



Economic Impact Report

The Economic and Fiscal Impact on Maine
Of Historic Preservation and
The State Historic Preservation Tax Credit



For Maine Preservation
www.maine Preservation.org



By Planning Decisions, Inc.
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Table of Contents

I. Executive Summary	1
II. Background	3
III. Effects from 2007 to 2011	4
IV. Other Economic Effects: Case Studies.....	9
V. Projected Effects – with and without extension.....	16
Appendix: Definitions	23



I. Executive Summary

In 2007 and 2008, the Maine Legislature created state tax credits for the rehabilitation of historic buildings. Those credits are scheduled to sunset on January 1, 2013. This report describes the economic and fiscal impacts of the state historic tax credits to date, and projects the economic and fiscal effects from 2012 to 2023 of two different scenarios -- allowing the tax credits to expire, and enabling them to continue.

The last three years have been difficult for the construction industry in Maine. Unemployment in the construction sector rose from 6.5% to 14.2%. Housing starts fell in half. Commercial construction plummeted. Yet, during this same recession, the value of historic rehabilitation activity increased from \$7 million in 2007 to \$40 million in 2011. This year alone, tax credit-sponsored historic rehabilitation will support nearly 800 Maine jobs and \$30 million in income.

There are 25 historic rehabilitation projects complete or underway in Maine, and another 13 in development, from North Berwick to Eastport to Dover-Foxcroft. The 25 projects that will be completed by the end of this year will increase Maine's property tax base by \$135 million. This year there will be an estimated \$3.5 million cost to state government from the tax credit. It will be offset by \$2.6 million in additional state income and sales tax revenues, and an additional \$1.9 million in municipal property tax revenues. This is a slight net loss to state government considered by itself, and a small net gain to state and local governments considered together.

Historic rehabilitation projects have other economic benefits that are very real, but are difficult to quantify. A dollar spent on historic rehabilitation goes in a higher proportion to Maine craftspeople, and in a lower proportion to materials suppliers from out of state, than a dollar spent on new construction. Maine workers benefit more. On the other side of the coin, the state tax credits generally employ a companion 20% federal tax credit, as well as attract private investors from out-of-state – the net effect being that these projects draw investment money from outside of Maine into the state to promote economic development.

When a historic building is fixed in a neighborhood, it stimulates investment and enterprise from neighboring property owners, creating new jobs and more revenue to local government. A rehabilitated historic building on Main Street brings customers to other downtown businesses, and improves the image and “brand” of the community.

If the state historic preservation tax credit is allowed to expire in 2013, this pipeline of activity will dry up. Instead of supporting 595 jobs in Maine every year, historic rehabilitation will only support 60. Instead of injecting \$30 million of new spending into the economy annually, it will add only \$3 million. Instead of building \$230 million onto the property tax base from 2013 to 2023, it will only add \$40 million. Many of the benefits for the construction industry, for neighborhood investment, and for community image will be foregone.

The fiscal effect of allowing the historic preservation tax credit to expire in 2013 would be a sharp decrease in net state revenue between 2013-2015, as the tax credits from earlier development are paid off, and there are no offsetting income and sales tax revenues generated by new projects. The bottom would be reached in 2013, when net state revenues would be around negative \$8 million. By 2018, the tax credit costs would disappear.

If the historic tax credit is enabled to continue, there will be less of a sharp dip in state revenue losses (negative \$7 million in 2013), but the net state revenue losses would continue at a level of negative \$4.5 million indefinitely into the future. On the other hand, rapidly accumulating property tax values would create a strong municipal tax flow. From 2018 on, the net revenue situation would be positive and improve every year thereafter for state and local governments combined. By the middle 2020s, the net revenues to state and local governments from continuing the tax credit are projected to exceed the net revenues from allowing the credits to expire.

In summary, Maine’s state historic tax credit has performed well to date. It has stimulated construction activity and jobs, even as the rest of the real estate industry has slumped. Over the long term, the continuation of the state historic tax credit will support jobs and income, build Maine’s quality of place image, and generate a positive fiscal impact for state and local government revenues.

II. Background

In July of 2007, the Maine Legislature passed a special state historic tax credit to promote the rehabilitation of the Hathaway Creative Complex in Waterville. In March of 2008, the Maine Legislature passed a bill extending these tax credits to all historic properties in Maine for the period between January 1, 2008, and December 31, 2013.

This year LD 742 has been submitted to the Maine Legislature eliminating the sunset date, and stabilizing the investment pipeline for future projects.

This study examines the economic and fiscal impacts of the state tax credits to date, and projects the likely economic and fiscal impacts with and without the passage of LD 742. It relies upon on an input-output model of the Maine economy called "IMPLAN."¹ The analysis has been done by Charles Lawton, a PhD economist with Planning Decisions, Inc., and member of the Maine Revenue Forecasting Committee, as well as his partner Frank O'Hara.



¹ IMPLAN (IMPact Analysis for PLANing) is a computer based input-output modeling program originally developed by the U.S. Department of Agriculture Forest Service for resource management planning. It contains a mathematical representation of the purchasing patterns that take place between sectors of an economy, both nation-wide and within individual states. IMPLAN files contain all of the industry sales, employment and income data for each of 528 sectors of the Maine economy. IMPLAN uses these data along with national purchasing patterns to create regional models from which local multiplier effects can be determined.

III. Effects from 2007 to 2011

Three years ago Maine Preservation engaged three prominent economic analysts to estimate what would happen if Maine revised its historic preservation tax credit to follow proven national best practices. The group included:

- National expert Joe Cronyn of Lipman Frizzel & Mitchell LLC, who projected levels of activity in Maine based upon Maine's prior use of the federal historic preservation tax credit, as well as the experience with more aggressive state tax credits elsewhere;
- Charles Colgan of the Muskie Institute, who analyzed the job and income effects the new activity would have on the Maine economy; and
- Charles Lawton of Planning Decisions, Inc., who looked at the fiscal effects on state and local governments in Maine of the tax credit.

