

# Housing Opportunity Program Updates

October 31, 2023



# Rulemaking

The Department recently amended 19-100 CMR Ch. 5 for LD 1706 changes.

<b>Public Comment Period</b>	<b>Summary of Comments</b>	<b>Effective Date</b>
August 2-September 11	DECD did not receive any comments.	October 1, 2023

DECD also updated its LD 2003 Guidance Document—Available on DECD’s website

# LD 2003 Municipal Payments

- Municipalities with and without zoning are eligible to request funding for LD 2003 compliance costs, but municipalities without zoning must provide DECD with a letter explaining why funding is requested along with any applicable land use documents.
- Payment amount:
  - Municipalities that have designated growth areas or public water/sewer are eligible for up to \$10,000.
  - Municipalities that do not have designated growth areas or public water/sewer are eligible for up to \$5,000.
- Qualifying expenses include:
  - Legal fees;
  - Staff and volunteer time spent on ordinance development; and
  - Costs associated with conducting public meetings

50 municipalities  
have received a  
total of \$420,564

# Municipalities

Arrowsic

Auburn

Bar Harbor

Brewer

Bridgton

Bucksport

Camden

Castine

Corinna

Cornish

Damariscotta

Dayton

Denmark

Durham

Fairfield

Fort Kent

Fryeburg

Hampden

Hancock

Hollis

Houlton

Island Falls

Kennebunkport

Lamoine

Madawaska

Mapleton

Mount Vernon

Newcastle

New Gloucester

Newfield

North Berwick

Ogunquit

Poland

Porter

Portland

Readfield

Rockland

Rockport

Saco

Scarborough

Searsport

South Thomaston

Standish

Thomaston

Waldoboro

Wales

West Bath

Westbrook

Winslow

Winthrop



# Housing Opportunity Program Service Provider Grants

- This grant program provides funding to service providers to assist municipalities with ordinance development and technical assistance necessary to support increased housing development.
- Evaluation team awarded funding to all 13 service providers that applied. Contracts start November 1, 2023.
- Projects include:
  - Educational training series on housing
  - Comprehensive plan guidance
  - Community housing studies
  - Form based code toolkit
  - Ordinance development
  - GIS mapping for affordable housing
- DECD anticipates opening its municipal grant program by the end of the year. These grants will provide municipalities with funding for community housing planning and implementation services.

13 service providers  
\$883,697 awarded  
51+ municipalities supported  
6 counties supported

# Service Providers

Androscoggin Valley Council of Governments

BerryDunn

Build Maine/Main Street Skowhegan

Eastern Maine Development Corporation

Greater Portland Council of Governments

GrowSmart Maine

Hancock County Planning Commission

Kennebec Valley Council of Governments

Lincoln County Regional Planning Commission

Midcoast Council of Governments

Northern Maine Development Commission

Southern Maine Planning and Development Commission

The Musson Group

# Technical Assistance: Nov. 2022-Oct. 2023

6 virtual Q&A sessions

27 presentations

50+ email/phone contact with municipalities

4 drop-in "office hour" sessions in 3 counties

Contact with 250+ municipalities

12 municipalities provided us with updated ordinances

# Ongoing Projects

- HUD PRO Housing Grant (Application due November 6, 2023)
  - HUD allocated \$85 million for 20 awards that further develop, evaluate and implement housing policy plans, improve housing strategies and facilitate affordable housing production and preservation.
  - DECD's proposed application assists municipalities with creating their own ADU grant programs to (1) assist homeowners with pre-development costs and (2) create publicly available pre-approved ADU designs for all residents.
- Housing Opportunity Program Municipal Grants (later this year/early next year)
- Establishing statewide and regional housing goals
- Outreach
  - 3 additional Zoom Q&A sessions scheduled for November
  - Continuing outreach with planning boards, regional planning organizations, and other agencies about LD 2003 implementation

# Contact Information

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<https://www.maine.gov/decd/housingopportunityprogram>



## Regional Councils

*Your partner in Community Development and Planning*

October 31, 2023

Thank you Chairs Pierce and Gere and other Select Housing Committee Members:

We understand you are interested in our experience with the implementation of LD2003. We will provide an overview and have Regional Council and Planning Representatives speak about their own experiences.

We appreciate the regional planning funds through LD2003. Just under contract, this work will begin in November. Additionally, communities are electing to use the municipal technical assistance money to upgrade their ordinance for LD2003 purposes: MCOG has a half dozen communities under contract to complete such work, while town council governments have all forged ahead.

However, most of the LD2003 work thus far has been completed with our own resources:

- We've provided direct communication through correspondence, email blasts, web notifications and direct technical assistance to help interpret and implement LD2003.
- We have provided direct training and guidance on the law, including hosting workshops (MCOG and LCRPC did this together) and meeting with municipal planning boards/ordinance review committees to distill LD2003 requirements and how it applies to individual communities.
- We take ongoing questions about the law from individual communities. This has led to a better understanding about the community's concern with LD2003 and affordable housing generally.

Through this implementation, we have learned the following:

- We are finding - numerous communities -have a sincere desire to:
  - Provide workforce housing at all levels.
  - Avoid displacement of youth, who cannot afford housing in the communities they live.
  - Provide housing options along the continuum, particularly for seniors.
- We have drafted ordinance amendments and discovered other ordinance issues in the process.
- We have triggered a very significant interest in upgrading comprehensive plans at address housing needs, but also to address the changing municipal conditions they are experiencing.
- Interpretation. There is confusion over certain clauses. For examples: "potable water", affordable housing definition by what income benchmark, minimum and maximum sizes for ADUs, minimal parking requirements for rural, car dependent communities.
- Communities desire financial assistance in support of housing and other goals:
  - Infrastructure support (water, sewer, utilizes, roads) to create affordable housing
  - Incentives for ADUs (which we are seeing movement on)
  - Continued Flexible funding to support targeted planning and implementation programs
  - Comprehensive Planning, generally.
- Where a community does recognize affordable housing need, they also need assistance in improving public understanding and the tools needed to address NIMBY issue
- The timing has continued to make the deadlines hard to make; the extension greatly appreciated. The amended final rule, and funding has only recently been made available.
- Housing permit data at the small community local level is manual and inconsistent; resources will be needed to track the impact of LD2003.



State of Maine  
131<sup>st</sup> Legislature, First Special Session

**L.D. 654, Resolve Directing the Office of Policy Innovation and the  
Future to Study Methods to Encourage the Development of  
Accessory Dwelling Units**

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**November 2023**

## **Stakeholder Group Convened In Accordance With Resolve 2023, Chapter 107**

### Staff:

Ryan Fecteau

Greg Payne

Senior Advisors

Governor's Office of Policy Innovation and the Future

181 State House Station

Augusta, Maine 04333

<https://www.maine.gov/future/housing>

### Members:

Jennifer Hogan, Community Credit Union

John Egan, Genesis Fund

Justin Murray, Bangor Savings Bank

Kimberly Twitchell, NBT Bank

Erik Jorgensen, MaineHousing

Kim Nason, Machias Savings Bank

Daniel Stevenson, City of Westbrook

Rebecca Graham, Maine Municipal Association

Jeff Levine, Levine Planning

Andrew Cook, Mascoma Bank

Jason Thomas, Coastal Enterprises Inc.

Janice De Lima, Norway Savings Bank

Scott Sarapas, Androscoggin Bank

Tim O'Reilly, Backyard ADUs

Chris Lee, Backyard ADUs

Austin Gregory, Backyard ADUs

Amanda Campbell, Maine Municipal Association

Jeff Bowman, Backyard ADUs

Sarah Sturtevant, Shaw Innovation Fellow, Muskie School of Public Service

Andrew Lardie, Tedford Housing

Parlin Meyer, BrightBuilt Home

Jessica Benner, BrightBuilt Home

Gerard Howley, KBS Homes



Thatcher Butcher, KBS Homes  
Sherrilyn Page, KBS Homes  
Nicholas Farmer, Opal Build  
Jesse Thompson, Kaplan Thompson Architects  
Pat Barendt, Simons Architects  
Benjamin Breadmore, Town of Holden  
Mayor Jason Levesque, City of Auburn  
Eli Rubin, Maine Association of Planners  
Hilary Gove, Department of Economic and Community Development  
Benjamin Averill, Department of Economic and Community Development  
Corinne Watson, Tiny Homes of Maine  
Kara Wilbur, BuildMaine  
Paul Demers, State Fire Marshal's Office  
Richard McCarthy, State Fire Marshal's Office  
Phil Kaplan, Kaplan Thompson Architects  
Andrew Hayes, Opal Build  
Alicia Yabsley, Opal Build  
William Nash, International Code Council  
Jennie Franceschi, City of Westbrook

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- A. Authorizing Legislation: Resolve 2023, chapter 107
- B. ADU Financing, Equity, and Innovation in California presented by David Garcia, Policy Director, and Muhammad Alameldin, Policy Associate, UC Berkeley Turner Center for Housing Innovation
- C. ADU Financing presented by Laurie Goodman, Institute Fellow, Housing Financing Policy Center at the Urban Institute
- D. Pattern Zones and Pre-Approved Building Programs, Matthew Petty, CEO at Pattern Zones Co.

## **Executive Summary**

The 131<sup>st</sup> Legislature passed L.D. 654 “Resolve, Directing the Office of Policy Innovation and the Future (GOPIF) to Study Methods to Encourage the Development of Accessory Dwelling Units (ADUs)” sponsored by Senator Matt Pouliot (Appendix A). The legislation charged GOPIF with convening a stakeholder group of experts to identify existing barriers to ADU development and propose potential solutions to addressing these barriers. Ryan Fecteau, Senior Advisor on Community Development and Strategic Initiatives at GOPIF, invited more than 40 experts to join the stakeholder group. The stakeholders including persons from financial institutions, community development financial institutions (CDFIs), community planning, building design, architecture, off-site construction, academia, code enforcement, municipal government, and more. A list of stakeholder group participants can be found in Appendix B. The stakeholder group was divided into two subgroups. Group A focused on financing barriers and Group B focused on pre-approved designs.

Pursuant to Resolve 2023, Chapter 107, the stakeholder group was charged with the following duties:

1. Study methods and develop model policy to encourage the development and construction of accessory dwelling units.
2. Review existing models for financing and incentivizing accessory dwelling units.
3. Explore standardized building designs; solicit input from interested parties; and review municipal efforts to adopt ordinances governing accessory dwelling units.
4. GOPIF shall submit a report, with findings and recommendations of the stakeholder group, including suggested legislation, to the Joint Select Committee on Housing no later than March 1, 2024.

Over the course of seven meetings the stakeholder group developed the following recommendations, which are not necessarily plurality recommendations as no votes were taken by the group:

**Recommendation #1.** A financial incentive program such as a grant, deferred loan, or interest buy-down should be established to off-set the cost of ADUs.

**Recommendation #2.** A financial product should be created to either securitize existing financing options or make a secondary mortgage possible.

**Recommendation #3.** Municipal incentives should be established for ADUs, including tax increment financing (TIF) or property tax relief.

**Recommendation #4.** The concept of sale-lease back, used at times in commercial sales, should be investigated as a tool for building ADUs for older adults.

**Recommendation #5.** Several technical barriers need to be addressed, including but not limited to, changes in the appraisal and assessment process such as terminology used to define ADUs, allowances for condominium conversion, and eliminating some owner-occupancy requirements.

**Recommendation #6.** Education and training programs should be designed to inform consumers about ADUs and to prepare a workforce to build them.

**Recommendation #7.** A pre-approved ADU design program should streamline approvals, receive an engineer stamp, meet the Maine Uniform Energy and Building Code (MUBEC), and not be compulsory for consumers. It might be valuable to make the pre-approved designs compulsory in certain neighborhoods.

**Recommendation #8.** The state should establish a pre-approved ADU design program with a multitude of designs for a range of typologies such as garage conversion and backyard detached units. There are numerous recommendations regarding how this program could be configured.

**Recommendation #9.** A state pre-approved design program should include off-site, modularly built ADUs and changes should be made to bring more modular building to Maine.

**Recommendation #10.** Grant programs should be created to assist municipalities with limited capacity to administer pre-approved programs and conduct permit reviews.

## **I. Introduction**

The 131<sup>st</sup> Legislature passed L.D. 654 “Resolve, Directing the Office of Policy Innovation and the Future (GOPIF) to Study Methods to Encourage the Development of Accessory Dwelling Units (ADUs)” sponsored by Senator Matt Pouliot (Appendix A).

The resolve authorized GOPIF to convene the stakeholder group and invite relevant experts and practitioners to participate. The stakeholder group did not have a meeting limit but was charged to report back to the Joint Select Committee on Housing no later than March 1, 2024.

The stakeholder group convened for the first time on September 12 and met six times thereafter. The stakeholder group received several presentations relevant to its assignment from experts in finance and pre-approved ADU design programs. The stakeholder group’s meetings were published on the GOPIF website where members of the public or other interested parties could sign-up to participate.

Senator Pouliot noted in his L.D. 654 testimony that, “L.D. 2003 paved the way to increase access to affordable housing options in Maine. Accessory dwelling units are a significant part of that equation.” L.D. 2003 (Public Law, Chapter 672) passed by the 130<sup>th</sup> Legislature included several provisions regarding ADUs. Here a few of those provisions<sup>1</sup>:

1. Except as provided in Title 12, chapter 423-A, a municipality shall allow an ADU to be located on the same lot as a single-family dwelling unit in any area in which housing is permitted.
2. A municipality shall exempt an ADU from any density requirements or calculations related to the area in which the ADU is constructed.
3. For an ADU located within the same structure as a single-family dwelling unit or attached to or sharing a wall with a single-family dwelling unit, the setback requirement, and dimensional requirements of the single-family dwelling unit.

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<sup>1</sup> <http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP1489&item=9&snum=130>

4. An ADU may not be subject to any additional parking requirements beyond the parking requirements of the single-family dwelling unit on the lot where the ADU is located.
5. A permit issued by a municipality for an ADU does not count as a permit issued toward a municipality's rate of growth ordinance as described in section 4360.

These provisions and others contained in L.D. 2003 increase the likelihood that an ADU would be authorized for construction or installation within any municipal jurisdiction in the state. However, they do not necessarily mean the costs to obtain an ADU will be within reason for a median income household or the process for approval will be easily accessible to the public. As noted in Senator Pouliot's testimony, one such financial barrier is high-interest rates for borrowing. Unfortunately, with high interest rates," shared Senator Pouliot, "many folks aren't able to pencil out ADUs in an affordable way."

Greg Payne, Senior Advisor on Housing at GOPIF, elaborated in his testimony on L.D. 654, "Those seeking loans will, at times, face challenges with getting approved for a loan due to their debt-to-income (DTI) ratio. According to Total Mortgage, construction lenders look for a DTI under 45 percent and a down payment of at least 20 percent. As of April 7, [2023,] Bath Savings offered a 30-year construction loan at a 6.25% interest rate. However, many lending institutions do not allow for potential rental income from the ADU to be considered when determining loan eligibility, further constraining the DTI ratio. Other financing options include, but are not limited to, cash-out refinancing, home equity lines of credit, and home improvement loans. However, financing for an ADU is not as commonplace as the traditional 30-year home mortgage and can present major obstacles for Mainers who want to add an ADU for an aging parent or simply to add a new income source that could help them pay their bills."

While soon-to-be more readily allowed by municipal ordinances as a result of L.D. 2003, ADUs face practical issues like financing as noted by Senator Pouliot and Mr. Payne. L.D. 654 charged the stakeholder group with contemplating strategies to overcome these practical issues by analyzing financial options and the concept of pre-approved designs.

In the grand scheme, ADUs could be a key tool for addressing Maine’s housing affordability and availability crunch. Thirty percent of Maine renters spend more than half of their income on housing, according to the National Low Income Housing Coalition<sup>2</sup>. The median home sale in Maine jumped by 12 percent between 2021 to 2022, according to the Maine Real Estate Information System<sup>3</sup> Meanwhile, the number of units sold dipped by nearly 17.5 percent during that same period. According to a recently published report commissioned by MaineHousing, GOPIF, and the Department of Economic and Community Development (DECD), Maine needs 75,200-84,000 total units of housing to address historic underproduction and future need.<sup>4</sup>

The Casita Coalition, an industry leader concerning ADU policies, cites several reasons why ADUs are key housing types. They specify the following benefits<sup>5</sup>:

1. ADUs offer homeowners choice by making it more affordable to stay in their current neighborhood via income derived from renting an ADU.
2. ADUs provide families with flexibility, particularly for older adults who no longer can or want to live on their own, but do not require permanent care.
3. ADUs preserve communities by providing more affordable options to people who might otherwise be priced out.
4. ADUs help homeowners build personal and intergenerational wealth.
5. ADUs are naturally affordable to build and rent when compared to other options on the market.

## **II. Stakeholder Group Process**

The stakeholder group or its subgroups met on September 12, September 19, September 20, September 29, October 03, and October 10. All meetings were fully remote and meeting information was posted on GOPIF’s website for public awareness. Meeting notes were made available to members unable to attend a meeting(s). Mr. Fecteau notified the stakeholder group from the outset that all

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<sup>2</sup> <https://nlihc.org/housing-needs-by-state/maine>

<sup>3</sup> <https://www.legacysir.com/blog/2023/01/24/maine-home-prices-rose-12-percent-in-2022/>

<sup>4</sup> [https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/State%20of%20Maine%20Housing%20Production%20Needs%20Study\\_Full\\_Final\\_10.3.23.pdf](https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/State%20of%20Maine%20Housing%20Production%20Needs%20Study_Full_Final_10.3.23.pdf)

<sup>5</sup> <https://www.casitacoalition.org/neighborhoodscalehomes>

recommendations would be recorded in the report and formal votes would not be taken.

### **A. First Meeting, September 12, 2023**

The first meeting of the stakeholder group was held on September 12, 2023. Mr. Fecteau provided an overview of the enabling legislation (Resolve 2023, chapter 107 in Appendix A), covered the duties, process, and timeline for the stakeholder group's work.

During the remainder of the meeting, David Garcia, Policy Director, and Muhammad Alameldin, Policy Associate, from UC Berkeley Turner Center for Housing Innovation provided a presentation titled, "ADU Financing, Equity, and Innovation in California". Their presentation is included as Appendix C. Mr. Garcia and Mr. Alameldin were invited by Mr. Fecteau, because of California's early adoption of ADU provisions like those included in L.D. 2003. California has experience with broader allowances for ADUs and further programming to close financing gaps and offer pre-approved designs.

