

**January 2008 UPDATE**

# THE ECONOMIC BENEFITS OF AN EXPANDED HISTORIC TAX CREDIT IN MAINE

PREPARED FOR:

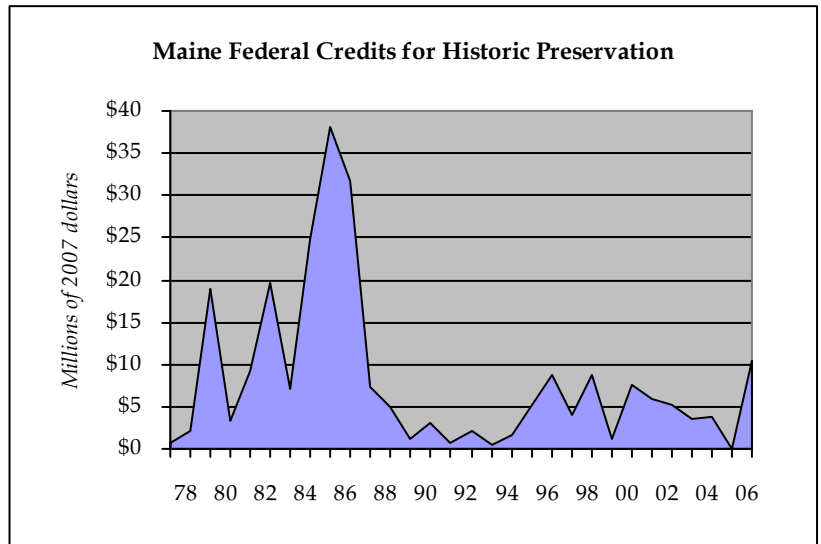


*New data strengthens the case that:*

- 1. Without a new state historic tax credit in Maine, many buildings like the ones shown above will be lost.**
- 2. Saving and reusing buildings like these is important to Maine's "Quality of Place," and to its future economy.**
- 3. There is a net fiscal benefit to state and local governments in Maine from the investment in historic preservation.**

**1. Without a new state historic tax credit in Maine, many downtown and historic buildings will be lost.**

Maine once was very active in historic preservation. During the 1980s, developers used millions of dollars in federal historic tax credits, and restored many Maine buildings. With a change in the federal tax laws, this credit no longer was attractive for development. As a result, the pace of historic rehabilitation in Maine has slowed to a trickle.



**2. Saving and reusing historic buildings is important to Maine's future economy.**

Last year the Brookings Report found the quality of Maine's downtowns and historic buildings created an "economic advantage" for Maine. This conclusion was reinforced and expanded upon by the report of the Governor's Council on Maine's Quality of Place in December.

*In the modern economy, prosperity comes from the ideas, talents, and energy of people. Keeping and attracting people are the keys to Maine's economic future... Maine's advantage in this competition for people is our Quality of Place. We have majestic mountains, unbroken forests, open fields, wild rivers, pristine lakes, a celebrated coast, picturesque downtowns, lively arts and culture, and authentic historic buildings. This Quality of Place is Maine's competitive economic advantage today and in the decades ahead. We must learn to think of it as the basic infrastructure of Maine's future prosperity – much as our highways and bridges are among today's basic infrastructure, requiring continuing maintenance and investment if its value is not to be lost to our own and to future generations.<sup>1</sup>*

**For this reason the Governor's Council on Maine's Quality of Place endorsed L.D. 262. Act To Amend the Credit for Rehabilitation of Historic Properties.**

The economic benefit is immediate as well as long-term. Lipman, Frizzell & Mitchell project that passage of L.D. 262 will increase historic rehabilitation investment from its current low level to a range of \$65 million to \$91 million a year. This in turn will create 800 to 1,000 new jobs a year, according to Professor Charles Colgan of the Muskie Institute.<sup>2</sup>

<sup>1</sup> People, Place, and Prosperity: The First Report of the Governor's Council on Quality of Place, 2007, page 6.

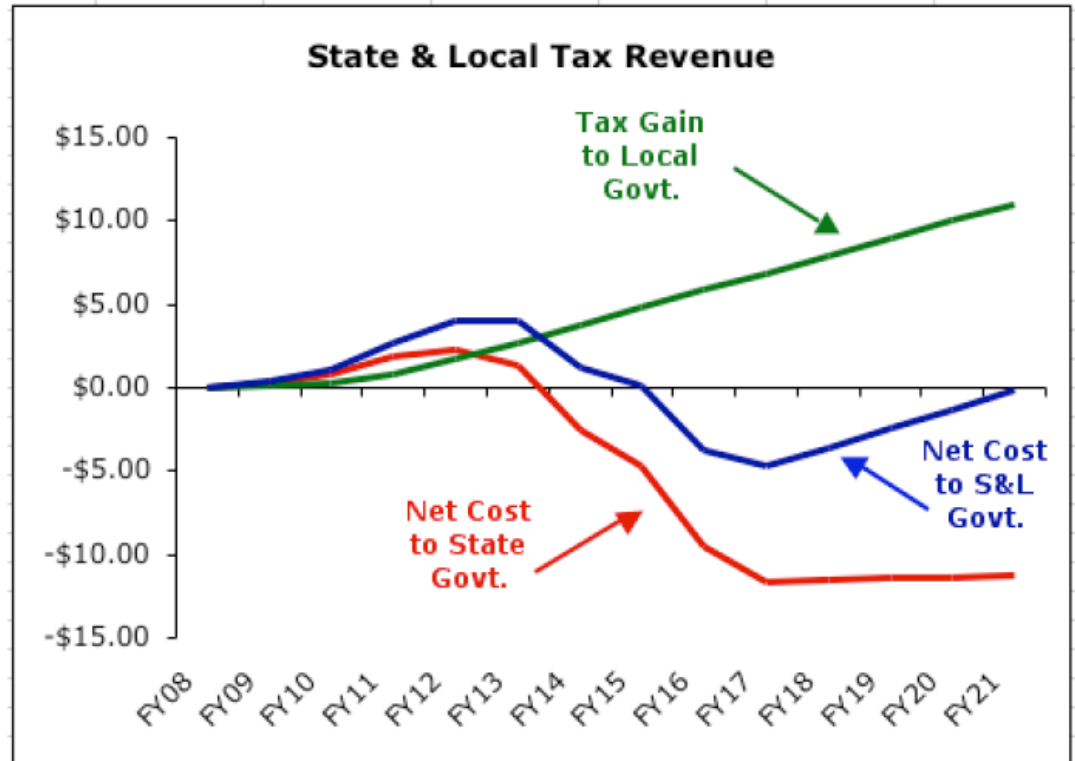
<sup>2</sup> Maine Preservation, The Economic Benefits of an Expanded Historic Tax Credit in Maine, 2008, page 5.

