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THE MAINE SENATE
131st Legislature

3 State House Station
Augusta, Maine 04333

Testimony introducing

LD 2106, "An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit"

Senator Peggy Rotundo

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Senator Grohoski, Representative Perry and other distinguished members of the Committee On Taxation, my name is Peggy Rotundo and I represent Senate District 21, the City of Lewiston. I am here today to introduce LD 2106, "An Act to Accelerate the Production of Affordable Housing and Strengthen the Historic Property Rehabilitation Tax Credit".

This bill expands the amount of the Maine Historic Property Rehabilitation Tax Credit (HRTC) from \$5 million per project to \$10 million. The bill also allows organizations that claim the credit to file their refund claims on a calendar year basis, permitting them to benefit more quickly if their tax year differs from the state's.

The HRTC allows building owners and developers to receive a state tax credit of 35% of qualified expenditures for certified affordable housing projects. (The rate for projects not associated with affordable housing is 25%.) This credit can produce significant savings when combined with the corresponding federal credit.

This program has produced results. According to a December 2020 report from Maine Preservation, 106 projects were certified in the years between 2009 and 2019. These projects generated \$525 million in construction investment, created hundreds of full-time jobs and created or preserved 1,911 housing units, 1,300 of which are considered affordable.¹

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https://www.ceimaine.org/wp-content/uploads/2021/05/Maine_Historic_Tax_Credit_Economic_Impacts_Report_121120.pdf

The credit is currently capped at \$5 million per year per project, the same amount as when the current HRTC was enacted, in 2008.² Construction costs have doubled since then, however, and in order to continue to incentivize developers to continue their important work, we must acknowledge the effect that inflation has had on the industry and expand the cap to \$10 million. A bill to do the same thing is currently making its way through the New Hampshire Legislature and, according to a news article, is receiving strong support.³

My chief interest in this program concerns the production of affordable housing. A recent OPLA report states that “[a]ffordable housing may not be the primary goal of the HRTC, but the program has design elements that support the creation of affordable housing and can lend support to Maine’s policy efforts to increase affordable housing.”⁴

By now, all of us know that Maine is experiencing an affordable housing crisis, brought on by the Great Recession of 2008 and made considerably worse by labor and materials shortages during the Covid-19 pandemic, just as more and more people from all over the country and all over the world were moving to Maine. The October 2023 report of the Maine State Housing Authority, the Governor’s Office of Policy Innovation and the Future and the Maine Department of Economic and Community Development estimates that Maine needs over 38,000 homes to meet our current need and roughly 80,000 homes to accommodate our population growth by 2030.⁵

In my community of Lewiston, our vacancy rate is 5%. As a percentage, we have fewer available units than the State of Maine and the country as a whole. Downtown Lewiston contains four of the five poorest census tracts in Maine, and, according to a report, more than 1,000 residents were homeless at some point in 2021.⁶ Our need is great and I hear about it virtually every day. I

² <https://legislature.maine.gov/doc/7498>

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<https://biz.manchesterinklink.com/historic-preservation-tax-credit-boosters-say-nh-is-losing-out-to-neighboring-states/>

⁴ <https://legislature.maine.gov/doc/7498>

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https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/State%20of%20Maine%20Housing%20Production%20Needs%20Study_Executive%20Summary_Final_10.3.23.pdf

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<https://www.pressherald.com/2023/10/01/lewiston-struggles-to-answer-demands-for-affordable-housing-shelters/>

am introducing this bill because I want to take action for my city and help alleviate this enormous burden.

It is important to note, however, that this bill will benefit communities all over Maine — not just Lewiston. Ground has been broken on qualifying projects in 14 of Maine’s 16 counties. According to the OPLA report, the top three counties with completed projects are Cumberland (44), York (19), and Kennebec (14). Towns with five or more projects include Portland (39), Augusta (8), Biddeford (8), and Saco (6).⁷ One of the success stories detailed in the Maine Preservation report highlighted renovations to The Mill at Dover-Foxcroft, “which resulted in a total renovation of the 110,000 square foot former mill complex into a mixed-use development that includes 22 market rate apartments, a restaurant and boutique hotel, space for retail shops and offices, studio space for artisans, and a broadband data center.”⁸

There are many people waiting to testify in favor of this bill who can speak eloquently and competently about the positive effects this bill will have on the industry. One thing I can speak to with authority, however, is that Maine people are struggling due to the lack of affordable housing. This bill will help remove some of the barriers that keep my city from reaching its fullest potential. Increasing housing stock will go a long way toward ensuring the basic human right to a roof over one’s head that does not break the budget. And, as Chair of the Appropriations and Financial Affairs Committee, I would be remiss if I failed to mention the fact that, if we want to strengthen our economy, we have to attract and retain workers. Finding affordable places for these workers and their families to live is absolutely necessary.

Thank you for considering this bill. Please listen to all of the knowledgeable people who have come here today to help me explain how important it is. I am happy to answer any questions.

⁷ <https://legislature.maine.gov/doc/7498>

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https://www.ceimaine.org/wp-content/uploads/2021/05/Maine_Historic_Tax_Credit_Economic_Impacts_Report_121120.pdf