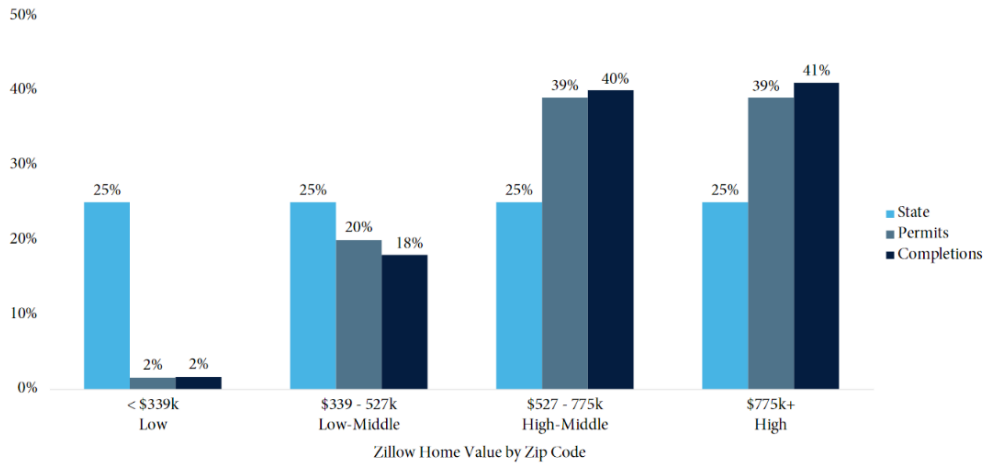
Mr. Garcia and Mr. Alameldin noted that their analysis of ADU permit data in California found areas with high home values were more likely to have an ADU built. The predominance of ADUs in wealthier California neighborhoods is consistent with one of the most common ways people pay for ADU costs: existing savings or assets.<sup>6</sup>

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<sup>6</sup> <https://www.casitacoalition.org/s/CC-ADU-Finance-Guide-for-Homeowners-v4-31821-33xg.pdf>



Figure 5. ADU Permitting and Completions by Home Values in Zip Code



Source: Calculated by the authors from Annual Production Report data (California Department of Housing and Community Development) and Zillow Home Value Index data.

Mr. Garcia and Mr. Alameldin provided a complete breakdown of ADU financing products and listed their utilization in California. The data was collected by the Center for Community Innovation at UC Berkley between 2018 to 2019. The survey found the following:

Type of Product	Utilization
Liquid Assets	62%
Mortgages	43%
Unsecured Debt	7%
Other	3%

The most common mortgage products were HELOC or Home Equity Loan (56 percent) and cash-out refinance (35 percent). Renovation loans or other construction loans were only used by 6 percent of those who applied for or received a certificate of occupancy for an ADU between 2018 to 2019. Despite being a tool for those with little home equity, renovation loans seem to be very unpopular according to their presentation.

Mr. Garcia and Mr. Alameldin noted how the FHA 203(k) Rehabilitation Mortgage Insurance could be a worthwhile product. According to the U.S. Department of Housing Urban Development (HUD), the 203(k) “permits homebuyers and homeowners to finance up to \$35,000 into their mortgage to repair, improve, or upgrade their home.”<sup>7</sup> However, there are issues with this product for ADUs according to the presenters. Prospective rental income is not considered, the ADU must be attached to the existing dwelling, must be owner occupied, and appraiser expertise varies. The Turner Center recommends HUD adjust its consideration of prospective rental income, review attached-only interpretation, require an ADU specific training for appraisers, and clarify ability to include ADU income into appraised value. Several weeks after the Turner Center’s presentation, HUD released a mortgagee letter noting prospective rental income for ADUs would be considered by the Federal Housing Administration (FHA). The letter states, “The provisions of this [mortgagee letter] apply to FHA Single Family Title II Forward and Home Equity Conversion Mortgage (HECM) programs.”<sup>8</sup>

In addition to providing information about existing financing options, the presenters highlighted a program from California Housing Finance Agency. The program provides up to \$40,000 towards pre-development and non-recurring closing costs associated with the construction of an ADU. Pre-development costs include site prep, architectural designs, permits, soil tests, impact fees, property survey, and energy reports. The program has issued \$100M in grants thus and helped finance approximately 2,500 ADUs.

The presenters also highlighted other initiatives such as a requirement that ADUs shall be deemed approved if the local jurisdiction doesn’t act on the application within 60 days, prohibit local jurisdictions from requiring property owners live in the ADU or primary dwelling, exemption from impact fees for ADUs under 750 sq. ft., local jurisdictions are required to create incentive(s) for the creation of ADUs to be rented to very low-, low-, and moderate-income households, prohibition on HOAs from restricting ADUs, and requirement that all local jurisdictions adopt pre-approved ADU plans.

Mr. Garcia and Mr. Alameldin focused on the city of San Diego’s ADU bonus program and the city of San Jose’s pre-approved ADU design program. The latter

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<sup>7</sup> [https://www.hud.gov/program\\_offices/housing/sfh/203k](https://www.hud.gov/program_offices/housing/sfh/203k)

<sup>8</sup> <https://www.hud.gov/sites/dfiles/OCHCO/documents/2023-17hsgml.pdf>

published a list of pre-approved designs on its website. The companies are vetted by the city. There is a so-called “ADU Universal Checklist” for the homeowner to fill-out and permits are approved within a week.

Following the presentation, stakeholder group participants were invited to ask questions. John Egan from Gensis Community Loan Fund asked about lender consent from the primary lender in the context of San Diego’s bonus ADU program. Mr. Garcia said most of the property owners are accessing commercial loans because of the increased number of units on the lot. Chris Lee from Backyard ADUs asked why the Cal FHA ADU loan program wasn’t a forgivable loan. Mr. Garcia said Cal FHA heard from lenders that a grant program would be most conducive with the existing funding mechanisms. Mr. Fecteau asked if the Cal FHA program had income restrictions. Mr. Alameldin said they didn’t. Parin Meyer from BrightBuilt Homes asked about the deed restriction requirement for the San Diego ADU bonus program when the property is sold. Mr. Alameldin said the deed restriction moves with the sale of the property. There was also a discussion about short-term rentals. Mr. Garcia noted that the characteristics of a community will likely dictate the percentage of ADUs that are used for short-term rentals. Kim Nason from Machias Savings Bank said most of her ADU lending has been for customers looking to add short-term rentals, only a few for family members. Mr. Fecteau asked about infrastructure considerations like access to public sewer and water. Mr. Garcia noted that impact fees collected by local jurisdictions assist with capital improvements. He said there is a conversation in the legislature about providing additional funds to local jurisdictions for infrastructure upgrades. Amanda Campbell from Maine Municipal Association asked about water availability. Mr. Garcia said the water agencies in California are given authority to determine the adequacy of the resource. Mr. Alameldin noted that ADUs consume 40 percent less water compared to larger housing types. Mr. Fecteau asked about cost savings from pre-approved designs. Mr. Garcia noted that design costs represent 5-10 percent of the soft costs in California for ADUs. Thus, homeowners are saving in that regard. Mr. Lee asked about the uptake of pre-approved designs. Mr. Garcia noted that uptake remains modest, because those building ADUs tend to be wealthier and thus interested in customization. Andrew Hayes from OPAL Build asked about energy efficiency incentives for ADUs. Mr. Garcia said the building code drives ADUs to being highly efficient. In fact, builders in California are seeking a separate code for ADUs due to the fundamental difference and inherent efficiencies between ADUs and single-family.

The meeting concluded with instructions from Mr. Fecteau regarding the next meetings for the two subgroups.

## **B. First Meeting, Group A – Finance, September 19, 2023**

The first meeting of the stakeholder group's smaller cohort focused on ADU financing was held on September 19, 2023. The meeting started with introductions. Mr. Fecteau outlined several prompts for discussion. The prompts included:

1. What's the status of financing ADUs today?
2. What would improve access to financing and lending approvals?
3. Are there subject matter experts we should invite to our next meeting?

In response to the first prompt, the following notes were recorded:

- Is everyone on the same page about what's to occur because of L.D. 2003? There seems to be a need to get the word out and to get municipal officials to help so people understand that they could add an ADU to their property if they wanted to.
- There is difficulty finding contractors who are willing to build ADUs.
- The high interest rates are discouraging people to borrow or perhaps outright disqualifying them from being able to borrow.
- ADUs being a product for wealthier individuals is only a recent phenomenon. In the past, it was very common to see families of all incomes being able to afford to build them.
- ADUs are not being built as rental units in New England. The cost to build is so high that even market rate rents wouldn't cover the cost.
- Many older adults in Maine have a lot of equity in their homes and that's a very common means to pay for the ADU. Families are also pooling their cash and assets together.
- Home equity lines of credit can keep the costs down.
- RenoFi uses renovation underwriting to leverage the future value of the property get financing for the project. They can go up to 125 percent on loan to value ratio.
- Grants from local towns and cities have helped cover financing gaps. Kittery and Auburn issued ADU grants.

- The Community Economic Development Assistance Corporation (CEDAC) offers a Home Modification Loan Program (HMLP) for older adults and persons with disabilities. The loans are up to \$50,000 and 0% interest rate.
- The typical financing gap is between \$100-\$150K.
- Banks are hesitant around counting potential rental income from an ADU.
- Appraised value of an ADU is difficult to determine.
- Manufactured or off-site built ADUs are constrained by licensing requirements for set crews.
- North Hampton, MA has a small-unit incentive known as “Half-Scale Units”.
- Higher income earners have plenty of tools. We need to find a way to address the barriers faced by low- and middle-income earners.

In response to the second prompt, the following notes were recorded:

- When it comes to cost and things related to that, banks cannot really make much of an impact due to federal regulations and requirements.
- On the topic of loan to value ratios, would there be a product that MaineHousing or FAME could create to help mitigate this issue on the insurance front?
- You have a delivery system via banks that works well. People are familiar with it. However, they face constraints that prevent them from going above 120 percent loan to value.
- Could a TIF be used for ADUs by a municipality?
- It is possible a TIF wouldn’t retain enough value to work for this.
- There could be some challenges with MaineHousing, but it seems like it could be a very good option, especially since they have existing relationships with lenders.
- A deferred loan program would be the best option for spurring ADU production.
- Skeptical that \$40K grants would be enough to have a huge impact. The sweet spot for support would be in the \$100K range.
- Is it possible for the Federal Home Loan Bank in Boston to have an impact here? They issue a lot of grants.
- Assessors are required to determine value based on this idea that is a “feature of the property”. Could this be changed at the federal level?

In response to the third prompt, the following notes were recorded:

- Salem, MA has one of the largest municipal grant programs. Should we invite someone to speak about their program?
- Casita Coalition has a lot of great information about financing.

### **C. First Meeting, Group B – Designs, September 20, 2023**

The first meeting of stakeholder group's smaller cohort focused on pre-approved ADU designs was held on September 20, 2023. The meeting started with introductions. Mr. Fecteau outlined several prompts for discussion. The prompts included:

1. Who or how could pre-approved designs help?
2. What would a successful pre-approved design program look like?
3. Are there subject matter experts we should invite to our next meeting?

In response to the first prompt, the following notes were recorded:

- People just don't know where to start. Most people who are interested in an ADU haven't built a home before and even some people who have built a home are looking for easier ways, more navigation-friendly system.
- There are not enough examples of ADUs out in the real world for consumers to see and then say, "I want one of those."
- How is building an ADU any different than building a regular home?
- It is different, because ADUs can go on lots with existing single-family home. Therefore, we have an opportunity to maximize lots that have already been built and used for residential purposes.
- From a municipal perspective, it would be helpful to have a stamped set of plans. If you had a pre-approved design, working with a specific firm(s), a checklist of code compliant things.
- Every lot is set up differently, if there was a guide sheet to direct homeowners to what an ADU would be, a checklist of what they need to make the ADU a reality. To just have the state publish a set of designs, not sure this will work due to differences with lots.

- Makes a lot of sense to have pre-approved products from a design firm perspective.
- Auburn looked at South Bend, Indiana for a similar pre-approved design model. Auburn wanted 2-3 designs (detached designs were less complex). Six different plans for people to choose from. The cost for the municipality was too significant.
- Could you assign plan value to the pre-approved designs? Say \$10K which would help when seeking funds from a bank.
- It is important to assess the quality/character of the companies that would be submitting the pre-approved designs.
- Let's also remember that there are a lot of citizens that are skilled enough who would build it themselves if they had the plans to do so.

In response to the first prompt, the following notes were recorded:

- Every site is different so there needs to be consideration given there. A successful program could lean on manufactured or CrossMod requirements that are already pre-approved via HUD inspectors. Perhaps, this would also help save on the overall costs.
- If it is pre-approved, we need to make sure that there are no longer delays issuing a certificate of occupancy—would really help the consumer.
- When we talk about pre-approved, a successful program would be pre-approvals on the design itself not on the site work that would still be necessary given differences in lot types.
- It would be best for the state to send out a request for proposals and then let towns opt-in to accepting the designs as pre-approved.
- Another helpful program could be a state reimbursed building permit for an ADU. Standardizing the permitting costs across the state. Auburn has reduced permit fees to \$25.
- Would likely be helpful to have the architectural or design firm responsible for the design remain involved to help guide the consumer.
- Would be good to get regular feedback from code officers to update designs on an as-needed basis.
- If you're doing an attached structure, it is unlikely you will be able to the keep the savings on the architectural design.

- Would remove some of the concerns around codes for towns that have to share code enforcement officers and whose resources are stretched thin.
- Would it be worthwhile to include pre-approved designs beyond ADUs, such as duplexes, in-fill single-family, etc.?
- Is there a way to capture the spirit of the manufactured housing code and apply it to this?
- From a design perspective, it is important to maintain designer fingerprints on this.
- Modular pre-approved design could help significantly with reducing the time for these projects.

In response to the third prompt, the following notes were recorded:

- Inviting folks from the pre-approved design program in South Bend, Indiana was mentioned.
- Inviting folks from the pre-approved design program in Seattle, Washington was mentioned.
- Inviting folks from the pre-approved design program in Bend, Oregon was mentioned.

### **Second Meeting, Group A – Finance, September 29, 2023**

The second meeting of the stakeholder group’s smaller cohort focused on ADU financing was held September 29, 2023. The group received two presentations. The first presentation was provided by Laurie Goodman, Institute Fellow, Housing Finance Policy Center at the Urban Institute. Her presentation is included as Appendix D. Ms. Goodman was invited by Mr. Fecteau due to her expertise and inclusion in an article focused on ADU financing. The article noted, “[Ms. Goodman] says to get ADU construction financed with a renovation loan, homeowners must navigate complicated and expensive planning requirements and meet development standards that usually involve hiring professional consultants and maneuvering through a cumbersome borrowing process—that is, if they can even find a willing lender.”<sup>9</sup>

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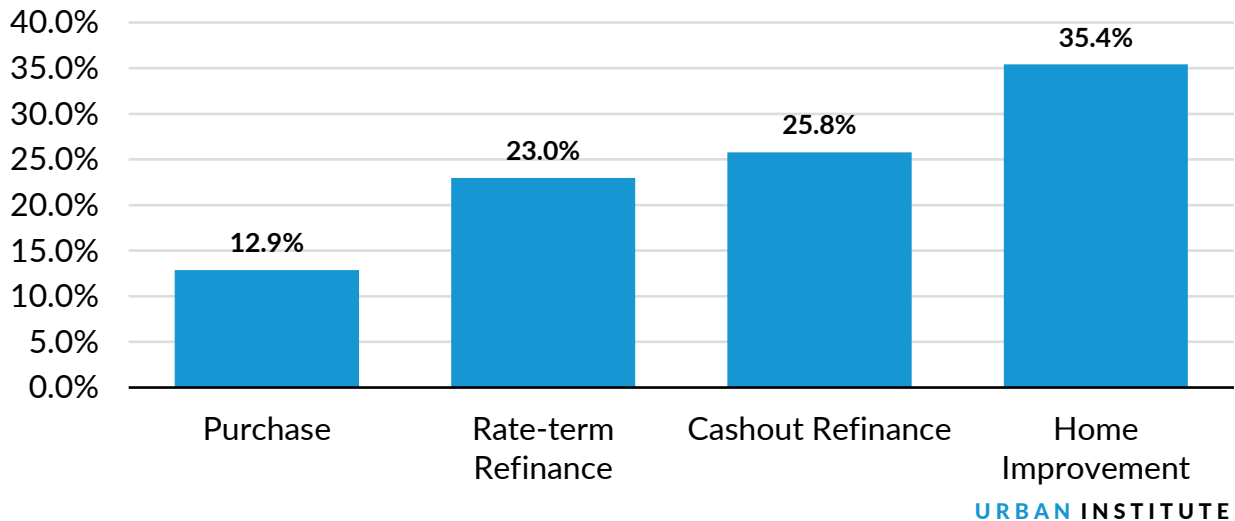
<sup>9</sup> <https://shelterforce.org/2022/05/09/how-financing-barriers-keep-adus-expensive/>



Ms. Goodman's presentation started with a refresher on various types of ADU configurations and highlighted places in the United States, like Maine, with broader allowances for ADUs. In addition, Ms. Goodman highlighted the rapid increase in ADU permits in the state of California from just under 10,000 issued permits in 2017 to just over 30,000 issued permits in 2022. She noted how California has reduced regulatory barriers and deployed a state grant for ADUs.

In addition, Ms. Goodman noted the ways homeowners can finance renovations or ADU construction. They include cash, personal loans, short-term loans, home equity extraction (i.e., home equity loans, lines of credit, and cash-out refinance), renovation financing via federal-agency backed financing from Fannie Mae, Freddie Mac, and Federal Housing Administration (FHA), and private financing from banks and credit unions. However, while these options exist, Ms. Goodman said, leveraging home equity to finance renovation or ADU construction is best suited for wealthy households. The average credit score to qualify for home equity line of credits (HELOCs) are more than 760 and have high income requirements. Home equity lending is capped at 80 percent of the current market value of the property, and it doesn't consider prospective rental income from an ADU. Federal renovation financing is other option highlighted by Ms. Goodman's presentation. She said, "Federal renovation financing is cumbersome and expensive for lenders." The FHA 203k program two forms: the limited which has a \$35K max loan and a standard form which has several requirements. The standard form requires lenders to review contractor credentials, work plans, and cost estimates. The repairs must start within 30 days of closing and be completed in six months. Any delays or cost overruns require lender involvement. Borrower must hire a HUD consultant to oversee the renovation process. The median standard form loan in 2020 was \$75K and less than 4,000 loans were issued in 2022 nationwide. In addition, Fannie Mae Homestyle Program, Freddie Mac CHOICE Renovation, and Freddie Mac CHOICE Renovation eXpress programs have similarly burdensome requirement and thus low utilization by consumers. Ms. Goodman also shared data reflecting the high denial rates on renovation financing.