The analysts worked with a probable level of activity of 25 historic projects per year at \$65 million, and a low projection of 15 projects per year at \$39 million.

The actual experience has been close to the projected low level. From late 2007 through 2011, there will have been 25 projects using Maine historic tax credits, totaling \$135 million in rehabilitation spending -- about 6 projects per year at \$33 million.

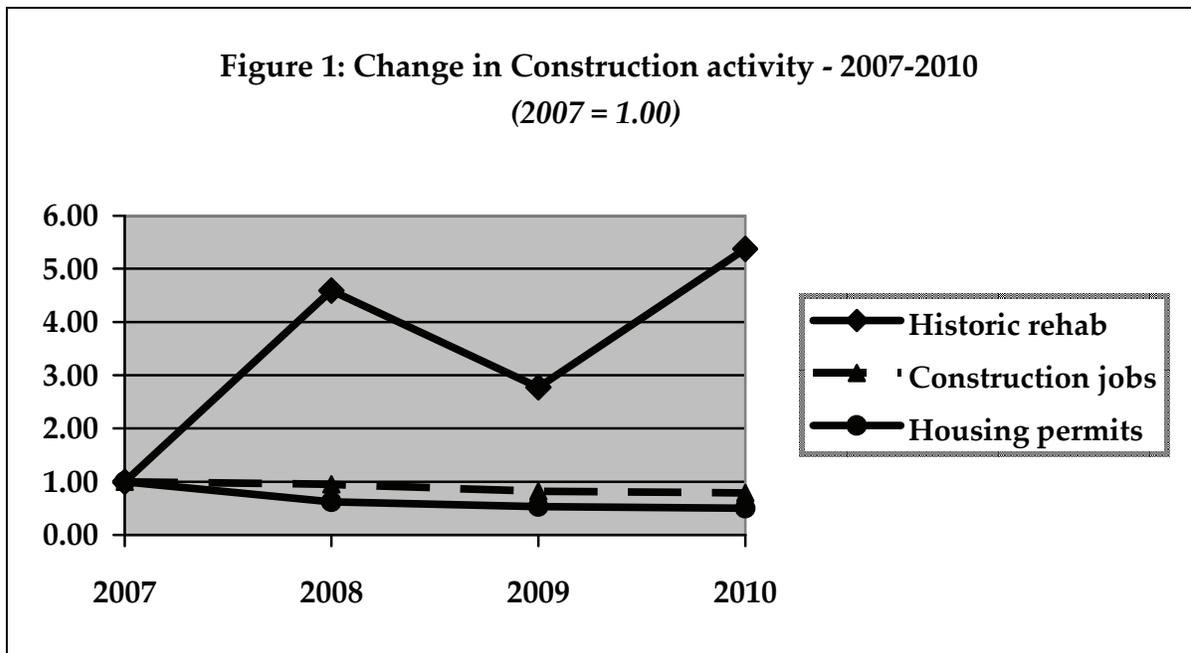
One surprise has been the amount of additional new construction these projects have generated. Of the \$135 million in rehabilitation, 20% -- or \$25 million -- has been new construction. This is construction activity *stimulated* by Maine's historic preservation tax credit, but which is not eligible for tax credit reimbursement, and thus involves *no cost to the state*. This level of new construction was not foreseen in the original analysis.

