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Taxation Committee  
131st Maine Legislature  
100 State House Station  
Augusta, ME 04333

Dear Senator Grohoski, Representative Cloutier, and Honorable Members of the Committee on Taxation:

Maine Preservation is a statewide nonprofit organization dedicated to promoting and preserving historic places, buildings, downtowns, and neighborhoods—strengthening the cultural and economic vitality of Maine communities.

We write to express strong support for LD 146, which will increase the Historic Rehabilitation Tax Credit (HRTC) program's Qualified Rehabilitation Expenditure cap from \$5M to \$10M for the first two years. This change will incentivize a greater number of projects, including those that support affordable housing.

We also reiterate our commitment to LD 435, which includes this provision and will further expand the HRTC by updating the reporting requirements, improving the small credit to make it more user-friendly and accessible for income-producing property owners, and creating a new program to ensure qualified homeowners have the same opportunity.

### **Background**

Our 2020 Economic Impact report found that from 2009 to 2019, 106 projects were certified and placed in service in Maine using the HRTC. Combined, these approved projects:

- Generated \$525 million in construction investment;
- Rehabilitated 3.6 million square feet of commercial and residential space;
- Created or preserved 1,911 housing units, of which nearly 1,300 were affordable;
- Generated 200-700 full-time-equivalent (FTE) jobs through construction spending annually; and
- Created nearly 700 new full-time, year-round jobs in local businesses.

Furthermore, HRTC projects have added over \$166 million to local property tax rolls in host communities, including \$17 million in new property tax revenue since 2010. The HRTC program has become a major local development tool in its own right with another \$19 million in new income and sales tax revenues estimated to have come into state coffers since 2008. In this period, the program has generated \$3 million more in state and local tax revenues than it has cost.

However, construction costs have doubled since the program was initiated in 2008 and yet the Qualified Rehabilitation Expenditure cap has remained static. While some developers have accounted for inflation by phasing their projects, any delay can increase the cost of construction loans and upend this already expensive and cumbersome approach. Many developers avoid these perils altogether by simply not undertaking projects. With LD 146, risk is averted and the

resources expended on a complex project structure can be put to other public benefits, such as additional units of affordable housing.

Moreover, the small credit has rarely been used because the Qualified Rehabilitation Expenditures cap is too low and there isn't any similar incentive for Maine homeowners at all—though many other states offer such a program.

### **Analysis**

In 2021, the Office of Program Evaluation and Government Accountability analyzed Maine's Historic Rehabilitation Tax Credit and found 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. LD 146 expands this already successful program.

Meanwhile, OPEGA also suggested that policymakers:

- “consider whether biennial reporting for the HRTC is meeting the Legislature’s needs and is efficient.” (p. 31)
- “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)
- “consider whether expanding eligibility for the HRTC aligns with State policy priorities while weighing the costs and benefits of expanding eligibility.” (p. 33)

The report goes on, “OPEGA notes that allowing historic homes, barns and other non-income producing buildings to access tax credits for historic rehabilitation could support Maine’s expressed goals around developing ‘quality of place’ and community revitalization. Making a credit available for Maine’s stock of historic houses could also support the State’s goal to increase affordable housing and decrease pressure on Maine’s housing market....” (p. 34). LD 435 responds directly to OPEGA’s findings.

### **Position**

Together, LD 146 and LD 435 will strengthen the Historic Rehabilitation Tax Credit program. With respect, this Committee might take a step further and extend, or even eliminate, the sunset provision to permanently invest in both Maine’s past and future. Maine Preservation supports passage of both LD 146 and LD 435, so that all Mainers have the opportunity to invest in the places significant to them and their communities.

We are available to answer questions and participate in the work session. Please let us know if there is any additional information that we can provide.

Sincerely,



Tara Kelly, Executive Director