## Denial Rates by Loan Purpose in 2022



Source: Home Mortgage Disclosure Act Data (2022) and Urban

Ms. Goodman subsequently highlighted improvements that could be made to lending products for ADUs. They include the following:

- ADU underwriting should provide at least 50 percent credit for prospective rental income. This will help quality homeowners with lower incomes like older adults.
- Appraisals should be completed on an “after-repair” basis. This is currently difficult due to lack of comps. Government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac should share info on the value add resulting from ADUs.
- The maximum 80 percent loan to value (LTV) cap for home equity lending should be raised to 90 percent so long as funds are used to improve the home and to 95 percent if adding a factory built ADU.
- The loan amount should be increased from the 35K threshold for limited form loan to \$50K to \$75K.
- Second lien financing is important, particularly for borrowers who are locked into low interest mortgages.

Ms. Goodman concluded her presentation by saying, “We need to completely revamp the way we think about renovation financing.” She said federal agencies and lenders need reasonable assurance that construction will be completed on time

and within budget. She suggested establishing a pre-approved list of contractors and vendors for ADU projects. She used an example in the city of Detroit, Michigan where Rocket Mortgage's philanthropic arm worked with Home Depot and their approved contractors and vendor list to repair thousands of abandoned homes. The repairs were standardized to minimize labor and material costs. Contractors were subject to quality standards, background checks, and other means of vetting to ensure quality.

Ms. Goodman fielded questions from the stakeholder group. Sarah Sturtevant, Shaw Innovation Fellow at the Muskie School of Public Service wondered if a prospective ADU tenant with social security provided lenders with the assurance they need to consider rental income. Ms. Goodman said lenders will consider income from other people living in the primary home up to 30 percent. Kimberly Twitchell at NBT Bank asked about whether tax credits have been considered. Mr. Fecteau noted a failed proposal in New York to provide property tax exemptions for ADUs.<sup>10</sup> He also mentioned how the tax incentive would likely benefit those who already have the means to finance an ADU. Janice De Lima from Norway Savings Bank asked if there might be a re-insurance product for banks to purchase to mitigate risk against ADU lending. Ms. Goodman said she was not aware of any re-insurance products. However, she said there is a company called RenoFi that works with a lot of credit unions. RenoFi evaluates the quality of contractors and are trying to correct for the deficiencies in renovation financing.

The group also received a presentation from Amanda Chiancola from the city of Salem, Massachusetts. Ms. Chiancola noted that Salem considers all ADUs to be an extra bedroom for the purpose of tax evaluation instead of a separate structure or dwelling. Salem has also created a design grant up to \$2,500 for ADUs. In addition, they offer a construction grant up to \$45,000. The grant covers materials and labor. Salem applies a restrictive covenant to grant recipients that caps the rent at 50 percent of the fair market rent. Mr. Fecteau asked the presenter what the uptake has been. Ms. Chiancola said they have ten applicants at this point.

In addition, Mr. Fecteau asked the lenders in the group how they would account for this kind of grant funding when evaluating an applicant's qualifications to finance the remaining cost of a project. Ms. De Lima said that lenders are still held to the

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<sup>10</sup> <https://www.governor.ny.gov/news/governor-hochul-announces-statewide-strategy-address-new-yorks-housing-crisis-and-build-800000>

appraisal and the applicant's income. Kim Nason from Machias Savings Bank said they would consider the grant funds, but ultimately, they will be relying on the true cost of the project. They will lend on the lower of the acquisition cost or the appraised value.

Ms. De Lima asked if the applicants need to have a certain income. Ms. Chiancola said they do not need to have a certain income to apply for the grant. Rebecca Graham from Maine Municipal Association asked how long the restrictive covenant is in place. Ms. Chiancola said it is for 20 years. John Egan from Genesis Community Loan Fund asked if the ADU could be used as a short-term rental. Ms. Chiancola said that Salem has a short-term rental prohibition. Chris Lee from Backyard ADUs noted that Salem's grant program can be paired with a home modification zero percent interest loan from the state of Massachusetts.<sup>11</sup>

At the conclusion of the meeting, the group discussed whether it felt like more information was needed before determining its recommendations. The group decided it would be helpful to invite an assessor and an appraiser for a brief conversation and then work on determining its recommendations.

### **Second Meeting, Group B – Designs, October 03, 2023**

The second meeting of the stakeholder group's smaller cohort focused on pre-approved ADU designs was held on October 03, 2023. The meeting started with introductions. The group invited Matthew Petty, CEO of Pattern Zones Co., to present. His presentation is included as Appendix E. Mr. Petty has served as an alderman in Fayetteville, Arkansas and founded Infill Group, a planning firm. He is regarded as an expert on pre-approved designs.

Mr. Petty started by sharing his experience as a policymaker in Fayetteville and working with jurisdictions in other states. While regulatory reform is important according to Mr. Petty, it alone cannot unlock the housing needed to address the availability and affordability. Mr. Petty said pre-approved designs are based on the premise of incremental development. He added, "It's better when neighborhoods grow in familiar patterns." Pre-approved building programs can help guide the market towards building types and designs that are familiar to a neighborhood or community.

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<sup>11</sup> <https://cedac.org/hmlp/>

Mr. Petty subsequently noted, “Convenience in permitting drives market response. Careful pre-approvals could be the foundation for a new market standard.” He said that developers value convenience above all else. It is important to keep convenience at the center of a pre-approved design program. Mr. Petty added that single-family permits are usually easy to acquire. The permits issued under a pre-approved design program should reflect the same ease. He placed emphasis on the fact that the review is not deleted, but rather it is all done upfront before an applicant walks through the door.

He presented a case study from Claremore, Oklahoma. This is a city in northeastern Oklahoma—near Tulsa, Oklahoma. It has a population of 19,580. The city adopted what they call a “unified development code” (UDC).<sup>12</sup> The UDC includes pre-approvals, including for subdivisions. They issue permits in under 96 hours. The UDC provides preference for compact, single-family homes. Mr. Petty added that the city receives substantially completed plans which promotes quick turnaround. This does not happen outside of a pre-approved design program.

Mr. Petty provided the group with standards and best practices to keep in mind when designing such a program. The best practices include the following:

- Provide 8-12 choices per building type. For example, if you have a pre-approved ADU program, you should offer 8-12 garage conversion designs, 8-12 detached ADU designs, and 8-12 attached designs. Mr. Petty said this is the psychology of choice.
- Thematic variations of buildings to give people enough choice for the program to be utilized.
- Supplemental application criteria.
- Applicants must opt-in which means when they walk into city hall, staff should make the applicant aware of the program and emphasize the ease.
- Sponsored plan fees are preferable.
- Easy portfolio swaps to comply with code changes and to make sure one type of design doesn’t get overly subscribed.

In addition, Mr. Petty noted that there a few variations of pre-approved programs. These include the following:

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<sup>12</sup> <https://claremore.com/wp-content/uploads/2022/08/Unified-Development-Code-Final-Version.pdf>

- An open-source plan which is a license for construction free of charge by the design or architect.
- A pre-approved building which has a contingent building permit on file with the building safety division.
- A patten zone which combines pre-approved buildings with programmatic enhancements.

There are several ways these are paid for. These include the following:

- Pay-per use: the city has pre-approved the building, but applicants still need to purchase the plans from the architect or a clearinghouse that is a custodian of the plans.
- Jurisdiction sponsorship: the local jurisdiction pays a one-time or annual fee for use of the plans.

Mr. Petty added that it is important to have “variations-on-a-theme”. In other words, you want similarity between each design. He used a pre-approved design program in Bryan, Texas as an example. Each design was inspired by a locally beloved home. He said, “They feel just different enough.”

He also said that pre-approved designs are a great opportunity for experimentation. He worked in a town that did not allow for courtyard subdivisions; however, they were willing to allow it if the developer used pre-approved designs. Mr. Petty said, “Like it or not, [the unknown] is one of the main reasons we see public objection to our planning proposals.” Pre-approval programs ensure predictably for the community regarding the appearance of new zoning concepts.

In conclusion, Mr. Petty emphasized the importance of making the pre-approved designs as accessible as possible to the public. He also showed an example website where applicants could simply click a design and it would send a professionally packaged application to the planning office.

During the discussion with Mr. Petty, Rebecca Graham from Maine Municipal Association (MMA) asked how towns with pre-approval programs handle storm water approvals. Mr. Petty said Spokane, Washington has what they call a “water-wise program” where pre-approved landscape components are offered. If the

applicant adopts those components, they are exempt from calculations. In addition, he said in Fayetteville, Arkansas, they have a green storm water facility that is predesigned that goes down the side of the property which simplifies the calculations. Parlin Meyer from BrightBuilt Homes asked if there are any statewide programs of this nature. Mr. Petty said only California has a requirement to adopt such a program and the local jurisdictions are responsible for program designs. He also said there is interest from the Michigan Land Bank Authority to establish a portfolio of pre-approved designs. He said the gold standard for a statewide program would be to work with a state building official to pre-approve designs that preempt local approvals. Phil Kaplan from Kaplan Thompson Architects asked about liability for the architects. Mr. Petty said contracts signed by the builders include a clause that they will assume all the liability. Mr. Fecteau asked about modular building and pre-approved programs. Mr. Petty said he was not aware of any pre-approved programs with modular designs. Ms. Graham asked if towns require additional licensure or vetting for builders who wish to build pre-approved designs. Mr. Petty said he was not aware of such requirements anywhere. He did say that a program with a builder vetting process could be a value add. Jennie Franceschi from the city of Westbrook asked about site work. Mr. Petty said that pre-approvals do not extend to foundation work, as an example.

The group concluded its meeting by deciding that it would meet once more on Tuesday, October 10, 2023. The purpose of the meeting would be to determine its recommendations.

### **Third Meeting, Group A – Finance, October 10, 2023**

The third meeting of the stakeholder group's smaller cohort focused on ADU financing was held October 10, 2023. The group was joined by Kerry Leichtman, assessor for the towns of Camden and Rockport. Mr. Leichtman said there is not a neat category for an ADU. Assessors use various codes that incorporate more than single-family units on a single parcel. Mr. Leichtman also noted that assessors are required by Maine law to consider all potential avenues towards value. Therefore, rental income from an ADU would increase the value of the property. Mr. Fecteau asked how assessors determine if rental income is being derived. Mr. Leichtman said they would ask the homeowner. Sarah Sturtevant, Shaw Innovation Fellow at the Muskie School of Public Service asked about the cost of construction being incongruent with the appraisal value. Mr. Leichtman said they are more attuned to

the sale price. After the third bedroom, at least in Rockport, Mr. Leichtman said they would not assess more value. If the ADU was attached to the existing home and resulted in a fourth bedroom or more, no additional value would be assessed. Janice De Lima from Norway Savings Bank asked if there is a statewide standard around assessing. Mr. Leichtman said there are some aspects governed by statute, but there are nuances from community to community.

Mr. Leichtman added, “I mentioned that assessing systems differ from town to town, but they do so on the... the micro levels, not the macro. We all, for example, code a single-family dwelling with land use code 1010. 1090 for multi house parcels is probably also common to us all. All dwelling unit properties’ land use code begins with 10. The second two digits define the details, which is where we can differ from municipality to municipality. In Rockport we have a code for 2-unit and three-unit, then we group as four-seven units as a single code and eight-plus as another code. In Camden, we have an individual code for two, three, four, five, six, seven units and then go eight-plus.”

In addition to the assessor’s perspective offered by Mr. Leichtman, Mr. Fecteau and Ms. De Lima met with Jake Wight from Oceanside Appraisal, LLC on October 11, 2023, in order to capture an appraiser’s perspective on ADUs. Mr. Wight shared that appraisers place tremendous emphasis on market comparables when determining value. The prospective income from an ADU is not given as much value when an owner-occupancy requirement is in place, because it restricts both the primary dwelling and ADU from being income generating. Rebecca Graham from Maine Municipal Association noted how owner-occupancy is sometimes required for municipal grant programs or other public programs. Mr. Wight said the appraised value does not reflect the full cost of ADU construction. There is some impact to the appraised value if prospective buyers in the market lack interest in ADUs or vice versa. He also said there could be increased value if the ADU was allowed to be sold on its own as a condominium; however, condominiums have their own appraisal limitations. Ultimately, the uniqueness and scarce sale history of ADUs is likely constraining their appraisal valuations.

The group discussed its recommendations for the legislature. Mr. Fecteau clarified that votes would not be taken, and all suggestions would be captured in the report. Therefore, the recommendations below are not categorized in any order. No one recommendation necessarily represents a plurality of the subgroups’ perspective. The recommendations have been categorized for easier reading.



## **Challenges**

Firstly, the group acknowledged the challenges being able to pinpoint a specific solution or solutions. Due to risk factors for the lender, what the appraisal will say, federal regulations, and more, it might be difficult to implement a program that resolves the bulk of the financial barriers.

## **Financial Assistance**

The group focused a great deal of discussion on financial assistance program. They included:

- An insurance product offered by the state that mitigates the risks for lenders.
- A grant program that is funded by the state and administered by municipalities. Some members of the group noted the importance of finding a way to not spend this down quickly or to achieve substantial funding.
- An interest buy-down program like the “First Generation” program offered by MaineHousing. The buyer would receive a mortgage with a lower-interest rate and a grant for closing costs if they agree to add an ADU for an older adult on the property.
- An interest buy-down program designated for those employed in the building trades. This program would try to incentivize attraction and growth in this workforce sector.
- A securitized loan offered by the state like what the Finance Authority of Maine (FAME) offers on the commercial lending side. MaineHousing suggested as the entity to provide this product.
- A secondary mortgage program offered by the state, particularly useful for homeowners locked into low-interest rates on their primary mortgage.
- A deferred loan program offered by the state which would come due when the homeowner sells, or the property gets transferred to a new owner. The product would be zero percent interest or less than three percent, a maximum award of \$100K, and could include rental income restriction.

## **Municipal Incentives**

The group discussed ways in which the state and municipalities might provide financial incentives. They included:

- A tax increment financing (TIF) mechanism could be available specific to ADUs to encourage a municipality to increase their usage. A member noted this could be challenging due to the lack of retained value in ADUs. It would be difficult to realize an increment if the assessment doesn't change all that much. The state would likely need to provide support for it to be a valuable incentive.
- A state program that matches the value of a TIF for the purposes of ADUs and incentivizes the community to increase the assessed value. A member noted this could be like the Tree Growth Program but would require a constitutional amendment.
- A program that reduces or eliminates property taxes for the homeowner if they build an ADU and provide an income-restricted rent. Senator Stacey Brenner has submitted L.D. 1538 "An Act to Provide Tax Benefits to Persons Constructing Accessory Dwelling Unit" which has a similar intent. The bill has been carried over in the Taxation Committee.<sup>13</sup>

### **Real Estate Transactions**

The group discussed a unique mechanism that could be applied at the time of a real estate transaction. This included:

- Implement a similar transaction known as the "sale leaseback" in the commercial context. By leveraging the consumer directed personal assistance program (CDPAP), a purchaser could buy a home from an older adult and then earn up to \$30K per year in additional income to provide personal care to the dual eligible older adult. Accounting for this additional income would help with the debt-to-income ratio on the mortgage and ADU loan. Most likely a transaction between family members.

### **Technical Changes**

The group discussed some technical changes that could be made to address financial barriers for ADUs. They included:

- Improvements to how ADUs are assessed must be made. This includes establishing commonly used terminology and comparable values. A member noted that Maine Revenue Services (MRS) has a major role in establishing the assessment criteria.

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<sup>13</sup> <https://legislature.maine.gov/legis/bills/getPDF.asp?paper=SP0611&item=1&snum=131>

- Increased appraisal values are more important than increased assessment values because banks are relying on the appraisals to determine loan to value (DTV) ratios.
- Require the Real Estate Appraisal Board to update their MRS standards to include ADU values.
- Send a letter to the appropriate federal agencies to compel them to publish ADU values for better comparables, require financial institutions to consider prospective rental income from an ADU, and making changes to construction loan regulations as noted in Laurie Goodman’s presentation.
- Eliminate requirements that either the primary dwelling or the accessory dwelling be owner-occupied.
- Allow ADUs to be sold as condominiums with their own unique address.

### **Education and Training**

The group discussed the importance of education and training concerning ADUs. These ideas included:

- Create a statewide ADU ombudsman position to assist homeowners with understanding financing, construction, timelines, requirements, and other applicable standards.
- Implement a public service announcement campaign and educational resources regarding what it takes to build an ADU, costs, and the financial tools available to homeowners.
- A grant program tied to a student training program. The training program receives funds to build ADUs and then sells or donates the product to an income eligible homeowner.
- In order to address the lack of workforce to build ADUs, the Community College System might consider establishing a construction sector focus program or campus to include legal, appraisal, and trades tracks.
- Provide a state sponsored education program on tips and best practices for being a landlord, including maintenance plans and leasing. Many potential homeowners who could build ADUs have never been a landlord.

### **Third Meeting, Group B – Designs, October 10, 2023**

The third meeting of the stakeholder group’s smaller cohort focused on pre-approved ADU designs was held on October 10, 2023.

The group discussed its recommendations for the legislature. Mr. Fecteau clarified that votes would not be taken, and all suggestions would be captured in the report. Therefore, the recommendations below are not categorized in any order. No one recommendation necessarily represents a plurality of the subgroups' perspective. The recommendations have been categorized for easier reading.

### **Overall Positions**

The group discussed some topline points that ought to be considered when contemplating pre-approved designs. These points included:

- Pre-approved design programs should be adopted to address the housing crisis.
- ADU pre-approval programs should not be compulsory for residents. However, compulsory designs could be a tool for towns that want to allow developments that they wouldn't normally allow (i.e., courtyard subdivisions).
- A pre-approved program should be streamlined, efficient, and accessible. It should be much faster than a normal building project.
- A pre-approved program would be helpful in efforts to educate the public about ADUs by providing conceivable designs.

