



Maine Real Estate &
Development Association

Supporting Responsible Development

Testimony in Support

LD 435, An Act to Expand the Historic Property Rehabilitation Tax Credit

March 5, 2025, 1:00 p.m.

Taxation Committee

Chairwoman Grohoski, Chairwoman Cloutier, and Honorable Members of the Taxation Committee. My name is Elizabeth Frazier, and I am testifying in support of LD 435, An Act to Expand the Historic Property Rehabilitation Tax Credit. This bill represents the work of several years consideration of how best to continue to leverage Maine's historic tax credit program to advance housing, climate preparedness, and historic preservation in Maine. It evolves from the work for the OPEGA report on the tax program and looks ahead to Maine's housing and economic development needs to ensure the longevity and effectiveness of this critical tool.

LD 435 ensures that historic rehabilitation projects currently in the pipeline can be not only completed but brought online more quickly. As currently structured, the credit must be taken over a period of years, forcing both the developer and the investor to delay the project or phase the opening of the new building in order to receive the full amount of the credit. This delays projects, adds time, and causes much-needed brand new housing and commercial space to lay stagnant. The accelerated accrual period will enable projects to come online faster – a top priority amongst housing advocates.

LD 435 would modernize the current historic rehabilitation tax credit program to better reflect the current costs of construction. As costs have increased, so has the total cost of the project. While the overall value of the credit is usually sufficient to close the financing gap for historic properties, the credit function as an injection of cash that is necessary to move a project forward. LD 435 would ensure that the cash infusion comes when it's needed in the project timeline.

LD 435 will update the small project program to ensure that it is effective. In its 2021 report to the legislature, the Office of Program Evaluation and Government Accountability (OPEGA) called out the need to modernize the small project program to better reflect costs and ensure uptake of the program. Taking their lead, this bill would improve the existing small credit by increasing the base credit from 25% to 30% and raising the qualified rehabilitation expenditure cap from \$250,000 to \$1,000,000.

This bill also takes advantage of Maine's own homesteaders to encourage preservation of historic buildings and the creation of small-scale housing, by creating a homeowner tax credit. Specifically, this bill would create a 25% tax credit for historic owner-occupied residences and ancillary structures with a minimum homeowner expense of \$5,000 and maximum \$250,000 for homeowners with an Adjusted Gross Income at or below \$120,000. Energy efficiency and resiliency upgrades are included in the qualified expenditures. An additional 5% could be obtained for properties that: include an affordable dwelling unit provided to a renter at or below 100% of Area Median Income; or have been vacant for more than five years.

The historic rehabilitation tax credit is a *proven* program to create housing, rehabilitate downtowns, and catalyze main street revivals. To date, the historic tax credit program has brought so much direct and indirect capital to the state that it pays for itself in local and state taxes. Additionally, the credit is designed to work in tandem with federal law, unlocking additional dollars to support these projects.

LD 435 represents the best version of several thoughtful proposals to make the most out of Maine's most effective housing and economic development tool – the historic rehabilitation tax credit. MEREDA has been proud to work with Maine Preservation and Policy Action 2025 to advance this exciting omnibus effort to expand the program, solidify its effectiveness in the future, and ensure equity and fairness in our historic and home preservation efforts.

Thank you for your thoughtful consideration of this important policy initiative, and for all you do for the State of Maine.

Sincerely,

Elizabeth Frazier

On behalf of the Maine Real Estate and Development Association