

Testimony in support of LD 2106, “An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit.”
1/24/2024

Good afternoon, chairpersons Grohoski and Perry, and all members of the Taxation committee. My name is Maura Pillsbury, and I’m representing Maine Center for Economic Policy testifying on behalf of my colleague Josie Phillips in qualified support of LD 2106.

Maine is in dire need of more housing. In a report released last year, Maine Housing estimated that the state will need 76,400 – 84,300 additional housing units by 2030 to meet the needs of our residents and economy.ⁱ Meeting this need will require nearly doubling the rate at which we are currently producing housing. If we fail to meet this need, the health,ⁱⁱ safety,ⁱⁱⁱ and financial stability^{iv} of Mainers will continue to suffer as a result.

In general, tax policy is not the most cost-effective way to advance community and economic objectives. Each year the state of Maine gives away millions of public dollars in subsidies to businesses in the form of tax breaks. Often these tax breaks are not proven to deliver on the outcomes they promise, and in some cases are proven to be wasteful and ineffective.

That said, Maine’s Historic Rehabilitation Tax Credit is one of the rare programs that has demonstrated its potential to support the preservation 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.^v At a time when affordable housing development can cost multiple hundreds of thousands of dollars per unit, and when we are dealing with the eighth oldest housing stock in the country,^{vi} this credit likely represents a cost-effective tool to meet Maine’s housing production goals.

Despite these findings, the Historic Rehabilitation Tax Credit merits continued oversight and scrutiny. While we know that the credit contributed to the creation and preservation of hundreds of affordable housing units, we cannot determine how many of those units would have been constructed or preserved in the absence of the credit’s benefits. For example, one evaluation of the federal Low Income Housing Tax Credit found that “[f]or every ten LIHTC units . . . about eight units displace private housing that would have otherwise been built, and two units are net additions to the housing stock.”^{vii} While tax credits represent the most prominent strategy that states and the federal government use to increase affordable housing production, alternative policies more robust direct public investment through bonding, revolving loan funds, and social housing, may be more cost effective.

Given the severity of the housing crisis, the state government will need to use every tool at its disposal to increase both the production and preservation of housing as well as providing relief to Mainers with low income who are struggling to stay stably housed. Because Maine’s Historic Rehabilitation Tax Credit has demonstrated its potential to expand housing options available to Mainers with low income, and possibly add to the state’s total housing stock as envisioned in LD 2106, I encourage this committee to vote yes.

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- ⁱ MaineHousing, "State of Maine Housing Production Needs Study." October, 2023. https://mainehousing.org/docs/default-source/default-document-library/state-of-maine-housing-production-needs-study_full_final-v2.pdf
- ⁱⁱ USA Today, "Soaring rent prices aren't just hurting wallets. They're shortening life spans." January, 2024. <https://www.usatoday.com/story/news/health/2024/01/10/high-rent-bad-health-short-lifespan/71891093007/>
- ⁱⁱⁱ Center on Budget and Policy Priorities, "Hidden Housing Instability: 3.7 Million People Live in Doubled-Up Households." September, 2022. <https://www.cbpp.org/blog/hidden-housing-instability-37-million-people-live-in-doubled-up-households>
- ^{iv} National Low Income Housing Coalition, "Housing Instability Increases Likelihood of Job Loss." February, 2018. <https://nlihc.org/resource/housing-instability-increases-likelihood-job-loss>
- ^v OPEGA, "Evaluation of the Maine Historic Rehabilitation Tax Credit." <https://legislature.maine.gov/doc/7498>
- ^{vi} MaineHousing, "Housing in Maine: An Overview." September, 2022. <https://legislature.maine.gov/doc/8866>
- ^{vii} Soltas, Evan. "Tax Incentives and the Supply of Low-Income Housing." Yale Department of Economics. November, 2023. <https://economics.yale.edu/sites/default/files/2024-01/Soltas%20Tax%20Incentives.pdf>