for income-producing property owners, and create a new program to ensure homeowners have the same opportunity.

The existing small credit will be increased from 25% to 30% and the qualified rehabilitation expenditure cap will be raised from \$250,000 to \$1,000,000. It also creates a 25% tax credit for owner-occupied residences and ancillary structures with a minimum qualified rehabilitation expenditure of \$5,000 and maximum of \$250,000. An additional 5% could be obtained by property owners at or below 120% of Area Median Income, for properties that include an affordable dwelling unit provided to a renter at or below 100% of Area Median Income, or for properties that have been vacant for more than five years. Energy efficiency and resiliency upgrades are included in the qualified expenditures.

LR 1684 responds to the 2021 analysis of the Maine Historic Rehabilitation Tax Credit by the Office of Program Evaluation & Government Accountability (OPEGA). The report stated that the program's structure and administration are sound and efficient, and that the **positive outcomes exceed the stated historic preservation goals while promoting affordable housing, job creation and economic growth**. They also offered the following recommendations:

- Policymakers "consider whether biennial reporting for the HRTC is meeting the Legislature's needs and is efficient." (p. 31)
- Policymakers "work with MHPC and stakeholders to clarify the small project credit's purpose so that its effectiveness can be measured in the future." (p.32)
- Policymakers "consider whether expanding eligibility for the HTRC aligns with State policy priorities while weighing the costs and benefits of expanding eligibility." (p. 33)

PROS:

- Voluntary
- Supports heritage tourism
- Generates construction investment and creates jobs
- Revitalizes communities
- Creates housing opportunities
- Incentivizes weatherization efforts

POTENTIAL CHALLENGES:

As demonstrated in a recent study commissioned by Maine Preservation and other partners in the Northeast region, there is already a severe workforce shortage in the preservation trades. The ability to find skilled craftspeople to execute historic rehabilitation projects may limit the successful implementation of this program expansion.

IMPACTS: Why does it matter?

Equity: Activates cost saving incentives, lowers operations costs, and increases building resilience.

Transportation Safety and Choice: Historic buildings are often in Maine's downtowns, where walkability is a likely benefit.

Climate Action: Decreased carbon emissions and costs for operations in the Single Family Home market. Sistering with current rebate and incentive programs to encourage participation.

Fiscal health: Reporting requirements will capture data for program evaluation.

Economic Development: Bolsters preservation trades workforce, creates jobs, and contributes to community revitalization and tourism.

Quality of Life: Improves sense of place and belonging in communities.

Build Maine + GrowSmart Maine

POLICY ACTION 2023

Overview of Proposed Legislation

a collaboration between



PROBLEM STATEMENT Maine's current uncoordinated approach to building places is causing real, unintended, and significant social, environmental, financial, economic, and cultural challenges and requires the creation of a cohesive approach to land development, redevelopment, and placemaking.

THE GOAL of Policy Action 2023 is to address barriers to and create incentives for equitable, sustainable growth and development that strengthens downtowns and villages of all sizes while pulling development pressure away from productive and open natural areas. We do so acknowledging that Maine has urban, rural, and suburban settings for which any solution may/may not be a fit and a variety of people who deserve to be welcomed to their communities.

FOR TALKING POINTS AND MORE: [Public Folder for PA23](#)

Policy Action 2023 Working Group	Bill Number	Bill Title	Sponsor	Fact Sheet	Committee and Status
Printed Bills (LDs):					
1: Coordination of Government	LD 602	An Act to Provide Regional Support to Deliver State and Federal Programs to Cities and Towns in the State	Representative Traci Gere		Select on Housing
1: Coordination of Government	LD 1752	Resolve, to Prepare Preapproved Building Types, replaces LD 250	Senator Matt Pouliot	LD1752 Fact Sheet	Housing PH 5.9.23
1: Coordination of Government	LD 1672	An Act to Establish an Affordable Housing Permitting Process	Representative Traci Gere	LD 1672 Fact Sheet	Select on Housing
2: Rework Transportation Funding	LD 1559	"An Act to Advance the State's Public Transit Systems by Reinvigorating the Public Transit Advisory Council and Increasing Funding"	Representative Maggie O'Neil	LD 1559 Fact Sheet	Transportation
3: Complete Streets Action	LD 1634	"An Act to Grant Municipalities the Authority to Set Certain Lower Motor Vehicle Speed Limits without a Department of Transportation Speed Study"	Senator Rick Bennett	LD 1634 Fact Sheet	Transportation
3: Complete Streets Action	LD 1076	"An Act to Expand the Use of Traffic Cameras for School and Work Zones"	Senator Mattie Daughtry	LD 1076 Fact Sheet	Transportation: Unanimous ONTP, DEAD.
3: Complete Streets Action	LD 1566	Resolve, to Establish the Task Force to Recommend Strategies to Achieve the Goal of Eliminating Traffic Fatalities and Serious Injuries	Representative Dan Ankeles	LD 1566 Fact Sheet	Transportation
3: Complete Streets Action	LD 1673	An Act to Encourage Affordable Housing and Mixed-use Development by Establishing a Thriving Corridors Program	Representative Traci Gere	LD 1673 Fact Sheet	Housing PH 5.12.23
3: Complete Streets Action	LD 1711	An Act to Provide for Safe Roadway Construction Design Criteria	Representative Marc Malon	LD 1711 Fact Sheet	Transportation
4: Growth Management Law	LR 1377	An Act to Update the Growth Management Law	Representative Melanie Sachs	LR 1377 Fact Sheet	
5: State Historic Rehab Tax Credit	LD 1810	An Act to Expand the Maine Historic Rehabilitation Credit	Representative Maureen Terry	LD 1810 Fact Sheet	Taxation PH 5.9.2023
6: Subdivision Regulations	LD 1257	An Act to Increase Housing and Protect the Regional Road Network, Municipal Tax Base, and Working Lands	Representative Lydia Crafts	LD 1257 Fact Sheet	Select on Housing
6: Subdivision Regulations	LD 1787	Resolve Directing the Department of Agriculture, Conservation and Forestry to convene a stakeholder group tasked with a Comprehensive overhaul and modernization of the State Subdivision Statutes	Representative Jack Ducharme	LD 1787 Fact Sheet	Housing PH 5.9.23
7: Downtown Revitalization / Open Space protection	LD 638	NOTE: Sponsor has decided to withdraw the bill and create a stakeholder group to meet between sessions. Goal is property tax policies to incentivize redevelopment of derelict buildings.	Representative Marc Malon	Bill was withdrawn, No Fact Sheet	Bill Withdrawn, DEAD.
7: Downtown Revitalization / Open Space protection	LD 1864	An Act To Increase Maine's Housing Supply, Combat Climate Change, and Preserve Rural Open Spaces by Prohibiting Communities from Large Lot Zoning Practices in Areas Where Public Sewer and Water Infrastructure are Available	Representative Jim Boyle	LD 1864 Fact Sheet	Select on Housing
8: Decarbonization of Buildings	LD 1101	An Act to Support Lower Home Energy Costs by Establishing a Home Energy Scoring System	Representative Rebecca Millett	LD 1101 Fact Sheet	Energy, Utilities and Technology