### **State Pre-Approved Program**

The group focused a great deal of discussion on the concept of a state created pre-approved ADU design program. The concept varied in structure and included the following ideas:

- The state should establish a pre-approved program and determine which subscription type it will adopt, what typical sq. ft. it wants for an ADU, and the types it will want to pursue (i.e., garage conversion, backyard, attached, etc.).
- The state should establish a portfolio of designs towns could opt-in and then make determinations regarding aesthetic. It was noted this approach could result in design repetitiveness. It would be important to refresh the designs on a regular basis. There should be 8-12 design options for several typologies (i.e., garage conversion, backyard detached, attached, etc.).
- A state pre-approved program should solicit designs from multiple firms and the program should allow for exterior aesthetics to be customized.

- A state pre-approved program should create the scaffolding for the requirements that will need to be met so that the designers know what they need to do, and towns do not feel overwhelmed regarding where to start.
- A state pre-approved program should meet federal and state regulations including fire code, and the uniform energy and building codes.
- Interested municipalities should be included in the program design process to ensure it reflects what they would want.
- A state pre-approved program should start small. It would be better to partner with a small group of towns to prove that the program can be successful. Have them apply for funds to implement the program and tailor designs that reflect their community.
- A state pre-approved program should assist communities that do not have robust resources for permit review and permitting processes. It could be useful to have state official that can preempt local approval processes when pre-approved designs are being used.
- A state pre-approved design that is different for each community and tailored to their needs would be the best approach. Have communities self-identify where these pre-approved designs will be applicable.
- Municipalities should be to access assistance from state building officials to implement a pre-approved design program and determine characteristics that reflect community conditions.

### **Modular Designs for Pre-Approvals**

The group discussed the importance of off-site, modular construction for a pre-approved design program. The points included:

- Off-site manufactured housing should be leveraged for pre-approval by either towns or the state.
- There are improvements that could be made to the Maine Manufactured Housing Board to increase companies and professionals involved in building pre-approved building types.

### **Create Grant Programs**

The group also discussed the possibility of a grant programs to aid a pre-approved design program. These ideas included:

- Create grants for communities to fund needed capacity to administer a pre-approved program.

- Issue grants to licensed design professionals to develop a catalog of pre-approved designs that the state or local jurisdiction would subsequently own.

### **III. Recommendations**

Each stakeholder group made a series of recommendations. These recommendations were not brought to a vote. All recommendations presented by a member or members were recorded. They may or may not represent a plurality. Below are the recommendations in a compiled format. You can find the full series of recommendations beginning on pages 19 and 23 respectively.

**Recommendation #1.** A financial incentive program such as a grant, deferred loan, or interest buy-down should be established to off-set the cost of ADUs.

**Recommendation #2.** A financial product should be created to either securitize existing financing options or make a secondary mortgage possible.

**Recommendation #3.** Municipal incentives should be established for ADUs, including tax increment financing (TIF) or property tax relief.

**Recommendation #4.** The concept of sale-lease back, used at times in commercial sales, should be investigated as a tool for building ADUs for older adults.

**Recommendation #5.** Several technical barriers need to be addressed, including but not limited to, changes in the appraisal and assessment process such as terminology used to define ADUs, allowances for condominium conversion, and eliminating some owner-occupancy requirements.

**Recommendation #6.** Education and training programs should be designed to inform consumers about ADUs and to prepare a workforce to build them.

**Recommendation #7.** A pre-approved ADU design program should streamline approvals, receive an engineer stamp, meet the Maine Uniform Energy and Building Code (MUBEC), and not be compulsory for consumers. It might be valuable to make the pre-approved designs compulsory in certain neighborhoods.

**Recommendation #8.** The state should establish a pre-approved ADU design program with a multitude of designs for a range of typologies such as garage conversion and backyard detached units. There are numerous recommendations regarding how this program could be configured.

**Recommendation #9.** A state pre-approved design program should include off-site, modularly built ADUs and changes should be made to bring more modular building to Maine.

**Recommendation #10.** Grant programs should be created to assist municipalities with limited capacity to administer pre-approved programs and conduct permit reviews.





## **Appendix A**

APPROVED  
JULY 26, 2023  
BY GOVERNOR

CHAPTER  
107  
RESOLVES

STATE OF MAINE

IN THE YEAR OF OUR LORD

TWO THOUSAND TWENTY-THREE

S.P. 271 - L.D. 654

**Resolve, Directing the Office of Policy Innovation and the Future to Study  
Methods to Encourage the Development of Accessory Dwelling Units**

**Sec. 1. Stakeholder group regarding accessory dwelling units; encourage development and construction. Resolved:** That the Office of Policy Innovation and the Future shall convene a group of stakeholders including, but not limited to, representatives from the Department of Economic and Community Development, the Maine State Housing Authority, community lending institutions, the construction industry and the manufactured and modular housing industry to study methods and develop model policy to encourage the development and construction of accessory dwelling units. Methods may include, but are not limited to, financing and incentive programs for the development and construction of accessory dwelling units. The stakeholder group shall review existing models for financing and incentivizing accessory dwelling units; explore standardized building designs; solicit input from interested parties; and review municipal efforts to adopt ordinances governing accessory dwelling units. The office shall submit a report, with findings and recommendations of the stakeholder group, including suggested legislation, to the Joint Select Committee on Housing no later than March 1, 2024. The joint select committee may submit a bill to the Second Regular Session of the 131st Legislature relating to the subject matter of the report.

## **Appendix B**



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## ADU Financing, Equity, and Innovation in California

Presented by UC Berkeley Turner Center for Housing Innovation

**David Garcia**, Policy Director  
**Muhammad Alameldin**, Policy Associate

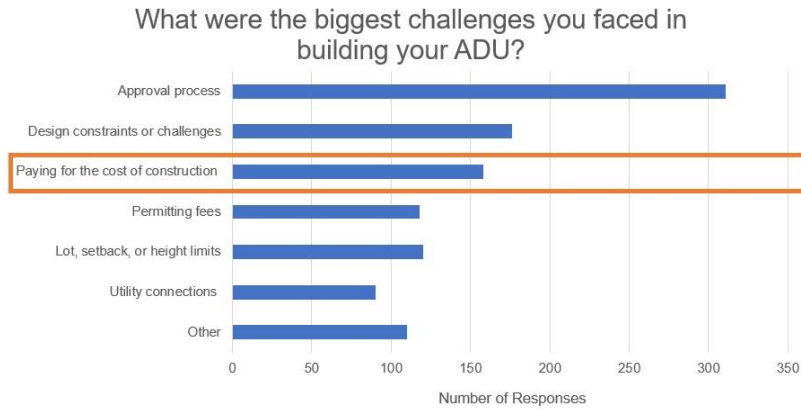
September 12, 2023



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## ADU financing and costs

# Financing is challenging for many, including those who successfully built their ADU

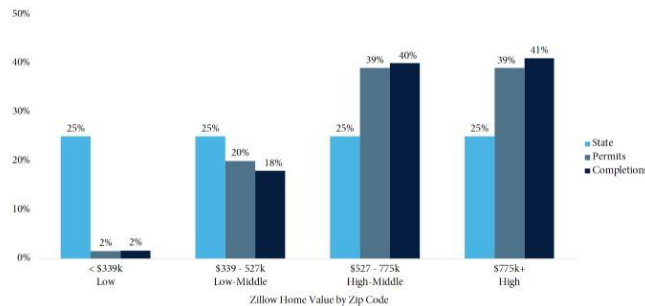


Source: Chapple, Karen, Dori Ganetsos, and Emmanuel Lopez. "Implementing the Backyard Revolution: Perspectives of California's ADU Owners." Center for Community Innovation: University of California, Berkeley, April 22, 2021. 800 survey participants who applied for a permit or received a certificate of occupancy in 2018 or 2019 in California.

# ADUs are predominantly built in wealthier neighborhoods due to complex financing

ADUs are predominantly built in areas with high home values...

Figure 5. ADU Permitting and Completions by Home Values in Zip Code



Source: Chapple, Karen, David Garcia, Eric Velchuis, and Julian Tucker. "Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance." Center for Community Innovation and the Turner Center for Housing Innovation: University of California, Berkeley, August 2020. [http://turnercenter.berkeley.edu/uploads/Reaching\\_Californias\\_ADU\\_Potential\\_2020\\_L.pdf](http://turnercenter.berkeley.edu/uploads/Reaching_Californias_ADU_Potential_2020_L.pdf). Right: if the coefficient for a given independent variable (e.g., % Black residents) is greater than zero, meaning that the independent variable has a positive effect on the dependent variable, a (+) is shown. If the coefficient is negative, then a (-) is shown. If the results are statistically insignificant, then the area is shaded grey.

## How have people been financing ADU construction?

Type of Product	Utilization
Liquid Assets	62%
Mortgages	43%
Unsecured Debt	7%
Other	3%

HELOC / Home Equity Loan	56%
Cash-out refinance	35%
Renovation Loan or other construction loan	6%

*Renovation loans are unpopular despite being a tool for those with little home equity. **Why?***

Source: Chapple, Karen, Dori Ganetsos, and Emmanuel Lopez. "Implementing the Backyard Revolution: Perspectives of California's ADUers." Center for Community Innovation: University of California, Berkeley, April 22, 2021. 800 survey participants who applied for a permit or received a certificate of occupancy in 2018 or 2019 in California.

## FHFA 203(K) program could provide financing, but issues remains

ADU Specific			General
<b>Rental Income</b>	<b>Eligibility</b>	<b>Appraisals</b>	
Consideration of stable income: <ul style="list-style-type: none"> <li>• In-place lease</li> <li>• No in-place lease</li> <li>• Unbuilt ADU</li> </ul>	<ul style="list-style-type: none"> <li>• Single family dwelling only</li> <li>• One ADU only</li> <li>• Attached only</li> <li>• Owner-occupied only</li> </ul>	<ul style="list-style-type: none"> <li>• Appraiser expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Higher interest rates or fees</li> <li>• Long closing timeframe</li> <li>• High rate of denial</li> <li>• Releasing money more easily to contractors</li> </ul>

## Recommendations – FHFA 203(k)

ADU Specific			General
Rental Income	Eligibility	Appraisals	
<ul style="list-style-type: none"> <li>Analyze performance of loans with ADUs; modify guidelines as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Analyze potential to allow ADUs on 2-4 unit properties</li> <li>Analyze potential to allow up to 3 ADUs per property</li> <li>Review attached-only interpretation</li> <li>Investment properties?</li> </ul>	<ul style="list-style-type: none"> <li>Recommend / require ADU specific training for appraisers</li> <li>Clarify ability to include ADU income into appraised value</li> </ul>	<ul style="list-style-type: none"> <li>Explore areas to streamline origination and servicing                             <ul style="list-style-type: none"> <li>Underwriting software</li> <li>Cost estimation</li> <li>Draw process</li> </ul> </li> <li>Analyze rate of denial</li> </ul>

## FHA Proposed Changes – 203(k)

### Use of Projected Rental Income


- **Current State:** Projected ADU rental income can't be used for loan qualification.
- **Practitioner Insight:** Including ADU income could improve loan repayment ability and may reduce default probability.
- **Proposed Change:** 50% of fair market rents allowed.
- **Federal Letter Recommendation :** Consider a higher percentage, like duplexes' 75% under FHA rules. Possible requirement: in-place lease or guidelines like those for 5+ unit properties.

## California financing efforts

### California Housing Finance Agency

- Program provides to \$40,000 towards pre-development and non-recurring closing costs associated with the construction of the ADU. Predevelopment costs include site prep, architectural designs, permits, soil tests, impact fees, property survey, and energy reports.
- \$100 million in grants made so far, which has helped to finance approximately 2,500 ADUs. FY 24 includes another \$25 million to continue program
- Local efforts are small, not scalable so far

### **For moderate and lower income owners, cost and complexity are the most significant barriers**

- 
- Lack of financing options
  - Design, permitting costs and site challenges
  - Unexpected costs during construction
  - Unfamiliarity with the ADU construction process keeps a lot of homeowners on the sidelines
- 



## ADUs for All: Paper Recommendations

---

- Build the capacity of community organizations to reach out to homeowners and provide assistance on ADUs
- Expand tailored financing resources and homeownership counseling to low- and moderate-income households
- Streamline ADU permitting and approval processes at the local level in order to reduce cost and complexity for homeowners
- Create clear state and local pathways to bring existing, unpermitted ADUs up to code



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## California ADU legislative progress

## California ADU Bills - 2019 - 2023

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- **AB 3182** - ADU or JADU shall be deemed approved (not just subject to ministerial approval) if the local agency has not acted on the application within 60 days
- **AB 976** - permanently prohibit local ordinances that require property owners to live in their ADU
- **AB 68, AB 881, SB 13** - application review timeline to 60 days, impact fee exemptions under 750 sq ft., state agency enforcement of laws
- **AB 671** - localities must plan incentivizes to creation of ADUs affordable to very low-, low-, or moderate-income households. State must develop a list of state grants and financial incentives in connection with goals.
- **AB 670** - prevents CC&R and HOAs from restricting ADU construction
- **AB 1332** - soon to be signed, localities must adopt pre-approved plans



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## Local Innovation 1: San Diego ADU Bonus Program

## SD ADU Bonus Program Guidelines

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- Additional ADUs are one deed restricted unit per market rate unit built
- Deed restricted unit timelines are determined by income
  - 15 years - moderate income
  - 10 years - low income
- Affordable ADUs shall be comparable in size, bedroom mix, amenities and features to market-rate ADUs.
- In a single family zone, the affordability restriction will be on title in second lien position. In a multifamily zone, the affordability restriction will be on title in first lien position.
- Existing city land use regulations for floor area ratio, lot coverage, and height requirements influence the number of additional units that can fit on a given lot.



## The SD ADU Bonus Program

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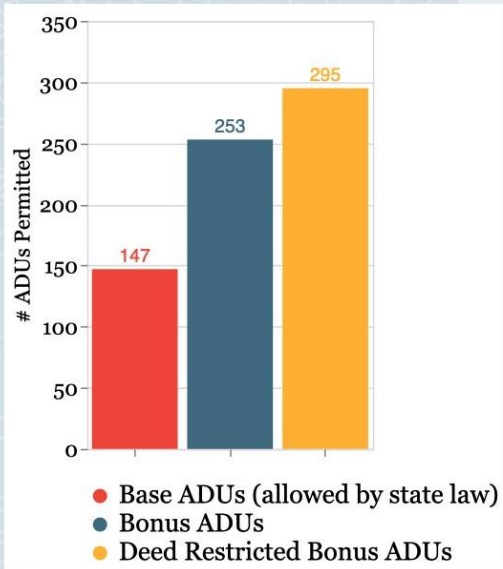
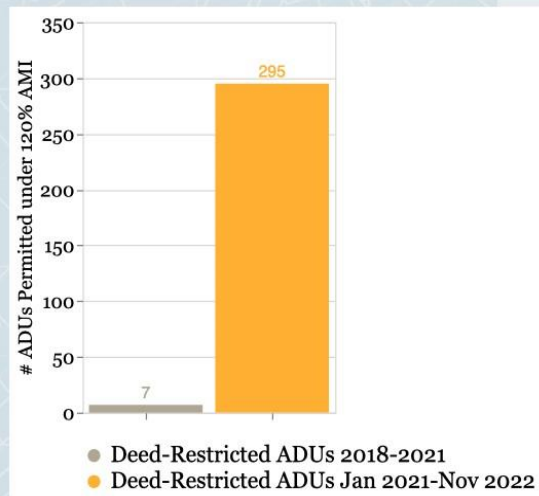
- The City of San Diego has gone above and beyond these state laws, in part to achieve compliance in its Housing Element.
  - In 2020, the City received a planning target of 108,036 new housing units over the next 8 years, 64,179 of which must be affordable to moderate - or lower-income residents.
  - Key elements of the program:
    - Transit Priority Areas - Unlimited ADUs
    - Outside of TPA - 2 additional ADUs per lot
  - **Result:** Nearly 300 deed-restricted ADUs are being built without public subsidy.
- 

Figure 1: Number of Deed-Restricted ADUs Permitted in San Diego, with projected ADU Bonus Program Units



## Program By The Numbers

Figure 2: Breakdown of ADU Bonus Program Projects (January 2021-November 2022)



## Why The SD ADU Bonus Program Works

- Maximizing the number of units allowed on a given lot
- Leaning on ADU state laws
- By-right ministerial approvals for extra units
- Lien positioning and commercial loans with existing home
- San Diego Housing Commission administers deed restriction

6 units, 2bd/2ba

## Example Projects

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9 studios + Renovated Triplex



## Collaboration Leads to Benefits

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- Collaboration between San Diego Planning staff and Building community
  - Development Services Department (DSD) and Project Manager
  - Annual codes rewrite
- Benefits for Smaller Scale Builders
  - More likely to be led by women or people of color
  - Lower cost to build missing middle housing
  - Easier financing with prospective rental income
- Lower cost to build missing middle housing
- Drawbacks
  - Limited homeownership units and family -sized units

# Local Innovations 2: Pre-approved ADU Designs

## San Jose: ADU Tuesdays!

- List of pre-approved designs approved by the city
- Vetted ADU companies and their approved designs are listed on the city website
- 5 Page “ADU UNIVERSAL CHECKLIST” to fill out
- Permits are approved within 24 hours or within a week (depends on submittal)



Villa 450  
1 bed | 1 bath | 440 sq. ft.

[Explore this home](#)



Villa 550  
1 bed | 1 bath | 589 sq. ft.

[Explore this home](#)



Villa 750  
2 beds | 1 bath | 747 sq. ft.

[Explore this home](#)

### Citypaks

Website: <https://citypaks.com/>  
Contact: [lori@citypaks.com](mailto:lori@citypaks.com) or 408-412-1154  
What's Preapproved:

- 589 sq. ft. 1 Bedroom ADU

### Connect Homes

Website: <https://connect-homes.com/san-jose-adu>  
Contact: [hello@connect-homes.com](mailto:hello@connect-homes.com) or 888-959-2261  
What's Preapproved:

- 460 sq. ft. 1 bedroom ADU
- 640 sq. ft. 1 bedroom ADU

### Framework First

Website: <https://frameworkfirst.com/san-jose-pre-approved-adu/>  
Contact: [mail@frameworkfirst.com](mailto:mail@frameworkfirst.com) or (831) 596-5969  
What's Preapproved:

- 660 Sq.ft. 1 bedroom, 1 bathroom

### Inspired ADU

Website: <https://inspiredadus.com/contact-sanjose>  
Contact: [hello@inspiredadus.com](mailto:hello@inspiredadus.com) or 800-503-5769  
What's Preapproved:

- 747 sq. ft. 2 bedroom

### J. Kretschmer Architect

Website: <https://www.getadu.com/pre-approved-adu>  
Contact: [getadu@kretschmer.com](mailto:getadu@kretschmer.com) or 408-221-0771  
What's Preapproved:

- 476 sq. ft. 1 bedroom ADU



# Napa Sonoma ADU - Homeowner Resources

Napa Sonoma ADU, a project of the Napa Valley Community Foundation and Community Foundation Sonoma County, collects resources that aid in the creation of accessory dwelling units.