Table 1: Maine Historic Tax Credit Record to Date

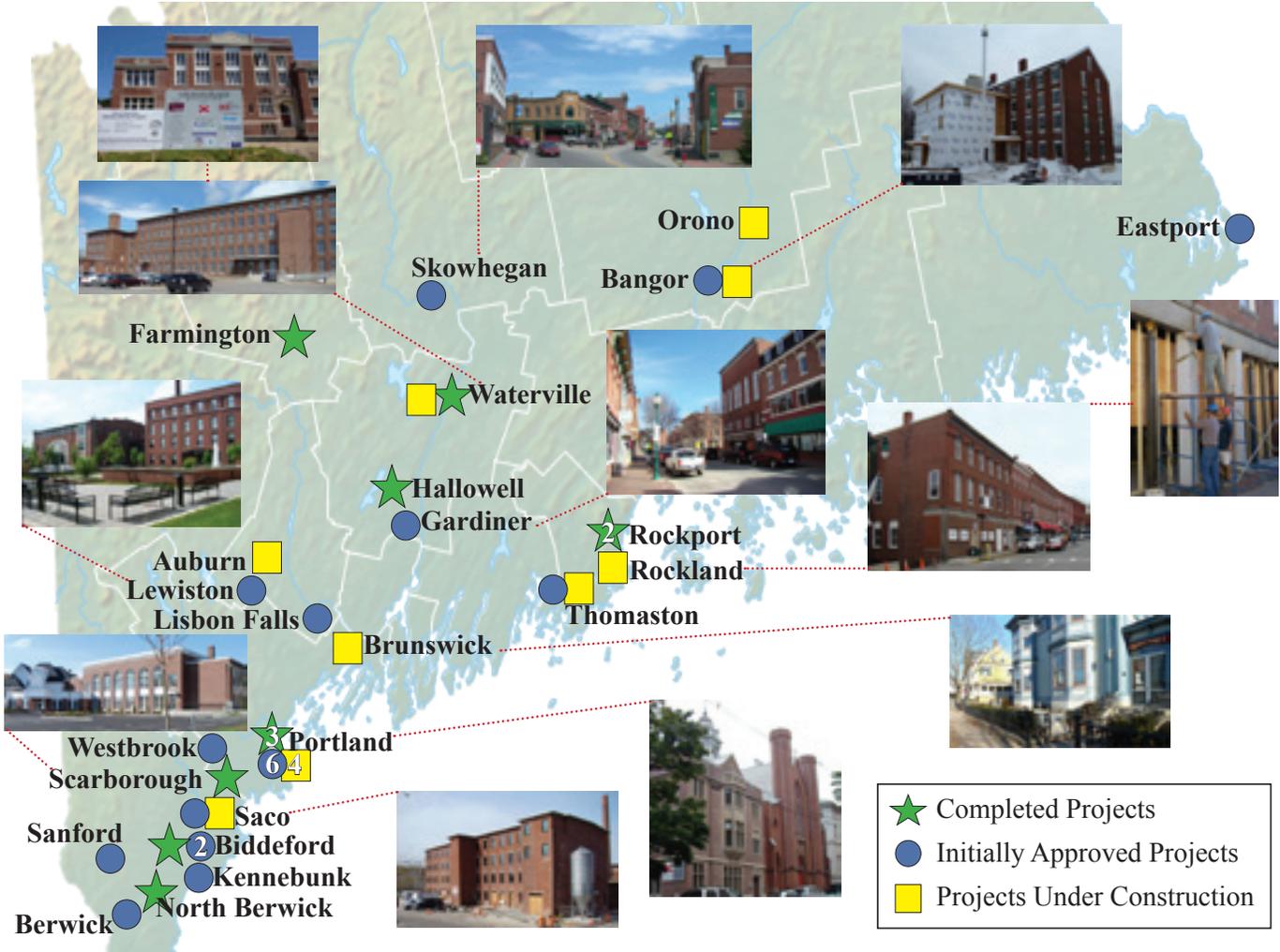
Year	Projects certified	Value of Certified Projects (millions)	Total Project Spending (millions)	Total construction job gain	Increase in Personal Income
2007	0	\$0.0	\$6.9	53	\$2.0
2008	0	\$0.0	\$31.6	733	\$27.1
2009	4	\$43.1	\$19.1	405	\$15.0
2010	5	\$15.9	\$36.9	785	\$29.1
2011 (projected)	16	\$49.6	\$40.3	788	\$29.2
Totals	25	\$108.5	\$134.7	2,765 job/years	\$102.4

Normally, it is not a point of pride to have a performance equal to the low level of projections. These are not normal times, however. From 2007 to 2010, housing and commercial construction have fallen by half. The unemployment rate in the construction sector has increased from 6.5% in 2006 to 14.2% in 2009 (latest year data is available). Meanwhile, the economic volume of historic rehabilitation activity has increased five-fold. There could not be a better time to have introduced a construction stimulus into the Maine economy.

Figure 1: Change in Construction activity - 2007-2010
(2007 = 1.00)



The projects have been statewide, north and south, in small towns and large, from storefronts to large mills.



The net effect of these projects to date has been positive for state and local governments combined (see Table 2 below). This is because the construction must take place, and be inspected for historic compliance, before the tax credits can be claimed. There are two advantages to this arrangement:

- 1) The job and income benefits for Maine are “frontloaded.” All of the state sales and income taxes are paid during the construction process, which usually starts about two years before occupancy. The income

tax credit costs are not incurred until the next year's tax return is filed, when a quarter of the credit can be claimed, and in the subsequent three years.

- 2) The program has full accountability. State taxpayers do not pay a nickel to the developer until the entire private investment is spent, the work is completed according to plan, and the building is inspected and approved. In many economic development programs, state tax dollars are spent and forwarded to the developer before the work is completed and any of the promised jobs are actually created.

Table 2: Maine Historic Tax Credit Fiscal Impact To Date (*millions of dollars*)

Year	Cumulative Increase in Property Value	Tax Credit Cost to State Govt	Income/sales Tax Gains to State	Net effect on state tax revenue	Revenue Gain to local gov'ts from property taxes	Net Revenue Gain to S&L Govts
2007	\$6.9	\$0.00	\$0.18	\$0.18	\$0.10	\$0.28
2008	\$38.4	\$0.00	\$2.44	\$2.44	\$0.54	\$2.98
2009	\$57.5	\$0.00	\$1.35	\$1.35	\$0.80	\$2.15
2010	\$94.4	-\$2.44	\$2.62	\$0.18	\$1.32	\$1.50
2011 (projected)	\$134.7	-\$3.57	\$2.63	-\$0.94	\$1.89	\$0.95

The numbers above show that, to date, the net revenue gain to state and local governments has exceeded the tax credit payments. One reason is that state government also makes money from the income and sales tax revenues generated by rehabilitation; in other words, income and sales tax revenues are gained before the tax credit costs are incurred. A second reason is that, over time, increased property tax revenues accumulate. The first ten projects to be certified under the program have increased the assessed values in their community by \$36 million, or ten times (see Table 3 below). Each project creates a new property tax stream that continues into the indefinite future; as new projects are added, the stream expands.



