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## **New historic tax credit opportunities will help shape Maine's commercial RE market in 2009**

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These old buildings do not belong to us only, they belong to our forefathers and they will belong to our descendants unless we play them false. They are not in any sense our own property to do with as we like with them. We are only trustees for those that come after us. -William Morris (March 24, 1834 - October 3, 1896)

The state of Maine has one of the highest percentages of historic buildings in the country, yet it has one of the lowest rates of utilization of the Federal Historic Preservation Tax Incentive (FHPTI) program. There are statewide opportunities for investment in restoring historic buildings, but until recently there were not adequate incentives to developers to make substantial investments to historic buildings in Maine. That changed, on March 31, when governor Baldacci signed a supplemental budget into law. A provision of this budget was An Act to Amend the Credit for Rehab of Historic Properties. Recognizing that Maine's "Quality of Place" is improved by the cumulative impact of both large and small scale historic Rehab projects, the amendment language was crafted specifically to support both types of projects.

The FHPTI program is one of the Federal Government's most successful and cost-effective community revitalization programs. The Preservation Tax Incentives reward private investment in rehabilitating historic properties such as offices, rental housing and retail stores. The program currently offers building owners a tax credit (a dollar-for-dollar reduction in taxes owed) equal to 20% of the cost of rehabilitating a qualified structure. The Maine Substantial Rehab Credit and the Maine Small Project Rehab Credit add an additional 25%. The Maine Affordable Rehab Credit adds an additional 30% to the federal credit. Because of the substantial tax reduction, projects that would otherwise be passed over for in favor of new development become financially viable.

There are a number of criteria that projects must meet in order to qualify for the new credits, which I have summarized below.

First, and foremost, the building must be a "certified historic structure", meaning it must be listed in the National Register of Historic Places as an individual building, or as part of a National Register Historic District. If a building is located in a Registered Historic District, it must be certified as structure with historic significance. For a Small Project Rehab Credit, the director of the Maine Historic Preservation Commission can make the certification. A substantial rehab project in such a district will require approval from the secretary of the interior.

Certifiable Rehab projects accommodate modern uses in a building that do not damage, destroy or cover materials or features on the interior or exterior of the building which define the building's historic character

Money spent on redevelopment will need to be certified as "Qualified Rehab Expenditures" by the director of the Maine Historic Preservation Commission. These expenditures are defined by the

federal Internal Revenue Code, section 47(c)(2). For a Substantial Rehab Credit, the cost of Rehab must exceed the pre-Rehab value of the building. For most buildings in need of significant Rehab, this is not an issue. The Small Project Rehab Credit is a welcome addition, in that it allows smaller projects to qualify for tax credits. The cost of Rehab for the Small Project Credit can as little as \$50,000 and as much as \$250,000 in Certified Qualified Rehab Expenditures.

Finally, the work must be in accordance with the secretary of the interior's Standards for Rehab. The quality of materials, craftsmanship and related new construction in a Rehab project should be commensurate with the quality of materials, craftsmanship and design of the certified Historic Structure in question.

On October 15 the draft rule was published for public comment. The deadline for comments is November 14. At that time, if there are no significant changes, the act will be adopted. The director of the Maine Historic Preservation Commission, in consultation with the Dept. of Administrative and Financial Services, Bureau of Revenue Services, will administer this important new program.

The economic benefits of this expanded Historic Tax Credit are innumerable. In 2002, Rhode Island changed its laws and saw activity in the tax credit program jump from 5 projects to 32 projects in just one year. In the first 2 years after the historic tax credit reform was enacted, 111 projects signed up, representing \$485 million in investments. We are looking forward to the state of Maine reaping the benefits of this new Maine Historic Tax Credit.

In his state of the state address on January 9, governor Baldacci spoke about the Historic Tax Credit Legislation. He said "For a modest investment, we can attract millions of dollars worth of growth, which will bring new jobs, new revenues, affordable housing and new life to our cities and towns."

The improved Maine Historic Tax Credit provides attractive incentives that should be appealing to developers willing to make substantial investments in Maine's communities, its historic downtowns and village centers.

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