Resources include:

- ADU calculator
- “Can I Build It?” Address lookup tool
- ADU home match service
- Example floor plans
- Design, permitting and construction workbook
- Policies and zoning requirements across all Napa and Sonoma county jurisdictions

### Questions to Ask the City Planner

1. Am I allowed to build an ADU on my property?
2. Does the city have handouts or additional information? Are ADU resources on the city’s website?
3. Are there common pitfalls or mistakes to watch out for?
4. Can you explain the ADU approval process for this city?
5. How long does it usually take to obtain approval, and how many times do applicants typically need to resubmit plans?
6. What is the FAR for my zone and does lot coverage apply to the ADU I hope to build?
7. What other important development standards should I know about, such as setbacks?
8. Does the city have an estimate of my current floor area?
9. Does the city have information on my lot coverage?
10. Will I need to add parking? Does my existing home meet parking requirements? Do state law parking exemptions apply to my situation?
11. (If converting an existing garage or accessory building) How do I know if my garage was built legally?
12. Are there restrictions on how I can use my ADU?

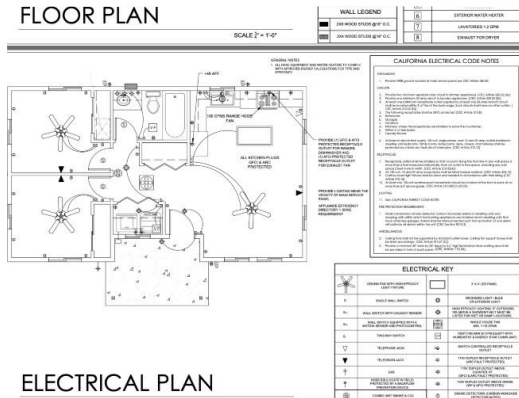
# City of Oakland

Government Process Matters: “First, make sure you are registered and activated at our Online Permit Center. For instructions, please visit our Planning & Building Video Tutorials webpage.”

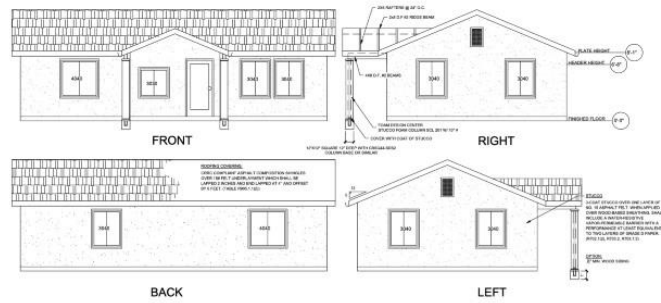
### Related Resources

- [Accessory Dwelling Units \(ADUs\)](#)
- [Pre-approved ADU Studio Plans](#)
- [Pre-approved ADU One Bedroom Plans](#)
- [Pre-approved ADU Two Bedroom Plans](#)
- [Same-site Plan for Oakland Accessory Dwelling Unit \(ADU\)](#)
- [Application for Accessory Dwelling Units \(ADUs\) - Single Family](#)
- [Application for Accessory Dwelling Units \(ADUs\) - Multifamily](#)
- [Your Guidebook to Single-Family ADUs](#)

## FLOOR PLAN



## ELECTRICAL PLAN



## Thank you

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**SCAN ME**

*An overview of recent &  
upcoming Research  
2023*



**SCAN ME**





## **Appendix C**

## ADU Financing

Laurie Goodman,  
Institute Fellow, Housing Finance Policy Center  
Urban Institute

Maine, Governor's Office of Policy Innovation and the  
Future  
September 29, 2023



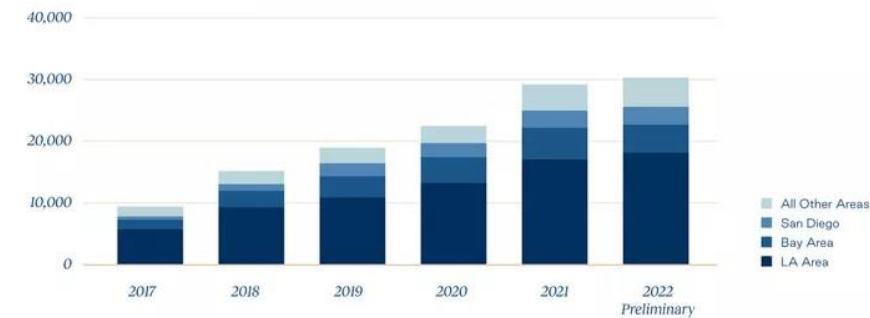
## Accessory Dwelling Units (ADUs)

- ADUs are small second housing units on the same lot as a single-family home. They can include backyard cottages, basement apartments, or garage conversions.
- Historically, most single-family residential zones in the US prohibited ADU construction. But today, cities and states are increasingly permitting ADUs to be built on single-family lots.
- The state of California, Oregon, Maine and a number of cities including Minneapolis (MN), Austin (TX), Seattle (WA), and Burlington (VT), allow ADUs as a matter of right.
- The problem: Financing ADU construction is proving to be a major hurdle. The issues are very similar to those in renovation financing.

## What does As of Right Zoning for ADUs look like?

- The states of California, Oregon, and Maine, as well as the cities of Minneapolis MN, Seattle WA, Austin TX, Burlington VT and several other communities are now permitting ADUs in single family zones as a matter of right.
- In the state of California if the lot is zoned for single family use, the owner can build and rent out an ADU (up to 1200sf) as well as a junior ADU (up to 300 sf) on the property, regardless of lot size.
  - Restrictions on lot coverage and minimum lot size are prohibited.
  - Parts of structures such as storage units and garages can be turned into ADUs.
  - Setbacks are no longer required, or are limited to four feet, increasing buildable space. Fire code setbacks still apply.
  - An ADU is not required to have parking if it is within a half mile of public transit, is part of a proposed or existing primary residence, or is in a historic district.
  - An ADU can be built even if the homeowners association restricts or prohibits it; it can also be built in a historic district and can be added to homes subject to historic preservation.

### ADU Permit Applications in California



Cottage

Source: Cottage

## How can homeowners finance renovations or ADU construction?

- Homeowners can finance ADU construction in a few ways:
  - Cash, personal loans, and short-term loans
  - Home equity extraction – Home equity loans, lines of credit, cash-out refinance
  - Renovation financing
    - Federal-agency backed renovation financing from Fannie Mae, Freddie Mac and FHA
    - Private financing from banks, credit unions and state HFAs

## Tapping home equity to finance renovation or ADU construction is best suited for wealthy households

- Home equity lending:
  - Underwriting standards for home equity lending are very strict:
    - Average FICOs for HELOCs are in excess of 760; high income requirements
    - Home equity lending is capped at 80% of the current market value of the property.
    - Doesn't consider future rental income the ADU will generate
  - Home equity lending is based on property value at the time of loan application; i.e., it doesn't consider the value of improvements. Appraising how much value new construction will add isn't easy.
  - Best suited for property owners with lots of equity, substantial savings or income.
  - To get financing based on “after-repair value,” one needs renovation financing; it is difficult to get financing based on the future income of the ADU.

## Federal renovation financing is cumbersome and expensive for lenders

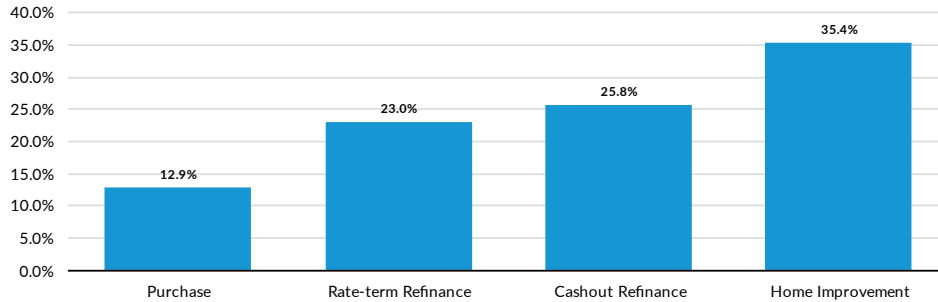
- **FHA 203 K program has two forms:**
  - Limited form: Max \$35,000 loan; minor remodeling and nonstructural repairs.
  - Standard form:
    - Lenders must review contractor credentials, experience, work plans, cost estimates, etc. Must ensure quality workmanship and timely completion (adds substantial cost, uncertainty and risk).
    - Repairs to start within 30 days of closing and completed in 6 months. Delays/cost overruns require lender involvement.
    - Borrower must hire a HUD consultant to oversee the renovation process.
    - 10-20% of the total loan amount must be set aside as a contingency.
    - Median renovation loan amount in 2020: \$75,000; Less than 4000 loans made in 2022

## Federal renovation financing is cumbersome and expensive for lenders

- **Fannie Mae Homestyle Program, Freddie Mac CHOICE Renovation:**
  - Repairs must be completed within 12 months.
  - A contingency must be set aside for cost overruns.
  - No consultant is required, but the GSEs have recourse to the lender during the construction period.
  - Essentially, lenders are on the hook for any delays, cost overruns and poor quality workmanship; most are unwilling to take the risk.
- **New Program: Freddie Mac CHOICE Renovation eXpress**
  - Up to 15% of the purchase value of the home in a high needs area, 10% elsewhere, can be used for renovations.
  - No lender recourse.
  - Less than 15K loans made through all Fannie/Freddie programs in 2022.

# Denial Rates on Renovation Financing are High

Denial Rates by Loan Purpose in 2022



Source: Home Mortgage Disclosure Act Data (2022) and Urban Institute Calculations.

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## Obstacles to Counting ADU Rental Income toward Mortgage Qualification

- The owner of the risk has no guarantee the unit will be used to generate rental income; the homeowner may use it as a home office or allow relatives to use it at a non-market price.
- The time frame for completion before the unit begins to generate income could stretch out.
- There is no lease in place, hence the rental income is uncertain.
- FHA and the GSEs do allow some counting of rental income
- FHA, April 13, 2023 Mortgagee Letter: FHA will use 50 percent of the lesser of: (1) fair market rent reported by the Appraiser; or (2) the rent reflected in the lease or other rental agreement. The amount of the Rental Income from the ADU used as Effective Income may not exceed 30% of the total Effective Income used to qualify the Borrower.
- Freddie Mac will count up to 75% of the prospective income, but the amount cannot exceed 30% of the total effective income used to qualify the borrower.
- Fannie Mae does not count rental income, unless the unit is already complete and rented.

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# How can we improve availability of renovation financing to spur ADU construction?

- Overcoming barriers to ADU Lending:
  - Homeowners are unfairly penalized by lending rules:
    - ADU underwriting should provide 50 -75% percent credit for future rental income; this will help qualify lower income and senior homeowners living on fixed incomes. This income should not be limited to 30%; raise the cap.
    - Appraisals should be completed on an “after -repair” basis. This is difficult for ADUs today due to lack of comps. The GSEs could share info on the value add, as well as the rental income, due to the addition of ADUs.
    - Raise the maximum 80% LTV cap for home equity lending to 90%, as long as funds are used to improve the home (for example, to finance renovations/ADUs), and 95% if adding a factory build ADU.
  - Raise the threshold for FHA's Limited from program and Freddie's ChoiceReno eXPress program; Fannie Mae should roll out a similar program without lender recourse.
  - Second lien financing is important.

# Improvements in Renovation Financing: Overcoming the risk of cost overruns and delays

- Federal agencies and lenders need reasonable assurance that construction will be completed on time and within budget.
  - Hire a reputed entity to oversee construction at a fixed cost.
  - Case Study: The City of Detroit teamed up with Home Depot during the last foreclosure crisis to repair thousands of abandoned homes. The project was financed by Rock Central, Rocket Mortgage's Philanthropic Arm.
    - Home Depot deployed contractors from its approved vendor list. Contractors on this list are subject to quality standards, background checks and other vetting to ensure a level of quality.
    - Repairs were standardized to minimize labor and materials costs. Large economies of scale.
    - Financing was philanthropic, but it proved that the model works.

## **Appendix D**

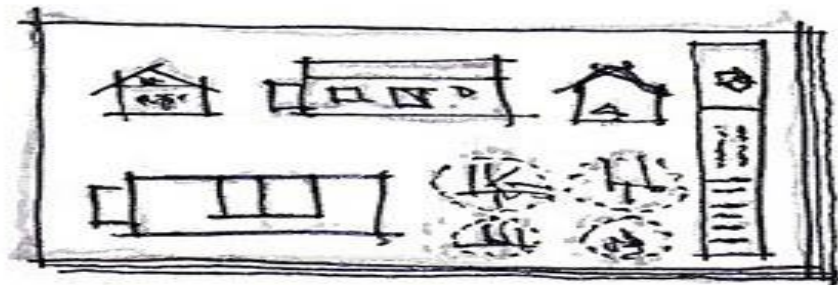
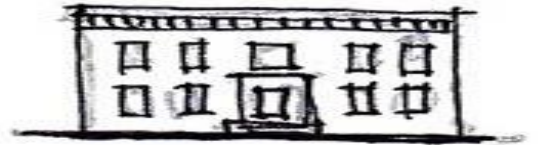
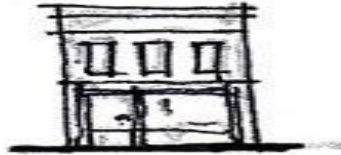
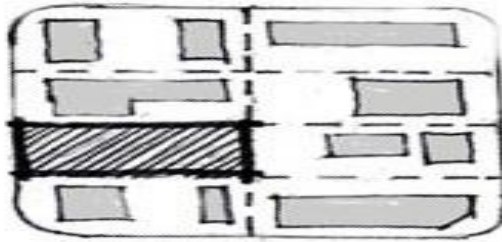


PATTERN ZONES

AND PRE-APPROVED BUILDING PROGRAMS

# Overview

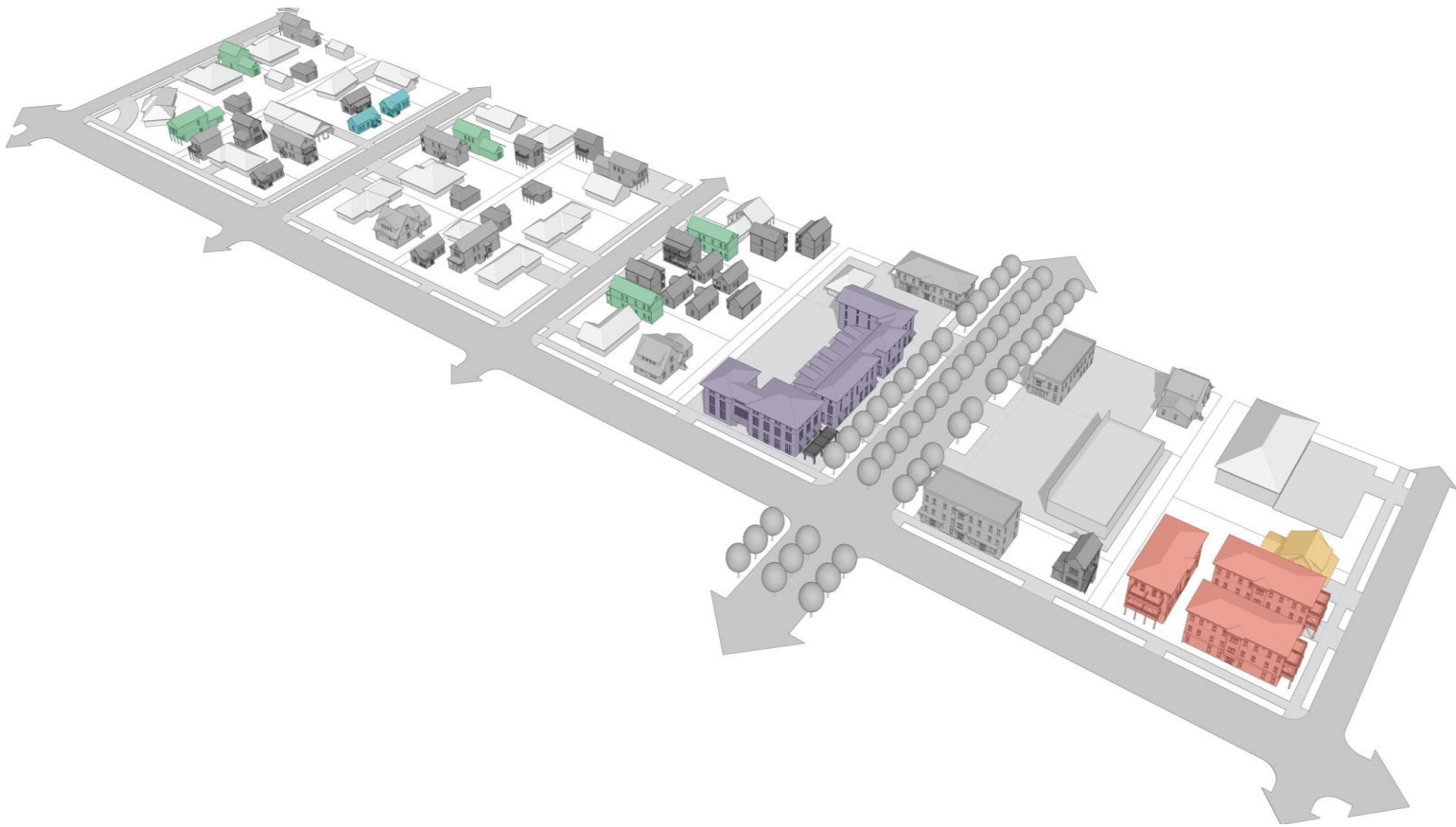
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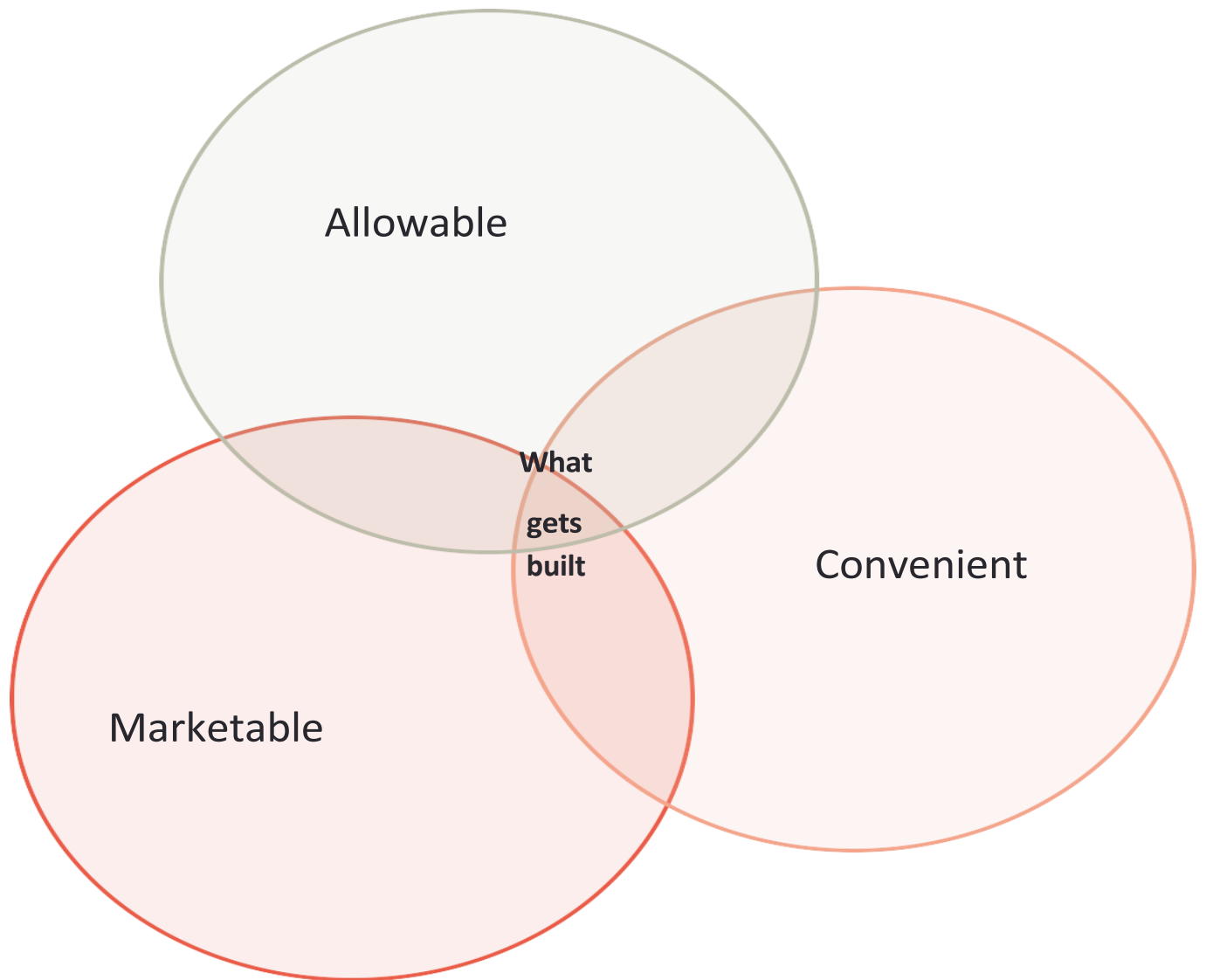