Table 3: Local Property Tax Revenue Growth

Project Name	Town	Assessed value prior to rehabilitation	Assessed value after rehabilitation
Hathaway/Lockwood Mill	Waterville	\$0	\$12,000,000
Mill at Saco Falls	Biddeford	\$389,000	\$6,034,000
Squire Perley Building	Hallowell	\$210,000	\$6,811,000
North Berwick Woolen Mill**	North Berwick	\$606,600	\$4,180,000
Baxter Library	Portland	\$0	\$2,500,000
Chestnut Street Church	Portland	\$675,000	\$1,162,400
Samuel T. Pickard House	Portland	\$374,400	\$374,400
Shepherd Block	Rockport	\$843,700	1,325,400
Union Hall*	Rockport	\$505,300	\$505,300
Bessey School**	Scarborough	\$0	\$1,534,400
Total Complete Pt 3		\$3,604,000	\$36,426,900



IV. Other Economic Effects: Case Studies

The previous section quantifies the construction jobs and income generated by historic rehabilitation, as well as indirect effects of this spending. But there are many other economic benefits that are not included in these numbers. This section provides Maine case study examples describing the economic effects that fixed-up historic buildings have upon surrounding property values, surrounding stores, and permanent ongoing employment.

Employing Maine workers

The first project to receive a Maine state historic tax credit was the Hathaway Creative Complex in Waterville. While Hathaway received its support in 2007 through a special bill passed nine months earlier than L.D. 262 (the bill that extended tax credit eligibility to any historic property in Maine), the terms of its credit are similar to those of the other properties discussed in this report², and therefore it is included as one of the historic tax credit's successes in Maine. Here are the facts presented by developer Paul Boghossian:



- *The total project cost eclipsed \$30 million.*
- *During the 18 months of construction between 75 and 160 workers were onsite daily.*
- *All of those workers were from Maine, coming from over 50 different Maine towns.*
- *Over \$19,000,000 was paid to subcontractors and suppliers for the project. Of that amount approximately 79%, or over \$15,000,000, was spent with Maine firms (not out of state firms with Maine offices but Maine firms).*
- *Over 120 new residents are now living downtown, benefiting downtown businesses.*
- *The Hathaway has become hub of civic and cultural activity.*

² The credit was only 20% for Hathaway, compared under LD 262.

Studies elsewhere in the country show that a dollar spent on rehabilitation supports more Maine workers than a dollar on new construction.³ The reason is that new construction requires more materials and less customized work. Rehabilitation supports highly-skilled workers at good wages.

John Ryan, the president and owner of Wright-Ryan Construction, explains:

You should understand that the finished products in these projects are often extraordinary buildings in exceptional downtown locations. They often incorporate exquisite details and highly durable materials, and are built to last well beyond most of what we build new today. These kinds of projects also employ highly skilled craftsmen in areas such as masonry, carpentry, timber framing, millwork, glass/glazing, plaster, etc. As such they are well suited for our Maine workforce, which has a substantial number of skilled workers in all of these areas, most of whom work for small businesses or sole proprietorships. These are well-paying jobs employing skills that are beyond those you see on a typical new construction site. Because of the geographic spread of the work, there have been good jobs for workers from all over the state.

Bringing capital into Maine

Gilman Place is a former school in Waterville. Healy Terrace is a former orphanage in Lewiston. Both are being developed into a combined 67 units of housing by Kevin Bunker. Kevin tells how the historic tax credit allows him to tap into capital from out of state:

We purchased Gilman Place in April 2009, at the bottom of the



³ See reference to a study done by economist Donovan Rypkema in Minnesota:
<http://www.mnpreservation.org/2010/04/26/state-historic-rehabilitation-tax-credit-signed-by-governor-pawlenty/>

economic cycle. Nobody was investing anywhere; cash was king but not to be had. However, National Equity Fund out of Chicago, representing some of the biggest corporate investors in America, household names, saw fit to invest nearly \$5.8 million in our state. Just last month, Boston Capital invested just over \$6 million in Healy Terrace. Those are dollars coming from outside the state, flowing in to support jobs here, and, absent the state credit, they would have flowed somewhere else. To me, that is a welcome reversal from the typical path our dollars take when multinational corporations do business in Maine.

In addition to the private investment, most of these projects also are able to claim a companion 20% federal historic tax credit. This is also a source of new capital coming into Maine.

Because the sources of capital for these private development projects are not disclosed publicly, we cannot document exactly how much of the of the \$135 million total investment is supported by the importation of capital from out of state; but several tax credit developers confirm Kevin Bunker's experience that the proportion is significant.

Increasing neighborhood investment

David Flood is restoring an old building on Main Street in Biddeford. Neighboring property owners are watching. Is this going to work?

It's too early to have results on this score from the Maine historic tax credit, because the projects are just coming on line. However, Planning Decisions has found that similar downtown rehabilitation in Westbrook and Rockland resulted in the doubling of retail sales per square feet throughout the downtown.



Here's how David Flood describes his project in Biddeford:

A year ago in January, I partnered with Caleb Johnson, a Biddeford architect, to buy and develop the 140-year-old building at 265 Main St. in Biddeford. This is a

three-story building with close to 15,000 square feet of space. It has been entirely empty for about five years.

We are now about ready to close on the construction loan of the building. The total cost of the project will be more than \$1.8 million, with approximately \$1 million of that in hard costs. When the project is done and the building fully rented the appraisal will come in below the invested value. This is not unusual in downtown projects; we will need to wait until other properties are completed for the value to rise. That is a good indication that if the tax credits were not available, the project would not be financially feasible. Approximately 76 Maine people will be hired to work on this project.

All of the other property owners in Biddeford are waiting to see how Caleb and I do with this project. That includes people like Doug Sanford who owns more than one million square feet of mill space and Peter Floros, who owns the

Paul Boghossian describes the same effect in Waterville: If you haven't seen the Hathaway, it would be my pleasure to show it to you. It is difficult to adequately describe what you will see. People's first reaction invariably is "you know, I knew it would be cool but I had no idea it would be so beautiful." People's second reaction frequently is "I could work here," followed by "I could live here."

most square footage on Main St., if you don't include the mills. Peter calls this "pie in the sky" money. We hope to prove to him that it makes sense to use it.