### 3. *There is a net fiscal benefit to state and local governments in Maine from the investment in historic preservation.*

Charles Lawton, Chief Economist at Planning Decisions, Inc., in South Portland, Maine has completed a detailed analysis of the fiscal impacts to Maine’s state and local governments from the passage of L.D. 262.

Lawton’s analysis takes into account the fact that the historic tax credits claimed by a project are not actually collected by investors until after the project is opened. For example, in a typical project, the credit may be claimed in year one, construction may go on from years two to four, and the tax credits might be collected years five through eight.

Figure 3 State & Local Fiscal Impact of Historic Tax Credit



Applying this model to the proposed Maine tax credit, which is projected to generate \$65 million in new projects per year, Lawton finds a *net fiscal gain to state government for the first five years*. For state and local governments combined, there is a net fiscal gain for the first seven years, then a six year period of shortfall before moving into the black permanently (see chart above). For local governments, the fiscal impact is positive from year one forward.

This model does not account for the additional tax revenues generated by investment in the immediate neighborhood of historic rehabilitations. Lawton found that sales per square foot in Westbrook and Rockland nearly doubled in the aftermath of downtown improvements similar to what would occur with the historic tax credit. For the complete report, see [http://www.maine Preservation.org/documents/HistTaxCredit12-6bsc\\_000.pdf](http://www.maine Preservation.org/documents/HistTaxCredit12-6bsc_000.pdf).

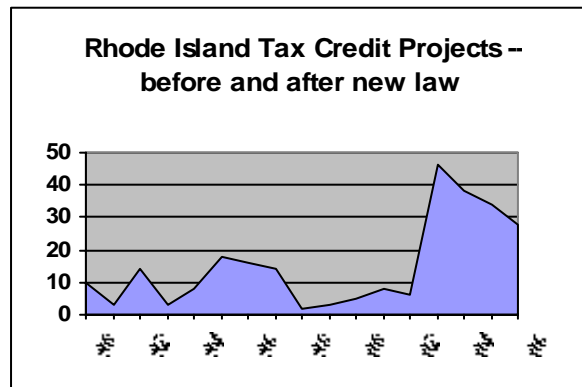
## *Historic tax credit news*

### **Maine mill shows tax credit works...**

In July of 2007, the Maine Legislature approved a special historic tax credit for the Hathaway Creative Complex, a 236,000 former mill in downtown Waterville. The credit is similar to that proposed for all historic redevelopments in Maine under L.D. 262.

Since then, HealthReach has signed on for a 200-employee office. The developer has presented plans for 66 residential apartments in October, and is conducting negotiations with other potential office, retail, restaurant, health and fitness, and nonprofit tenants.

### **.... So does Rhode Island**



Meanwhile, down the coast, Rhode Island passed a state historic tax credit in 2002. Since then, 277 projects are underway. There has been \$5.35 in total private and public investment for every \$1.00 in state tax credit. 42.6% of state costs for the credit are being reimbursed by sales and income tax revenues generated by construction and new tenants<sup>3</sup>.

<sup>3</sup> Grow Smart Rhode Island, [Rhode Island Historic Preservation Investment Tax Credit: Economic & Fiscal Impact Analysis, 2007](#), pages 1 and 2.

## *The Coalition to Invest and Preserve Maine's Downtowns starts in 2007*

The list is growing! Members include:

- Association of General Contractors
- Avesta Housing
- Barba + Wheelock, Architecture, Preservation and Design
- Capital Riverfront Improvement District
- Eastland Development and Community Housing of Maine
- Eagle Point Development
- Friends of Midcoast Maine
- Gardiner Main Street
- Greater Portland Landmarks
- GrowSmart Maine
- The Heart of Biddeford
- Maine Archives and Museums Association
- Maine Center for Economic Policy
- Maine Community Foundation
- Maine Merchants Association
- Maine Preservation Board of Trustees, Advisory Trustees, and Staff
- Main Street Bath
- Mattson
- Margaret McCrea, President, Thomaston Historical Society
- Monks & O'Neil Development
- The National Trust for Historic Preservation
- Natural Resources Council of Maine
- Niemann Capital
- Paul Boghossian, Real Estate Developer
- Preservation Planning Associates
- Preservation Timber Framing
- Restoration Resources
- Roger Pomerleau, Real Estate Developer, Augusta
- The Service Center Coalition
- Skowhegan Main Street
- Southern Maine Regional Planning Commission
- Waterville Main Street
- WBRC Architects