Premise

# Incremental Development

It's better when neighborhoods grow in familiar patterns.





Observation

## Scaling Factors

Convenience in permitting  
drives market response.  
Careful pre-approvals  
could be the foundation  
for a new market standard.



## Case Study: Pre-approved Building Program

# Claremore, Oklahoma

**Profile:** Small college town. Commuter flows to Tulsa. Builder-focused process.

**Goals:** Quick start with a pilot project. Preference compact single-family products.

**It's new**

Comprehensive package includes new UDC with pre-approvals.

**It's popular**

Even subdivision developers are starting infill projects.

**It's fast**

Most permits released in <96 hours, and many in <48 hours!

## Standards and Best Practices

An **open-source plan** is licensed for construction free of charge by the designer or architect.

A **pre-approved building** has a contingent building permit on file with the building safety division. A **pattern zone** combines pre-approved buildings with programmatic enhancements.

- 1 8-12 choices per building type
- 2 Thematic variations of buildings
- 3 Supplemental application criteria
- 4 Applicants opt-in
- 5 Sponsored plan fees
- 6 Easy portfolio swaps

# Variations-on-a-theme

This pre-approved cottage in Bryan TX is expressed in four variants and inspired by a locally loved house.

• Options that include include a garage, a fully accessible apartment, and a standard apartment. The second floor plan will work with any ground floor option.

• Facade options include both single- and double-porch, simple stair access for second floor, and a carport option.



Two-Story Garage Cottage



Single-Story Side



Two-Story Twin Unit Side/Front



Double-Porch Twin Unit Side/Front

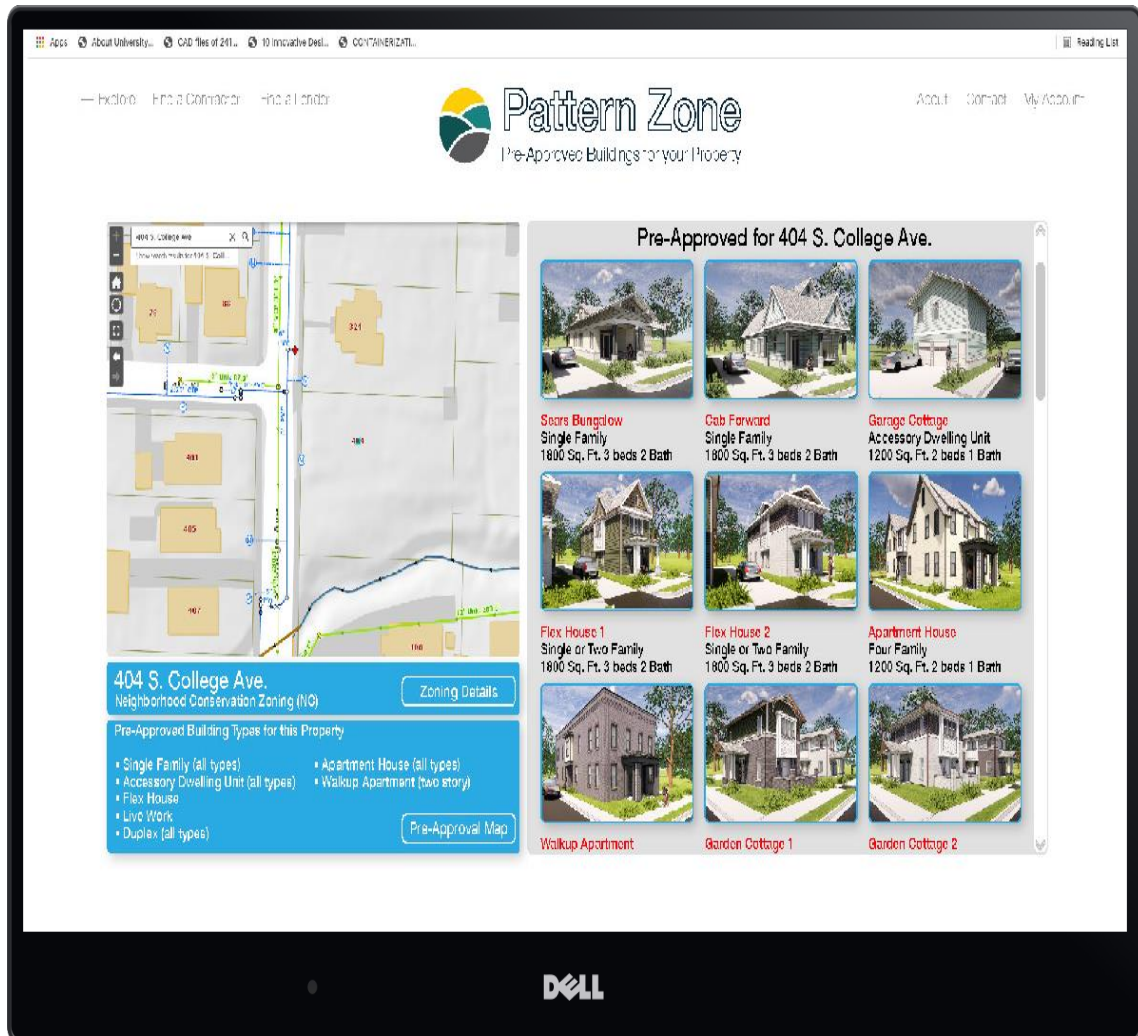




## Platform

# Simple and Predictable

Applicants select a building and site diagram from a pre-approved list.





## Platform

# Click to Start

Applicants click to send professionally packaged applications to planning offices.





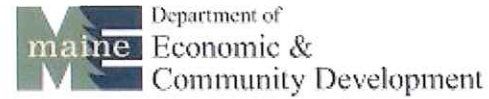
# State of Maine Housing Production Needs Study

Homes to support Mainers and Maine businesses,  
now and in the future.

October 2023



GOVERNOR'S OFFICE OF  
Policy Innovation  
and the Future



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## Acknowledgements

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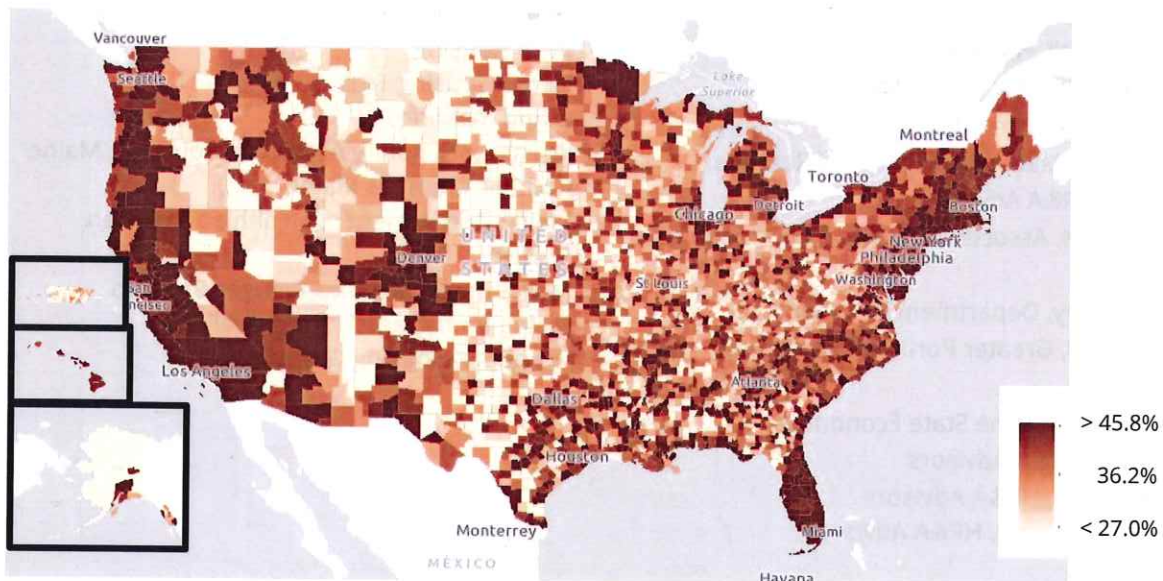
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# Executive Summary

## Introduction

In response to a national housing crisis accelerated by the Covid-19 pandemic, policy makers are increasingly asking, *how many and what kind of homes are needed to meet the needs of our constituents and improve affordability?* The scale and nature of housing challenges varies significantly across regions and places but is driven by a primary underlying cause: housing production dropped precipitously after the Great Recession, leading to a nationwide undersupply of homes, especially at low and moderate income price points.<sup>1</sup> These trends were exacerbated by the pandemic through materials and labor shortages just as some places—Maine in particular—experienced a sudden influx of residents due to an increase in remote workers seeking a higher quality of life and an increase in international immigration. What was once primarily a problem for coastal cities has become a national one; almost every county in America now has significant rates of renter cost burden, among other housing challenges (Figure 1).

**Figure 1: Percentage of Cost Burdened Renters by County**



Source: American Community Survey 5-Year 2021

While Maine has historically had a relatively affordable homeownership market, this changed in the years leading up to the pandemic and has worsened since 2020.<sup>2</sup> Maine is also faced with an aging housing stock, leading more of the state's existing homes to sit vacant in need of reinvestment. These trends have led to a range of housing challenges for Mainers, including reduced housing quality, limited options to age in place, increased homelessness, and rising housing costs. All these issues are important to study further. However, at the most basic level, aligning housing production with population and economic growth is the foundation of a healthy housing market that offers quality homes at a price affordable to

<sup>1</sup> Betancourt, Gardner and Palim. (2022). Housing Insights: The U.S. Housing Shortage from a Local Perspective. Fannie Mae.

<sup>2</sup> MaineHousing Affordability Index. (2023). MaineHousing.



residents. **The first step is to understand how many homes are needed to support broad affordability and availability, which lays the foundation to adopt policies to create those homes.**

Addressing housing supply challenges in Maine will require a comprehensive approach that considers both the **local regulatory changes** needed to increase housing supply through new construction and the **funding** needed to reinvest in Maine's aging homes and create new homes that are affordable to those with lower incomes, including seniors on fixed incomes, households waiting for federal work authorization, and others. Further, strategies to overcome other barriers, such as the capacity of the development and construction industry in Maine and environmental challenges, will all be necessary as part of a comprehensive approach to increase supply.<sup>3</sup> While this will require both local and state-wide strategies, the historic hyper-local response to what is ultimately a regional problem has been one of the primary barriers in Maine and nationwide to building enough homes.

In recognition of this, the State of Maine has taken the lead on a strategy to **build new homes and reinvest in existing homes state-wide** through the passage of LD 2003 and over \$280,000,000 in affordable housing production funding since 2019. LD 2003 requires municipalities to permit a wider range of housing types and commits State financial and technical assistance for municipalities to support local and regional production targets, including through measuring regional housing production needs. LD 2003 recognizes that a data-informed approach to measuring regional and statewide housing production needs is key to a broader state-wide planning effort to increase housing production.

This Study is a key step in this process, and it aims to answer the question, **how many homes are needed in Maine now and in the future to support Mainers to have access to the homes they need, in a location that promotes economic opportunity, and at a price that ensures a high quality of life?** This Study is focused on measuring that need in alignment with the State's specific demographic and economic conditions as well as goals to ensure that Maine can sustain and grow its economy over time. This Study measures "homes" as housing units in any building type, including single family, attached housing and multifamily housing. Building and reinvesting in a diverse range of housing types to meet different household needs and price points will be crucial to meeting Maine's housing supply needs.

This Study, conducted by HR&A Advisors, was overseen by a Steering Committee representing MaineHousing, the Governor's Office of Policy Innovation and the Future (GOPIF), and the Department of Economic and Community Development (DECD), together the "Study Team", which met regularly to coordinate research planning, data collection, and priority areas of analysis.

The Study Team also solicited feedback from a Technical Working Group composed of representatives from the Department of Labor (DOL), the Maine State Economist, the Greater Portland Council of Governments, the Maine Association of Realtors, the Maine Municipal Association, and other experts.

## Approach

Maine has a set of broad policy priorities that inform this Study's approach to measuring how many homes need to be built or reinvested in. The first is to have **enough homes overall to accommodate the existing demand for homes**. When there is an insufficient supply of homes, competition for the limited number of homes available drives up prices to levels that are unaffordable to many existing

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<sup>3</sup> Sturtevant and Curtis. (2023). Availability of Workforce Housing in Maine. University of Maine.

Mainers. A healthy housing market—one that has enough homes to accommodate existing demand across income groups—has a portion of homes that are vacant and available at any given time<sup>4</sup>. These available homes allow households to move about the state as they change jobs, move out of homes to start their own family, or otherwise need to relocate because of changes in their life. Right now, there are portions of the state where there are simply no homes available for a household to move into.

The second policy priority is to have enough homes **affordable, available and in the right locations to support the workforce necessary to sustain and grow Maine's economy**. The State's Economic Development Strategy focuses on the need for a workforce to support Maine's long-standing industries and to foster growth and innovation in new areas. To achieve these goals, Maine's economy requires workers to fill open positions as an increasing number of Mainers reach retirement and room for new workers to fill positions created as local businesses and the economy grow. Without enough homes for workers filling open job positions, businesses will continue to struggle and at times fail—harming the prosperity of all Mainers.

With these two goals in mind, this Study calculates both the number of additional homes needed currently to remedy **Historic Underproduction** and, by 2030, the **Future Need** to meet these policy priorities. In recognition of Maine's regional economies, Historic Underproduction and Future Need are calculated for three economic regions: the Coastal Region, comprising Cumberland, Hancock, Knox, Lincoln, Sagadahoc, Waldo, and York Counties, the Northeastern Region, comprising Aroostook, Penobscot, and Washington Counties; and the Central Western Region, comprising Androscoggin, Franklin, Kennebec, Oxford, Piscataquis, and Somerset Counties.

Other studies have quantified the need for homes in Maine, particularly for affordable rental homes. For example, the National Low Income Housing Coalition (NLIHC) has estimated a shortage of 22,300 affordable and available rental homes for households making at or below 50% of Area Median Income (AMI) and mostly for extremely low income households. While the State of Maine Housing Production Needs Study considers housing need at the lowest income levels, the primary focus is on measuring overall production needs for both renters and homeowners across the income spectrum in Maine, incorporating the demand for seasonal homes, the need for additional workers, and the recent influx of higher income households to Maine, all of which significantly impact the availability and price of homes in Maine. Different approaches can be used together to understand different elements of housing need in the state.

This Study does not, however, detail the specific physical typologies of homes needed to support different populations including the elderly, asylum-seekers and refugees, those experiencing homelessness, and different household types more broadly. It is important for the State and municipalities to take into account local population needs and make regulatory and funding decisions accordingly, including by reducing regulatory barriers to building the types of homes that households need and securing funding for homes that can support populations with the highest need. Local planning should consider how different housing types, including single family, attached and multifamily rental and for-sale homes, can support availability at the price points needed while also considering local context.

Ultimately, setting production targets is a process that will need to account for regional variation in demographic trends, economic development needs, and existing constraints on housing development.