David mentions above that his appraised value, when he is done, will be less than his investment. Below are the sources and uses of funds for 265 Main Street in Biddeford. It shows why financing these projects is so difficult, and also why the Maine historic tax credit is essential to make them go.



Table 4: Pro Forma for 265 Main Street in Biddeford

SOURCES AND USES OF FUNDS				
PROPERTY	265 Main Street, Biddeford, Maine			
SIZE		13,248sf		
USES OF FUNDS				
Acquisition		\$281,520	\$21	per sq. ft.
Rehab Hard Construction Costs		\$1,035,116	\$78	per sq. ft.
Soft & Development Costs		\$527,743	\$40	per sq. ft.
TOTAL PROJECT COST		\$1,844,379	\$139	
SOURCES OF FUNDS				
Equity from Federal ITC		\$250,057	\$0.80	(on 20% TC)
Equity from State ITC		\$390,715	\$1.00	(on 25% TC)
Owner Equity		\$140,000		
Deferred Developer Fee		\$215,000		
Debt		\$927,000	50%	
TOTAL PROJECT FUNDS		\$1,922,772		
<i>Project Surplus</i>		<i>\$78,393</i>		

Providing housing – and downtown customers

Many of the historic rehabilitation projects involve housing, in all or in part. The first need for revitalizing a downtown is bringing people there. Local residents go out to restaurants, patronize local convenience stores, and create street life. Downtown housing costs less for local governments, because there is no need to expand roads and other infrastructure. Downtown housing is energy-efficient – people drive shorter distances. Finally, workforce housing is important for employers to attract workers.



Paul Boghossian described how his housing tenants are supporting downtown businesses in Waterville. Nathan Szanton has a similar example in Saco:

It has been getting harder and harder to find projects that make economic sense. So my business partner, Bobby Monks, and I were really excited when LD 262 was passed. We ran numbers, and realized that LD 262 made the crucial difference between financial feasibility and infeasibility for many housing projects in older buildings. We found an empty mill building right by the Saco River in Biddeford. The rehabilitation took most of a year. When we were done, we had a beautiful building which we named The Mill at Saco Falls. It has 66 apartments and many wonderful amenities, such as a Fitness Center, communal Home Theater Room, and Wi-Fi included in the rent.

We have found a very strong demand for The Mill at Saco Falls. Four months after opening, we have all 66 units spoken for, and 60 of them occupied. More importantly, entrepreneurs are now looking at redeveloping other buildings in the Biddeford Mill District.

Overall, there have been 227 downtown housing units created by the historic tax credit, of which more than half (138) have rent levels that are affordable to working households and elderly tenants with limited incomes.

Maine has a shortage of rental housing. Young people in particular tend to prefer rental housing, and they enjoy living in-town⁴. Historic preservation projects are one important tool for attracting and retaining young workers and young families in Maine's economy.

Building up the "brand"

In economic development, "building the brand" is just as important as it is in retail sales. The community must project an image of success, prosperity, and liveliness, in order to attract the next business. For most municipalities, the "brand" is established on Main Street. There may be occupied business parks on the edge of town, but if the downtown is seedy, vacant and run-down, the community's image suffers.

⁴ See Housing, Jobs, and Maine People: 2001, Frank O'Hara, for the Maine Housing Authority <http://www.mainehousing.org/Documents/HousingReports/Report-2001HousingReport.pdf>

Almost all of the projects using the historic tax credit to date have been in visible locations on Main Streets throughout the state. All have helped to build pride and community identity.

There are some particularly dramatic examples. A first step with particular promise is occurring in Dover-Foxcroft. There, the Moosehead Furniture Manufacturing Company, with its plant in the heart of downtown, has long been the working identity of the community. The plant closed in 2007, and was sold at auction. This spring the mill's developers filed the initial Part 1 application for eligibility for historic tax credits. It is the first step in a projected \$4.8 million investment that would create a mix of retail, office, light manufacturing and housing with a small cafe and possibly a small inn. There would also be a "green jobs incubator" that would train workers in geothermal, wind and solar technologies.⁵



A restored and lively mixed-use development in the heart of town would help burnish the brand of Dover-Foxcroft. This is the kind of development that can be the basis for attracting other new business to Piscataquis County.

⁵ See <http://www.arnoldimaging.com/2010/06/arnold-development-group-to-redevelop-mill-in-maine/>

V. Projected Effects – with and without extension

Prior to the passage of the state historic tax credit, a modest amount of historic rehabilitation went on in the state. In this case, “historic rehabilitation” only includes projects that received federal historic tax credits. On average, in the 10 years prior to Maine’s passage of the historic tax credit, there were about 4 such projects per year, with a total annual value of \$3.5 million. Since the tax credit passed in 2007, the number of projects has increased by 50% (to 6.3 per year), and the value of the historic rehabilitation has grown 8 times (to \$27.4 million). However, because historic projects take time to plan and come to fruition, a more accurate view of the difference can be seen by looking at this year and last year, when the tax credit project had been in effect long enough to be fully engaged. In the last two years, the number of projects is up two and a half times (10.5 per year), and the investment is nearly 10 times that of the period prior to the credit.

