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February 5, 2025

Re: 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 Taxation Committee, my name is Cullen Ryan, and I am the Executive Director of Community Housing of Maine (CHOM). CHOM creates housing and inclusive communities for vulnerable populations in Maine.

I am testifying in strong 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. *This bill changes the maximum tax credit allowed for certified historic structure rehabilitation projects for the first 2 years in which a credit may be claimed. It changes the maximum from \$5,000,000 in each of the first 2 years to \$10,000,000 total across the first 2 years combined. It makes no changes to the \$5,000,000 maximum tax credit allowed in subsequent years. This change applies to tax years beginning on or after January 1, 2025.*

Creating more affordable housing is a priority throughout Maine. By increasing housing production, this bill would help address its most pressing issue – a severe lack of housing.

CHOM has successfully used Maine's Historic Property Rehabilitation Tax Credit to create 167 units of affordable housing with projects in Bar Harbor, Bangor, Hallowell, and Portland. Each of these projects has supportive housing embedded, targeting homeless and special needs populations throughout the State. Hundreds of working Mainers and vulnerable people have benefitted from housing that this important resource allowed us to develop.

The Legislature overhauled the Historic Property Rehabilitation Tax Credit in 2008, instituting a cap of \$5 million on the credit a historic property developer can use in one year. Construction costs in Maine have doubled since 2013. Compared to 2008 when the credit was overhauled, costs have more than doubled. This means that \$5 million buys less than half the construction that it did in 2013, reducing the number of units that can be created.

This kind of limitation comes at a time when Maine desperately needs more housing located in the center of communities like historic mills, schools, churches, grange halls, and other beautiful landmarks. LD 146 would help solve this and allow the Historic Property Rehabilitation Tax Credit to make a much larger dent in Maine's housing crisis.

Maine's vacancy rate in the first quarter of 2024 was 2.9%. This was second only to Massachusetts as the lowest in the nation at 2.5%. NH was 4.7%, VT was 3.5%.\* Further, Maine's vacancy rate in the second quarter of 2024 was even tighter – 2.8% (57.6% below the national average, and lower than the previous quarter and all of 2023).\* And in 2024, Maine had the 16<sup>th</sup> highest average rent in the nation.\*\* It is a very tight housing market for all types of housing – but especially for affordable housing.

Despite MaineHousing and the Legislature increasing resources toward housing production, the need for affordable and supportive housing far exceeds the supply, particularly for homeless and special needs populations. Maine is facing a gap of 84,000 affordable homes over the next decade. Without creating solutions on a more significant scale, we won't make a real difference in the lives of people in Maine with low incomes. And we won't make a real difference in ending homelessness.

This is a straightforward bill that will allow projects to access a total of a \$10 million tax credit over two years, minimizing the fiscal impact on the state while also accelerating the production of new affordable units. It will preserve some of the most beautiful buildings in Maine while solving a housing crisis – a win-win.

In order to have successful communities where everyone can live and thrive, we need sufficient supplies of all types of housing in Maine, including affordable and supportive housing. Please pass LD 146 to provide Maine with an injection of resources to save landmarks and create much needed affordable and supportive housing.

Thank you for the opportunity to comment.

\* <https://ipropertymanagement.com/research/rental-vacancy-rate?u=%2Fresearch%2Frental-vacancy-rate#maine>

\*\* <https://rentalrealestate.com/data/rent/maine/>