

Government Oversight Committee - Work Session on Proposed Evaluation Parameters  
Historic Rehabilitation Tax Credit (5/14/21)

Proposed Parameters	Public Comment	OPEGA Notes
<b>Purposes, Intent or Goals of the Credit</b>		
<ul style="list-style-type: none"> <li>• To encourage rehabilitation of historic properties</li> <li>• To promote historic preservation</li> <li>• To promote community revitalization</li> <li>• To increase economic activity &amp; jobs</li> <li>• To expand affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>• “..the passage of recent legislation to extend the sunset date for the credit evidences as legislative intent that the program also result in greenhouse gas [reduction] and building efficiencies.” (*Frazier)</li> </ul>	<ul style="list-style-type: none"> <li>• There is not a clear statement of intent or goals in statute for this credit. However, the statute on reporting requirements speaks to “an incentive for rehabilitation of historic structures and economic development.” The enhanced credit for projects with affordable housing suggests an intent to encourage affordable housing.</li> <li>• <u>Notes on public comment:</u> The bill title for LD 201 (An Act to Reduce Greenhouse Gas Emissions and Promote Weatherization in the Buildings Sector by Extending the Sunset Date for the Historic Property Rehabilitation Tax Credit) mentions these goals in the title; we had not seen these goals in other legislative sources. We note that these issues are referenced by advocates and in research literature.</li> </ul>
<b>Intended Beneficiaries of the Credit</b>		
<p><u>Parameters document</u></p> <ul style="list-style-type: none"> <li>• Not specified</li> </ul> <p><u>Updated for Consideration at Work Session:</u></p> <ul style="list-style-type: none"> <li>• <i>Direct recipients of the tax credit</i></li> <li>• <i>Indirect beneficiaries:</i> <ul style="list-style-type: none"> <li>○ <i>Historic property owners and developers</i></li> <li>○ <i>Communities with historic rehabilitation projects</i></li> <li>○ <i>Affordable housing residents</i></li> <li>○ <i>Broad public benefit to citizens and taxpayers</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Citizens (enjoyment of historic properties)</li> <li>• Municipalities (increased tax revenue)</li> <li>• Taxpayers (reduced tax burden from economic growth)</li> <li>• Historic building owners and property developers (Frazier)</li> </ul>	<ul style="list-style-type: none"> <li>• There is not a clear statement of intended beneficiaries of the credit in statute, beyond those taxpayers who take the credit (direct recipients).</li> <li>• The “Purpose, Intent, Goals of the Credit” identified above speak to broader groups that benefit (indirect beneficiaries). We have noted these in an updated list in the left column.</li> <li>• <u>Notes on public comment:</u> The beneficiaries mentioned in public comment align with the program purposes proposed by OPEGA. By virtue of evaluating the credit’s effectiveness in achieving those purposes, OPEGA would also be speaking to the possible benefits to the beneficiaries detailed in public comment. We have updated the list in the first column to address this.</li> </ul>

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<b>Evaluation Objectives: What the Evaluation Will Assess</b>		
<ul style="list-style-type: none"> <li>a. Fiscal impact</li> <li>b. Effectiveness of design (relative to goals and best practices)</li> <li>c. Achievement of purpose, intent or goals</li> <li>d. Actual beneficiaries relative to intended</li> <li>e. Whether behavior would occur “but for” the credit</li> <li>f. Efficiency and effectiveness of administration</li> <li>g. Similar state or federal tax expenditures</li> <li>h. Cost-effectiveness</li> <li>i. Opportunities for improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Unless the GOC sets beneficiaries, objective “d.” will be difficult for OPEGA to evaluate. (Frazier)</li> </ul>	<ul style="list-style-type: none"> <li>• OPEGA proposes to consider each of the 9 objectives (a)-(i) for evaluation and report on each to the extent that is warranted and practical based on our assessment of: the availability of the necessary data; the level of resources required/available; and the relevance of the particular objective to the tax credit.</li> <li>• <u>Notes on public comment:</u> See section above on “Intended beneficiaries.”</li> </ul>
<b>Performance Measures</b>		
<ul style="list-style-type: none"> <li>• Tax credits claimed (\$)</li> <li>• State budget revenue loss and net impacts (\$)</li> <li>• Federal tax credits leveraged (\$)</li> <li>• New construction generated (\$)</li> <li>• Pre/post tax assessments of rehabilitated buildings (\$)</li> <li>• Jobs created</li> <li>• Affordable housing units preserved / generated</li> <li>• Number, location, and types of projects supported by credits</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of outside public and private capital investment attracted to the state. (Frazier)</li> <li>• Amount of indirect spending and revenue arising from historic rehabilitation. (Frazier)</li> </ul>	<ul style="list-style-type: none"> <li>• Our preliminary work indicates that there is likely to be readily available existing data, as well as existing data analysis, for many of these measures given the data and reporting requirements in statute for MHPC.</li> <li>• OPEGA proposes to answer the evaluation questions to the degree possible by first considering available existing data and analyses and providing an independent assessment of those data/analyses.</li> <li>• <u>Notes on public comment:</u> Outside investment attracted to the State and indirect spending and revenue generated would be considered in OPEGA’s assessment of the overall impact of the credit. The following performance measures listed also speak to these issues: federal tax credits leveraged, new construction generated and pre/post tax assessments.</li> </ul>

\*(Frazier) refers to Elizabeth Frazier providing comment, on behalf of MEREDA, the Maine Historic Tax Credit Coalition, Greater Portland Landmarks, GrowSmart Maine, Maine Alliance for Smart Growth, Maine Preservation, CEI, and the Genesis Fund.

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Committee Member Questions from 4/23/21	
What number of projects using the tax credit are affordable housing projects? (Rep. Dillingham)	<p>Data from Maine Historic Preservation Commission:</p> <ul style="list-style-type: none"><li>• There are 164 total projects that have been certified or are underway.*</li><li>• Of these 164, there are 29 affordable housing projects qualifying for the increased credit.</li><li>• MHPC notes that in addition to the 29 projects qualifying for the increased credit for affordable housing, there are buildings that include affordable housing (but don't qualify for the larger credit because they aren't creating <u>new</u> affordable housing.)</li></ul> <p>*MHPC notes that several projects included in the 164 are not far along enough in the process for MHPC to know which of them may end up to be affordable housing projects.</p>