Table 5: Annual Averages of Historic Rehabilitation in 3 periods

Time period	Dates	Average of Projects per year	Historic value/year (\$millions)	Total value/year
10 years prior to state legislation	1998-2007	4.1	\$3.5	n/a
4 years since legislation	2008-2011	6.3	\$27.4	\$32.0
Last 2 years	2010-2011	10.5	\$32.7	\$38.6

If the tax credit is allowed to continue, Planning Decisions projects a level of activity close to the last two years: 10 projects per year, with \$24 million in historic value, and \$30 million in value overall. This is lower than the projection made 4 years ago, for obvious economic reasons. It is at the average level of projects of the last 2 years, and at the average level of investments of the past 4 years. The reason for the lower average investment forecast is that there were a few very large projects (Mill at Saco Falls, Twitchell-Champlin Company building in Portland) in the last 2 years that are of a size that are unlikely to occur annually in the future, so the 4 year forecast was used instead.

What if the 2013 sunset on Maine’s historic tax credit is not changed? If it doesn’t continue, the volume of new historic preservation projects will decline sharply. Nathaniel Szanton gives a concrete example of the difference the extension will make:

We’re now working on a similar project in Lewiston – turning an empty textile mill building in the Bates Mill Complex into 48 apartments. This will be the first housing in any mill in Lewiston. We intend to continue doing these projects as long as the State historic tax credit is in place. But the Lewiston project, called The Lofts at Bates Mill, will be our last if the sunset provision remains on the State historic tax credit. The reason is there’s a very high likelihood that our next project, which we won’t be even starting to work on until the fall of 2011, will not have its construction completed before the end of 2013. And we can’t take the risk – and neither can our other funders – of starting a project which is dependent on that credit when there’s a chance of losing that credit, should construction not be completed by the end of 2013.

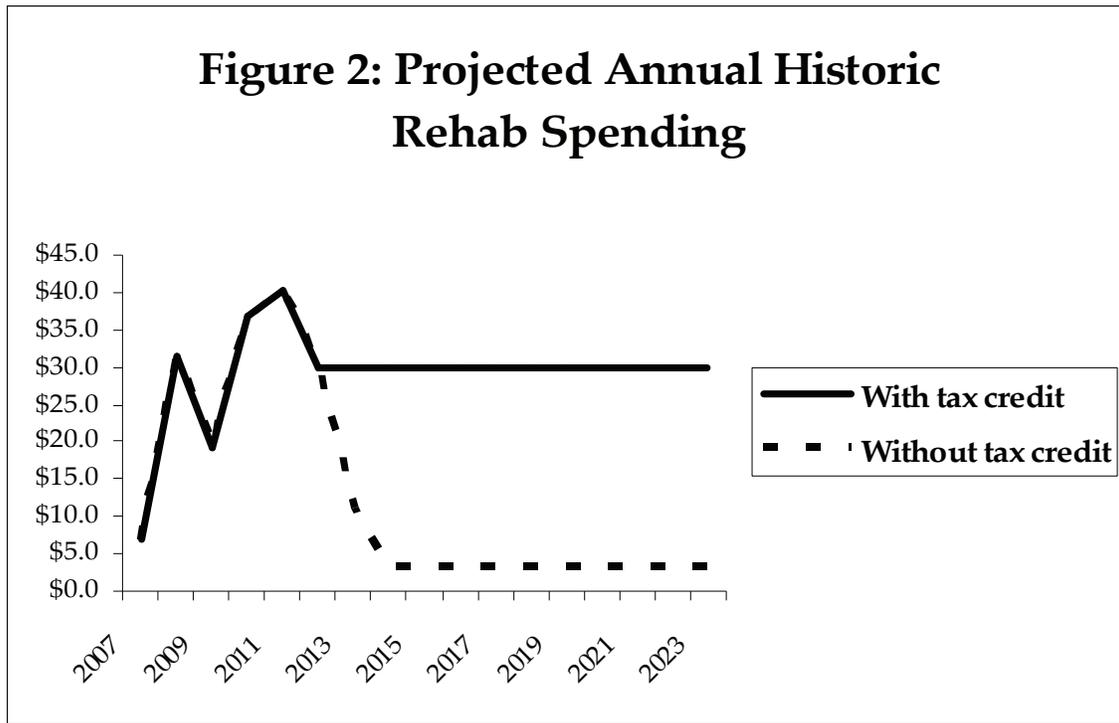
Historic rehabilitation will continue in the absence of a state tax credit. It took place for many years prior to 2007. But even in those construction boom years, it was far below the level of economic activity from 2008 to 2011. We project that the level of historic rehabilitation activity will be about 10% of the level it would otherwise be if the tax credit is extended – or about 3 projects per year, at \$2.4 million in certified historic rehabilitation.

Table 6: Projected Annual Averages of Historic Rehabilitation after 2013 With and Without State Tax Credits

With Extension	Projects/year	Rehabilitation value/year (\$millions)	Total value/year
With	10.0	\$24.0	\$30.0
Without	3.0	\$2.4	\$3.0

This pattern of investment leads to a projected level of spending shown in Figure 2.