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<sup>4</sup> Vacant and available homes do not include vacant homes that are not currently available for full-time residence, whether due to disrepair, seasonal use, foreclosure, or other factors.



This Study provides analysis to help guide that process (Figure 2). As local planning follows, local adjustments to these targets should be balanced with the likely impact on the availability and affordability of homes for existing Mainers and the economic health of the state. These production targets will also need to be monitored over time as economic and demographic conditions change and as municipalities take steps to meet these targets. For more information about the Study approach, see page 12.

**Figure 2: Setting Housing Production & Reinvestment Targets**



## Key Findings

**While trends vary across the state, homes are becoming less affordable and harder to find in Maine.** There are demand-side drivers, including sudden in-migration and declining labor force participation amongst Maine’s aging population, and supply-side drivers, including low housing production and an aging housing stock, that are broadly driving these trends.

### *Demand-Side Drivers*

Recent demand-side drivers, including **sudden in-migration** during the height of the Covid-19 pandemic and a **declining labor force from aging households**, are impacting the number of homes Maine needs. Maine experienced increased in-migration from out of state in recent years, concentrated in York and Cumberland Counties but distributed across the state. These in-migrants have higher incomes on average than existing Mainers and are able to pay more for homes. Maine has also experienced a surge in households seeking asylum, who generally have very low incomes in the short-term as they await federal work authorization.

At the same time, Maine’s population is aging, resulting in a declining labor force. This impacts both the kinds of homes needed to accommodate a retiring population and homes needed to enable employers to attract more workers to the state to fill open job positions. Over the past decade, Mainers 55 and over have grown as a share of the population, and labor force participation among this group has significantly declined since 2017 as the group gets closer to retirement age. As a result, overall labor force



participation has not recovered post-pandemic as older workers retire, even as labor force participation amongst younger groups has remained steady.

**In order to fill the job vacancies created by increased retirement, Maine will need to bring in workers from out-of-state, who will in turn require additional homes to live in.**<sup>5</sup> Maine currently has a very high share of unfilled job positions, with many parts of the state having more vacancies than available workers. Many of these jobs skew somewhat lower income, reflecting a growing mismatch between what many new workers could afford and the price of Maine's available homes.

#### *Supply-Side Drivers*

These demand-side drivers are exacerbated by supply-side challenges, namely Maine's **aging housing stock** and **low housing production** over the past decade.

As the housing stock ages, the share of homes that are unavailable to be occupied due to poor condition has increased. As these homes deteriorate over time, the inventory of homes can gradually decline through demolition. There is limited data to quantify the annual loss of homes through demolition or disrepair, however, individual towns and localities may have the information or begin to gather the information through demolition permits to track the loss of homes over time. Ultimately, this data will need to inform local production and reinvestment targets.

Maine has also had **low housing production relative to job growth across all regions**, but particularly in the Coastal Region, which is a key measure of housing supply issues. Both the Central Western and Northeastern regions have seen total housing inventory decline slightly since 2016. The state has also seen a decline in rental homes across all regions, which runs counter to the trend in almost every other housing market in America and is likely exacerbating Maine's workforce challenges, as workers in entry-level and lower wage positions often require rental housing options.

Finally, **the consistently high demand for seasonal homes means that Maine has historically required a higher number of homes relative to the number of year-round residents and available jobs than states with lower seasonal demand.**

#### *Availability and Affordability*

As a result of low production, reduced rental housing and an aging housing stock, the **availability of homes is declining** and **prices are increasing**, making it very difficult to access and afford homes and fill job openings in some parts of the state. Not all vacant homes in a housing market are available, as some vacant homes might be reserved as a seasonal home, in foreclosure, in disrepair or otherwise unavailable to the market for occupancy. True "availability" of the housing stock is defined as the vacant units that are ready and available for a household to move into. In a healthy housing market, typically about 5% of homes are vacant and available for use at any given time—allowing for housing choice flexibility and

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<sup>5</sup> Maine's 2020 – 2029 Economic Development Strategy also aims to increase the labor force participation rate of groups with historically lower participation, such as women and people with disabilities. However, the plan acknowledges that in order to support Maine's economic growth, additional workers will also have to come from out of state.

movement. **Across Maine, the share of homes vacant and available has fallen to an average of 2.3% statewide.**

**Homeownership in Maine is becoming increasingly unaffordable.** Under a standard definition set by the U.S. Department of Housing and Urban Development (HUD), homes are considered affordable if the rent or cost of ownership<sup>6</sup> is less than 30% of household income. Until recently, the cost of purchasing a home in Maine was such that a household earning the median income could afford the mortgage on the median home value. In recent years, however, the demand- and supply-side drivers described above, in addition to macroeconomic trends such as rising interest rates, have caused a significant divergence between the income needed to purchase a home in Maine and the actual median income of Mainers; **households now need to make over \$100,000 annually to afford the median home price** As a result, buying a home in Maine now is not affordable for the majority of Mainers.

Renters in Maine are also facing affordability and availability challenges. Maine has seen a decline in renter-occupied units across the state since 2016, and the majority of renter households below 60% of Area Median Income (AMI)<sup>7</sup> in Maine were **cost burdened** (paying over 30% of household income in rent) in 2021, with the highest rates of cost burden in the Coastal Region. Although renter cost burden rates remained relatively consistent from 2016-2021 (the most recently available data), rents and homes prices increased significantly in 2022 and 2023 and exceeded wage increases, which has likely increased cost burden rates since 2021.

## Measuring Housing Need

**To address these needs and meet the State’s policy priorities, Maine needs approximately 38,500 homes to remedy historic underproduction and will need an additional 37,900 to 45,800 homes to meet expected population growth and household change by 2030** (Table 1). Maine can meet this goal both through the **production of new homes** and **reinvestment in existing homes** that are vacant or unavailable due to disrepair or foreclosure.

**Table 1: Historic Underproduction and Future Need by Region**

<i>Region</i>	<i>Historic Underproduction</i>	<i>Future Need (2021 - 2030)</i>	<i>Total</i>
<i>Coastal</i>	21,200	24,200 - 28,000	45,400 - 49,200
<i>Central Western</i>	13,000	9,700 - 11,700	22,700 - 24,700
<i>Northeastern</i>	4,300	4,000 - 6,100	8,300 - 10,400
<b><i>Maine</i></b>	<b>38,500</b>	<b>37,900 - 45,800</b>	<b>76,400 - 84,300</b>

**Historic Underproduction:** The Study Team defines historic underproduction as the deficit of available homes for the existing population (the availability deficit) plus the deficit of homes for workers needed to

<sup>6</sup> Includes mortgage, property taxes, and insurance.

<sup>7</sup> See Appendix Page 5 for explanation of Area Median Income calculations.



increase the workforce to support Maine's existing economy (the jobs : homes deficit)<sup>8</sup>. For more information about how the Study Team measured historic underproduction in Maine, see page 40.

**Future Need:** The Study Team defines future need as the number of homes needed to support Maine's projected population and household change by 2030, while accounting for Maine's high demand for seasonal homes. For more information about how the Study Team measured future need in Maine, see page 52.

To put this need in context, Maine's total housing inventory in 2021 was about 737,800 homes. Increasing the number of homes to meet historic underproduction alone (38,500 additional homes) would constitute about a 5% increase in total homes across the state. To meet both current and future need by 2030, Maine would need to add 8,500 to 9,300 homes each year (Table 2). Currently, about 4,800 homes are permitted per year in Maine, and meeting this annual need would require a 77% to 94% increase in the number of permits (with geographic variation). It is important to note that annual building permits are not an exact measure of housing production, as not all permitted homes are built. The necessary increase in housing production may be larger than current permitting suggests and will vary based on the annual loss of homes in different regions.

**Table 2: Annualized Production Needs Compared to Annual Building Permits by Region**

	<i>Total Annual Production Need</i>	<i>5-year average (2016 - 2021)</i>	<i>% Change in Permits</i>	<i>Net Change in permits</i>
<i>Coastal</i>	<b>5,100 - 5,500</b>	3,400	<b>50% - 62%</b>	<b>1,700 - 2,100</b>
<i>Central Western</i>	<b>2,500 - 2,700</b>	1,000	<b>150% - 170%</b>	<b>1,500 - 1,700</b>
<i>Northeastern</i>	<b>900 - 1,100</b>	400	<b>128% - 175%</b>	<b>510 - 700</b>
<i>Maine</i>	<b>8,500 - 9,300</b>	4,800	<b>77% - 94%</b>	<b>3,700 - 4,500</b>

The number of additional homes needed varies across Maine's regions. Much of it is concentrated in the Coastal and Central Western Regions, which together need 34,200 homes to make up for historic underproduction, and another up to 39,700 homes to meet future need. The Northeastern Region, by contrast, needs about 4,300 additional homes to make up for historic underproduction and meet the economic needs of the region and another 4,000 to 6,100 homes to meet future need by 2030.

Even in places where overall population is aging and declining, there is still need for housing production and reinvestment; in fact, household formation can increase in these circumstances (children of an aging population move into their own homes and some existing households split up). For example, while Aroostook, Piscataquis and Somerset Counties are all projected to see a modest total population decline by 2030, all of those counties will still see a net gain in households in that time period as well as a housing stock that continues to age, requiring additional homes and reinvestment. Further, as these regions face a declining workforce, new homes at affordable price points will be essential to attracting workers to the region and ensuring that existing younger households can stay.

<sup>8</sup> The "availability deficit" measures the additional homes needed to create a healthy level of availability in the housing market, with "true availability" representing homes that are vacant and available to live in (defined as For Sale and For Rent in the American Community Survey).

*Income Distribution*

In addition to the number of homes that Maine needs to sustain and grow its economy, it is important to measure the price of homes needed to ensure that households hoping to work or age in place in Maine can afford them. The Study Team created a sample income distribution by allocating the availability deficit based on the income distribution of existing households (Table 3) and the jobs : homes deficit on the expected household income distribution of wages from open job listings (Table 4).

**Table 3: Allocation of Availability Deficit Based on Existing Household Income Distribution<sup>9</sup>**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<b>Regional Totals</b>	<b>9,400</b>	<b>4,900</b>	<b>2,300</b>
<i>Less than 20K</i>	1,100	780	420
<i>20K - 35K</i>	1,000	760	380
<i>35K - 50K</i>	1,000	730	320
<i>50K - 75K</i>	1,700	880	410
<i>75K- 100K</i>	1,400	650	290
<i>100K - 150K</i>	1,700	690	290
<i>150K+</i>	1,500	410	190

**Table 4: Allocation of Jobs : Homes Deficit Based on Estimated Household Wages of Open Job Listings<sup>10</sup>**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<b>Regional Totals</b>	<b>11,900</b>	<b>8,100</b>	<b>2,000</b>
<i>Less than 20K</i>	70	50	10
<i>20K - 35K</i>	660	360	170
<i>35K - 50K</i>	1,230	640	210
<i>50K - 75K</i>	2,000	1,400	410
<i>75K- 100K</i>	2,300	1,600	380
<i>100K - 150K</i>	3,200	2,300	470
<i>150K+</i>	2,500	1,700	350

<sup>9</sup> Income Distributions are allocated based on regional numbers and rounded to the tens for counts in the hundreds, and hundreds for counts over a thousand. Due to rounding, numbers may not sum exactly to regional or state numbers.



It is important to note that low- and moderate-income households are more constrained in their choices and more likely to pay more than they can afford for a home. **Because of that, policy makers should emphasize strategies to increase affordable housing production for low- and moderate-income households** in addition to strategies to increase the supply of homes more broadly. At the local level, this may include weighting the income distribution of needed homes more heavily towards low- and very low-income populations to account for this need.

#### *Geographic Distribution*

**Across regions, individual jurisdictions are contributing more or less to housing demand** based on job growth, demographic and migration trends, and other factors, including the existing inventory of available housing and the share of seasonal homes.

To measure local contributions to housing demand, the Study Team weighted the allocation of regional need to the county level by both population share and job share of each county. Weighting allocation by population and jobs helps ensure that housing to address the State's historic underproduction is being added in places where jobs are, both to support households in living close to where they work and also to ensure that towns and cities that are growing economically are also accommodating the population needed to support that growth. This avoids issues of decreasing affordability when housing is not provided where job growth exists, and unnecessary development in areas where there may not be as significant job or population growth.

There are many alternative ways to allocate housing to more granular geographies across Maine, many of which would incorporate unique criteria specific to certain areas of the State.

## Setting Production Targets

Meeting this housing need will require Maine to **set housing production and reinvestment targets** that address both historic underproduction and disinvestment and account for future need. The next step in the process will be to set housing production and reinvestment targets at the local level and to consider the different housing typologies that can support housing production across the income spectrum. To move from the regional level to the local level will involve consideration of local obstacles such as available infrastructure, development capacity and other factors. It will also involve dialogue among communities about where and how to accommodate growth and target reinvestment within the region.

Ultimately, creating enough homes in Maine is foundational to the wellbeing of *all Mainers* and can only be achieved if the State and federal government, municipalities and the private sector work together on an ongoing basis. This will require **evaluating important metrics**, such as availability rate, housing production, cost burden, job availability, housing loss and others over time and **adjusting housing production and reinvestment targets** to adapt to changing conditions.

In order for stakeholders to monitor these changing conditions and track progress towards local housing production targets, the State will be providing an online data dashboard of baseline housing conditions at the state, county, and municipal level that will be updated on a periodic basis. Moving forward, improved collection of both building permitting and demolition data, as well as continuous tracking of vacancy trends, will also be critical for monitoring new development. For more information on evaluation and implementation, see page 58.

# Study Approach

## Introduction

There are many different policy makers, planners, organizations, and researchers who are already working to understand housing needs in Maine, deliver programs and services, and plan for current and future housing needs. This Study involved extensive engagement with state and regional experts and stakeholders to inform its approach and methodologies.

This Study, conducted by HR&A Advisors, was overseen by a Steering Committee representing MaineHousing, the Governor’s Office of Policy Innovation and the Future (GOPIF), and the Department of Economic and Community Development (DECD), together the “Study Team”, which met regularly to coordinate research planning, data collection, and priority areas of analysis.

The Study Team also solicited feedback from a Technical Working Group composed of representatives from the Department of Labor (DOL), the Maine State Economist, the Greater Portland Council of Governments, the Maine Association of Realtors, the Maine Municipal Association, and other technical experts. Members of the Working Group provided ongoing input on data sources, analytical approaches—including consistency with existing methodologies used by State agencies—preliminary findings, and methodology development for measuring housing production and reinvestment needs. In addition, the Study Team conducted a series of interviews regarding the housing needs of special populations and the role of housing in supporting economic development across the state with organizations including:

- Maine Immigrants’ Rights Coalition
- Jewish Community Alliance of Southern Maine
- Catholic Charities Maine
- Maine Immigrant and Refugee Services
- Island Institute
- Island Housing Trust
- Bath Housing
- WishRock Housing Group

Interviewees described a broad range of opportunities and challenges in Maine’s housing market. Emergent themes included the need for housing to support Maine’s aging population while welcoming new households to help support Maine’s economy; concerns about the impact of Maine’s seasonal housing and short-term rentals on the available year-round stock; the challenges of providing homes for the growing number of asylum seeker and refugee populations, and the difficulties faced by employers in filling open job positions without available workforce housing.

Crucially, these discussions highlighted **key State economic development goals** that informed the Study Team’s methodology to measure housing production and reinvestment needs—namely, to encourage and enable communities **to plan for housing to support a high quality of life for all Mainers while also supporting economic stability and growth in the state.**



## Background Research and Existing Studies

The Study Team conducted a review of existing studies and plans to understand previous research on housing challenges and opportunities in Maine. The National Low Income Housing Coalition (NLIHC) has estimated a shortage of over 22,000 rental homes, however this shortage is specifically for low-income renters, suggesting the overall number for all income groups is much higher.

A recent study by researchers at the University of Southern Maine found that Maine is short 20,000 – 25,000 homes for existing extremely low-income Maine residents, as well as 10,000 – 20,000 homes that are necessary to attract enough workers to fill open job positions.<sup>11</sup> In total, the study estimates Maine has a shortage of 30,000 – 40,000 new homes currently.

When considering broader housing needs beyond housing supply, housing studies at the municipal level<sup>12</sup> echo common themes, including:

- Lack of homes necessary to accommodate an aging population while creating homeownership opportunities for younger households.
- Aging housing stock in need of repair and reinvestment.
- Lack of affordable housing for low and middle-income households, exacerbated by undersupply of homes, and (anecdotally) increased housing demand from out-of-state in-movers.
- Difficulty filling open job positions due to limited housing availability.
- Housing located far from jobs and transit, resulting in long commutes and high household travel costs.
- Concerns about a rise in seasonal housing and short-term rentals putting pressure on the housing stock within certain tourism-heavy communities.

This Study intersects with these issues in certain areas, including by measuring the number of homes needed to support healthy availability in the housing market overall and a healthy job market. This Study builds on previous work by considering the regional need for homes across the income spectrum as well as the need to meet demand for seasonal homes and homes for recent higher income in-migrants, both of which significantly impact the availability and price point of homes for low and moderate-income residents. This Study does not, however, detail the specific physical typologies of homes needed to support different populations including the elderly, asylum-seekers and refugees, those experiencing homelessness, and different household types more broadly. It is important for the State and municipalities to take into account local population needs and make regulatory and funding decisions accordingly, including by reducing regulatory barriers to building the types of homes that households

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<sup>11</sup> Sturtevant and Curtis. (2023). Availability of Workforce Housing in Maine. University of Maine.

<sup>12</sup> Crane Associates and EPR. (2022). City of South Portland Housing Needs Assessment and Strategy.

Edwards, Keith. (2021). Augusta housing study shows changes needed to address lack of affordable housing. Kennebec Journal.

Camoin Associates and The Musson Group. (2018). Housing Needs Analysis and Assessment: Mount Desert Island, ME. Island Housing Trust.

need and securing funding for homes that can support populations with the highest need. Local planning and studies should consider how different housing types, including single family, attached and multifamily rental and for-sale homes can support availability at the price points needed while also considering local context.