Figure 2: Projected Annual Historic Rehab Spending



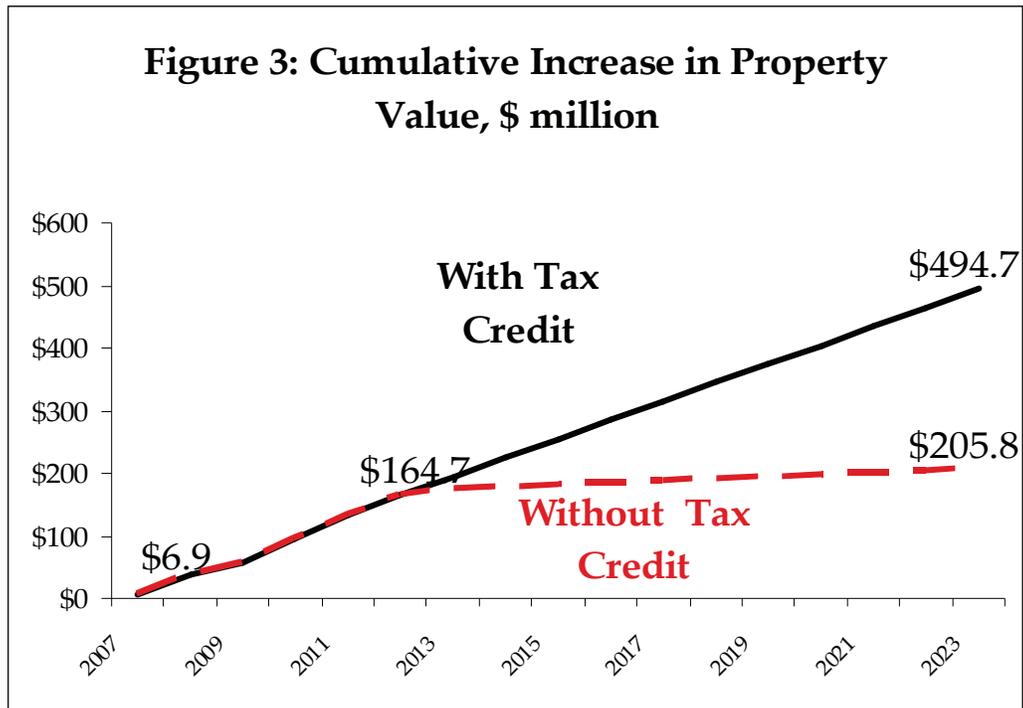
The difference in spending leads to a difference in future jobs and income. The Historic Tax Credit extension beyond 2013 leads to an annual job gain of about 600 people. These are largely people in the construction sector, but also include the indirect beneficiaries – the income to Maine suppliers of materials, the income to stores where workers spend their paychecks, and so forth.

Table 7: Projected Annual Jobs and Income in Maine after 2012 from Historic Property Rehabilitation With and Without State Tax Credit

	With Tax Credit		Without Tax Credit	
	Total job gain	Personal Income (millions)	Total job gain	Personal Income (millions)
Per year	595	\$22.0	60	\$2.2

The extension of the historic tax credit also leads to a gradual growth of property values (see Figure 3). Most of this value growth is in sections of communities with older buildings and low valuations. This increase in property valuations increases

property tax revenues in communities with older Main Streets and older downtowns – precisely the kinds of communities most in need of property tax revenues.



These projections do not include the property tax gains expected to be made by properties adjacent to tax credit rehabilitation projects. This is not because such gains are not real, but simply that data is not yet available to quantify such gains.

This gradual growth of property tax revenues over time is cumulative. A project renovated in 2009 is still providing additional tax revenues in 2019. This explains why the historic tax credit can be important, over time, to Maine municipalities. Some projects may have tax increment financing arrangements that limit revenues in the early years, but for many years thereafter, the tax gains will benefit the host community. In addition, the active use of these buildings will provide additional local economic stimulus.

When looking at state government in isolation, the historic tax credit is projected to achieve an equilibrium in which it costs \$6.5 million a year in tax credits, directly offset by about \$2 million per year in new income and sales tax revenues, for a net cost of about \$4.5 million (see Table 8). When looking at state and local fiscal impacts together, the accumulating gains in local property tax revenues make the historic tax credit a net positive by the year 2018, and for every year thereafter. Again, this does not include the additional tax revenues expected to arise from economic activity in and around the completed projects.

Table 8: Maine Historic Tax Credit Fiscal Impact Projections – with Extension
(millions of dollars)

Year	Tax Credit Cost to State Govt	Income/sales Tax Gains to State	Net effect on state tax revenue	Revenue Gain to local gov'ts from property taxes	Net Revenue Gain to S&L Govts
2012	-\$7.01	\$1.98	-\$5.02	\$2.31	-\$2.72
2013	-\$8.64	\$1.98	-\$6.66	\$2.73	-\$3.93
2014	-\$7.84	\$1.98	-\$5.85	\$3.15	-\$2.71
2015	-\$8.34	\$1.98	-\$6.35	\$3.57	-\$2.79
2016	-\$6.53	\$1.98	-\$4.55	\$3.99	-\$0.56
2017	-\$6.53	\$1.98	-\$4.55	\$4.41	-\$0.14
2018	-\$6.53	\$1.98	-\$4.55	\$4.83	\$0.28
2019	-\$6.53	\$1.98	-\$4.55	\$5.25	\$0.70
2020	-\$6.53	\$1.98	-\$4.55	\$5.67	\$1.12
2021	-\$6.53	\$1.98	-\$4.55	\$6.09	\$1.54
2022	-\$6.53	\$1.98	-\$4.55	\$6.51	\$1.96
2023	-\$6.53	\$1.98	-\$4.55	\$6.93	\$2.38

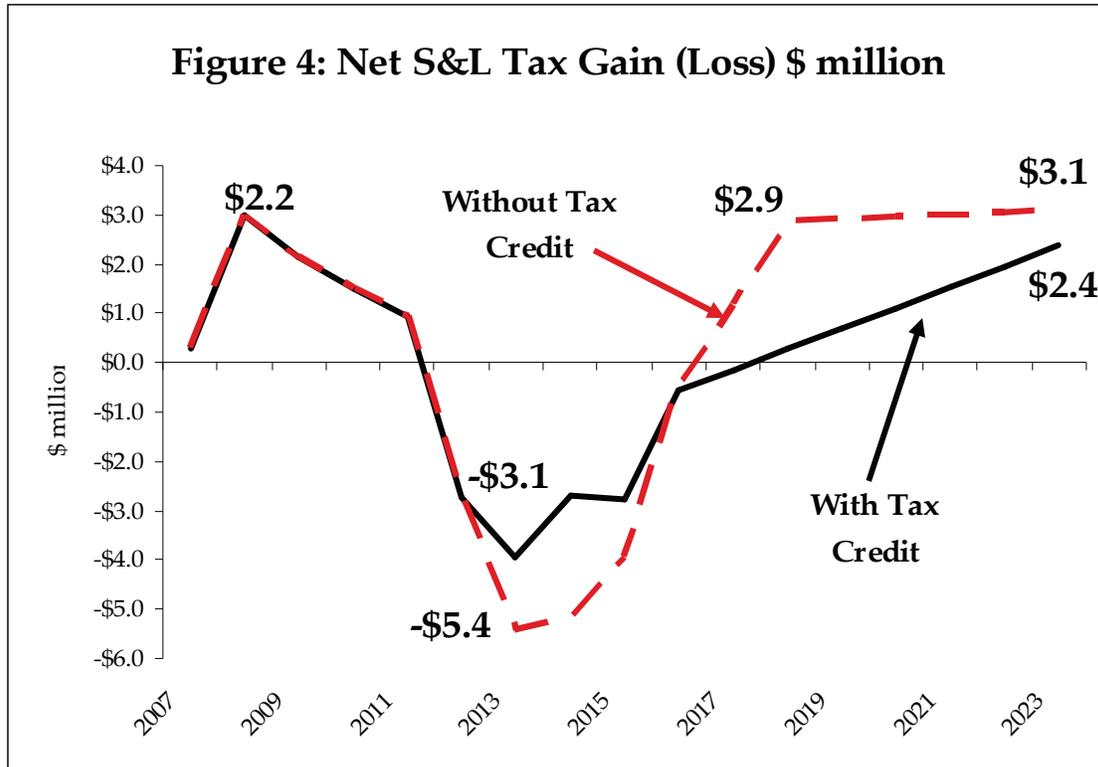
Even if the tax credit is not extended, there will be a cost to the state until the year 2016, as projects approved up to the year 2013 will still be cashing in their credits. Thereafter, local property tax revenues grow more slowly, since there is less activity, but the state government does not experience fiscal losses (see Table 9).

Table 9: Maine Historic Tax Credit Fiscal Impact Projections – without Extension (millions of dollars)

Year	Tax Credit Cost to State Govt	Income/sales Tax Gains to State	Net effect on state tax revenue	Revenue Gain to local gov'ts from property taxes	Net Revenue Gain to S&L Govts
2012	-\$7.01	\$1.98	-\$5.02	\$2.31	-\$2.72
2013	-\$8.64	\$0.73	-\$7.91	\$2.46	-\$5.44
2014	-\$7.84	\$0.20	-\$7.64	\$2.50	-\$5.13
2015	-\$6.70	\$0.20	-\$6.51	\$2.55	-\$3.96
2016	-\$3.27	\$0.20	-\$3.07	\$2.59	-\$0.48
2017	-\$1.63	\$0.20	-\$1.44	\$2.63	\$1.19
2018	\$0.00	\$0.20	\$0.20	\$2.67	\$2.87
2019	\$0.00	\$0.20	\$0.20	\$2.71	\$2.91
2020	\$0.00	\$0.20	\$0.20	\$2.76	\$2.95
2021	\$0.00	\$0.20	\$0.20	\$2.80	\$3.00
2022	\$0.00	\$0.20	\$0.20	\$2.84	\$3.04
2023	\$0.00	\$0.20	\$0.20	\$2.88	\$3.08



Looking at the fiscal impacts together, the net state and local revenue impact declines into the red from 2012 to 2014. The “no extension” alternative goes down even more dramatically, as there is little offsetting state and local revenue once the state credit is taken away. Then both recover into the black by 2018, and after a brief spurt by the “no extension” alternative, both begin to converge again about 2023.



Appendix: Definitions

Value of certified projects is provided by the Maine Historic Preservation Commission, and sorted and totaled by Maine Preservation, with the help of Sutherland Conservation and Consulting. It reflects the value of a finished project that is eligible for a credit. It does not reflect the total value of a project since some value is not eligible. For 2007 to 2011 projects, total value is based on actual data. For projections, based on the 2007-2011 Maine experience, we presume non-creditable portion is roughly 20%. Therefore total project spending is 125% of certified value.

Total project spending is the total amount spent on a project during the year in which it is spent. It includes non-creditable spending (additions, parking lots, etc.). For the purposes of this analysis, we use actual data for 2007 to 2011. For projections, based on the 2007-2011 experience, we assume that 30% of spending occurs in the year of certification, 50% in the year prior to certification and 20% in the year two years prior to certification.

Job gain is the employment generated by the direct, indirect and induced employment impacts of rehabilitation spending as calculated by the IMPLAN model for Maine using the residential rehabilitation and commercial rehabilitation sectors in the proportions determined by the actual rehabilitation projects for 2007 to 2011, and as projected (based on same ratios) for future projects.

Personal income is the total income earned by Maine workers. It is determined by the IMPLAN model as well based on the average earnings in the sectors impacted by rehabilitation spending.

Cumulative increase in property value is the running total of the value of certified projects times 117%. This is the value of new taxable property that is put and remains on the books of the municipalities where rehabilitation spending occurs.

The **tax credit cost to state government** is 25% of the certified value of the project taken in 4 equal increments in the 4 years following certification of the project (or 30% in the case of an affordable housing project, or 20% in the case of the Hathaway complex – for future projections a “blended” rate is used that reflects recent experience). This cost is offset by state tax and fee revenue generated by the sales and income produced by the IMPLAN estimated total impact (including sales, income, fuel, licenses, fees etc.).



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