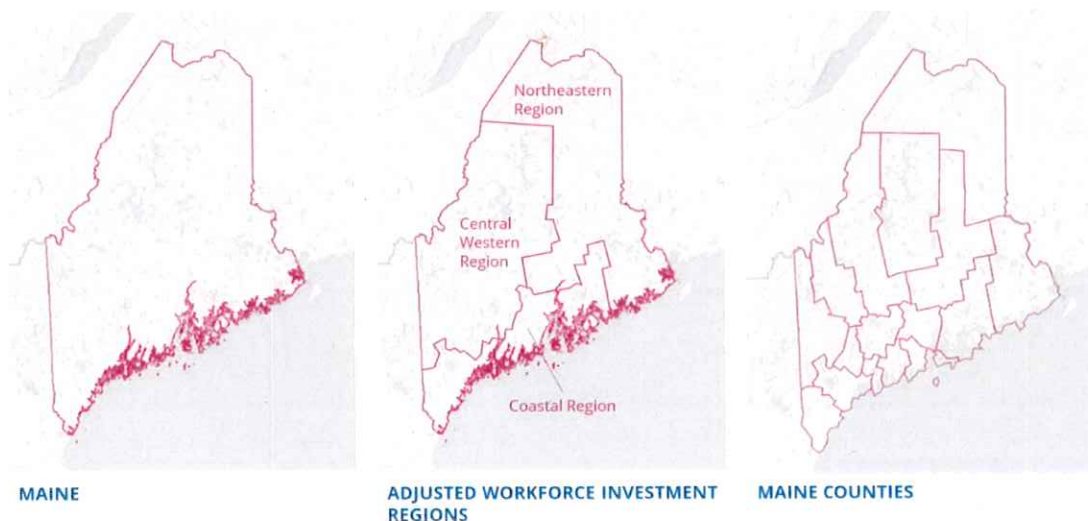
The Study Team reviewed housing production studies across the country to compare how different methodologies can be used to accommodate important local economic and housing market trends in Maine. In California, regional goals incorporate population, vacancy rates, overcrowding, cost burden, and replacement rates, and are allocated to the municipal level by regional councils of governments (COGs). Similarly, Oregon sets regional targets incorporating projected need, historic underproduction, and homes for people experiencing homelessness based on population and vacancy rates. Massachusetts, rather than using regional metrics, sets a goal of 10% affordable housing for each municipality. For more information on national production goal methodologies, see Appendix Page 3.

### Determining Geographic Boundaries

Given the alignment between State economic development goals and housing needs, the Study Team strove to align the geographic boundaries of this study with Maine's economic geographies. Maine's housing and labor markets are unusually regional— Maine has the longest median 1-way commute in miles in the United States, with the median commuter traveling close to 10 miles each way.<sup>13</sup> As a result, this Study uses regional geographies when measuring housing need in Maine relative to jobs but also points to the need for new homes that can support Mainers to live closer to their jobs.

In recognition of this, the Study Team selected the Department of Labor's three Workforce Investment Regions as the highest geographic level for the Study (Figure 3).<sup>14</sup>

**Figure 3: Maine Workforce Investment Regions and Counties**



<sup>13</sup>Commutes Across America: Where Are the Longest Trips to Work? (2018). Streetlight Data.

<sup>14</sup> In order to align the Workforce Investment Region boundaries with Census data used to study current housing needs in Maine, the Study Team reallocated Hancock and Piscataquis Counties from the Northeastern Region to the Coastal and Central Western Regions, respectively.



The Coastal Region, consisting of Cumberland, Hancock, Knox, Lincoln, Sagadahoc, Waldo, and York Counties and encompassing the greater Portland area, is the most heavily populated of the three regions and is currently home to 55% of the state's jobs in 2023<sup>15</sup>. The Central Western region consists of Androscoggin, Franklin, Kennebec, Oxford, Piscataquis, and Somerset Counties, and is home to the cities of Augusta, Lewiston and Auburn. The Northeastern region is the smallest and most rural of the three regions, consisting of Aroostook, Penobscot, and Washington Counties. For a detailed list of towns, counties and cities in each region, see Appendix Page 1.

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<sup>15</sup> Defined as total employment (Bureau of Labor Statistics, 2023) added to total open job listings (Job Openings and Labor Turnover Survey, 2023).

# What is happening in Maine’s housing market now?

## Overview

Before measuring housing production needs, the Study Team explored existing conditions and trends in Maine’s housing market to understand key demographic, economic and housing inventory dynamics that influence housing need. These conditions and trends, summarized below, highlight Maine’s unique economic, demographic and housing market conditions, all of which inform both the need for more homes in Maine and the opportunity for homes to better support economic development in the state.

Adequate housing supply to meet demand is the foundation of affordability in any housing market, including Maine’s diverse regional housing markets (Figure 4). As such, it is important to understand both housing supply and housing demand trends to ensure that enough homes are created and preserved in Maine that are the type and price that households need. This study explores both demand-side drivers of housing need (demographic and economic change) and supply-side drivers (housing age, type, prices and production) to arrive at housing production and reinvestment needs. While trends vary across the state, recent demand-side trends, including sudden in-migration and declining labor force participation, are exacerbated by Maine’s aging housing stock and low overall housing production over the past decade. As a result, the availability of homes is declining and prices are increasing, making it very difficult to access and afford homes in some parts of the state.

The following sections explore these trends in greater detail and illustrate how these trends impact Maine’s housing supply needs.

**Figure 4: Supply and Demand of Homes**



*In a healthy housing market, **housing demand**, the number of households by income level, size, and type, is equivalent to **housing supply**, the number of suitable homes for households, with some additional availability (vacancy). When housing demand exceeds housing supply, more homes are needed to ensure availability and affordability.*

## Demand-Side Drivers of Housing Need

**Overall population and population growth** determines how many people presently need homes and how many people will need homes in the future. The **type** and **size of households**, in combination with population growth, determines how many homes and what types of homes are needed to accommodate the population and their household needs. Finally, **household income** determines how much money households can put towards housing costs each month, impacting the needed price point of homes.

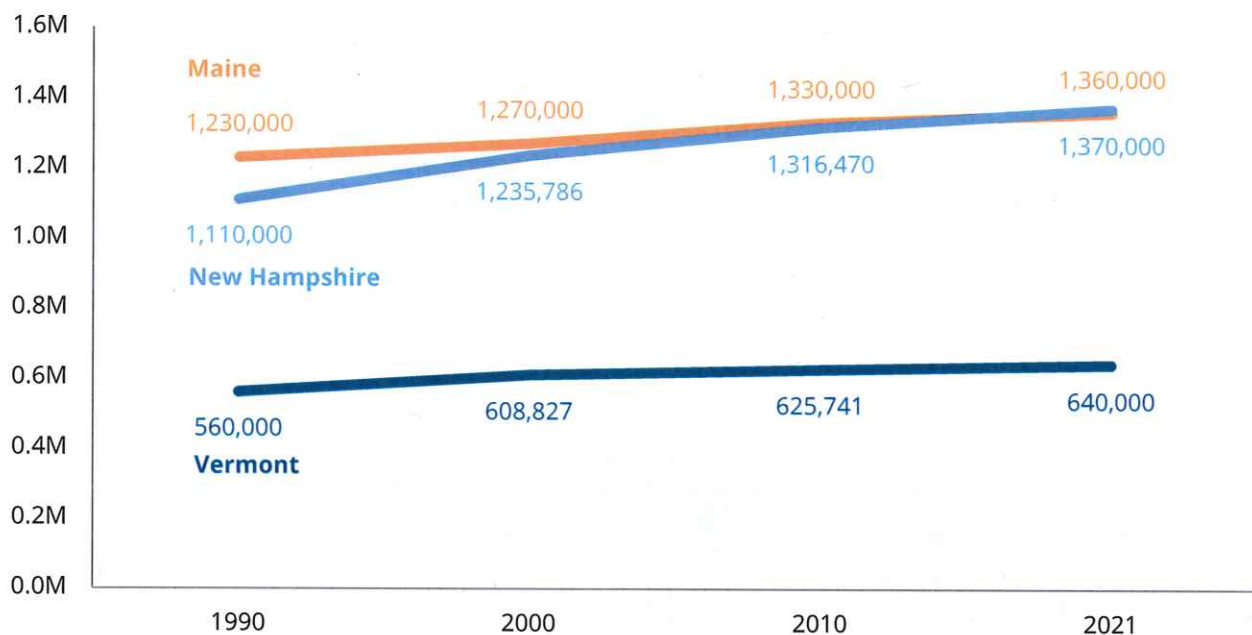
Each of these local factors is influenced by both regional and national trends, and changes in any of these elements will impact the amount, type and price point of homes needed in a housing market. **Maine has experienced recent demand-side shocks**, including the following:

- **Sudden in-migration** during and after the Covid-19 pandemic, generally from higher income households (in-migrants had an average household income of \$88,000 compared to \$78,000 of existing residents).<sup>16</sup>
- A **surge in asylum-seekers**, who generally have very low incomes in the short term.
- A **declining labor force** as the State's population ages, impacting both the kinds of homes needed to accommodate the population and employers' ability to fill open job positions.

### Population Change

Historically, Maine has experienced modest overall population growth, with a 10.5% increase in population from 1990 to 2021. This growth has lagged other northeastern states; New Hampshire grew by 23.7% and Vermont by 14% in this time period (Figure 5).

**Figure 5: Comparative State Population Growth, 1990 – 2021**

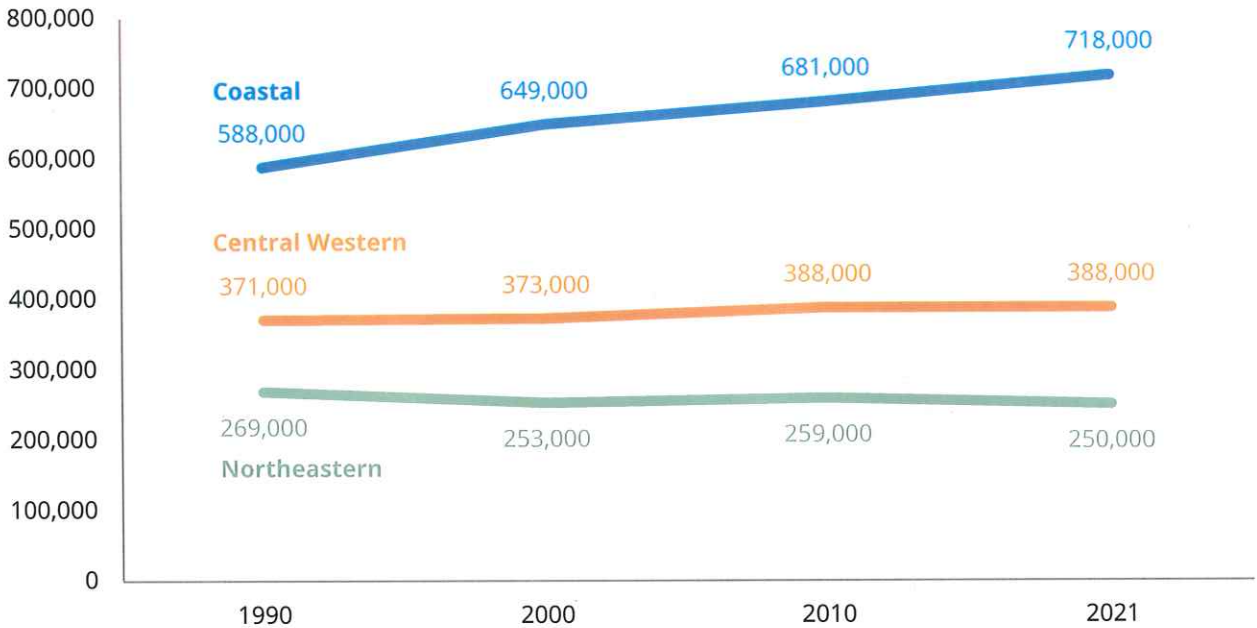


Source: Decennial Census 1990 – 2021

While the State has grown overall, population change has varied across the state. The Coastal Region, where most of the state's population is concentrated, has grown by 22.2% since 1990. Much of the Coastal Region's growth has been driven by Cumberland and York Counties, which each grew by nearly 7% from 2010 to 2021 alone. By contrast, the Central Western Region only grew by 4.6% and the Northeastern Region declined by -6.8% in that time period (Figure 6).

<sup>16</sup> Maine's average household income of \$78,000 is higher than the median household income of \$63,200, which is used as a reference point throughout the rest of this report.

**Figure 6: Population Growth by Region, 1990 - 2021**



Source: Decennial Census 1990 - 2021

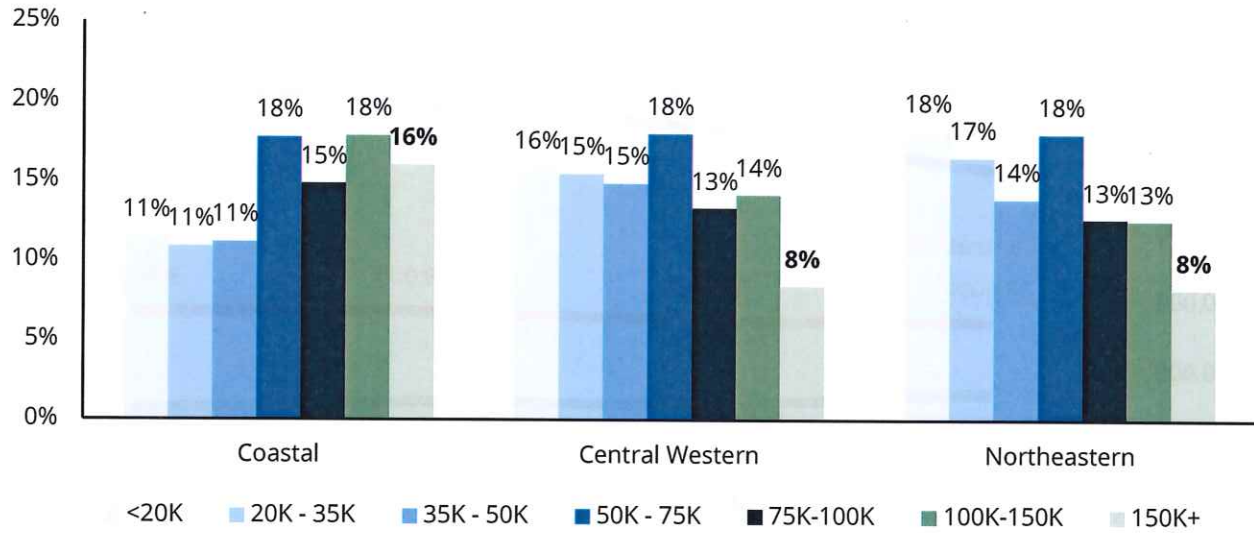
#### Income Distribution

Maine's households are somewhat lower income than its neighboring states, with a median household income of \$63,200 relative to New Hampshire's median income of \$83,400 and Vermont's median income of \$69,000. 58% of households earn less than \$75,000, slightly more than the 54% of households earning under \$75,000 in the United States as a whole.

Income distribution varies by region, however, with higher incomes in the Coastal Region in particular. 16% of households in the Coastal Region earn more than \$150,000, relative to 8% in the Central Western and Northeastern Region. The Northeastern Region has the lowest incomes, with almost 50% of households earning less than \$50,000 annually (Figure 7).



**Figure 7: Income Distribution by Region, 2021**



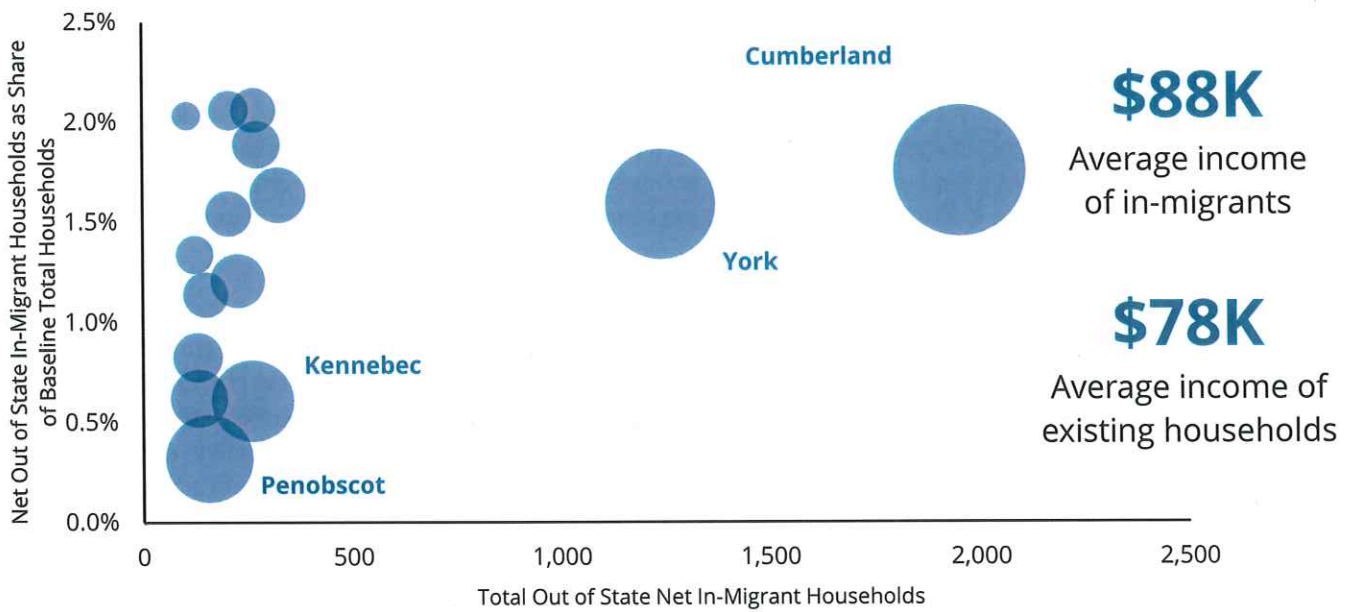
Source: American Community Survey 5-Year 2021

*Recent In-Migration*

**Recently, significant in-migration has quickly increased the demand for homes in Maine.** This is particularly concentrated in York and Cumberland Counties, which respectively received 1,200 and 2,000 in-migrant households in 2020 alone (a little under 2% of their baseline total households). On average, the recent in-migrant households have somewhat higher incomes than existing households, with an average income of \$88,000 compared to a median income of \$63,200 for existing households<sup>17</sup>. This has increased demand for housing across the income spectrum, but particularly at higher price points (Figure 8).

<sup>17</sup> IRS data only provides average income of in-migrants, rather than median income, preventing direct comparison to Maine’s median income. The average income of Maine’s existing residents is \$78,000.

**Figure 8: In-Migration Versus Baseline Population by County, 2020**

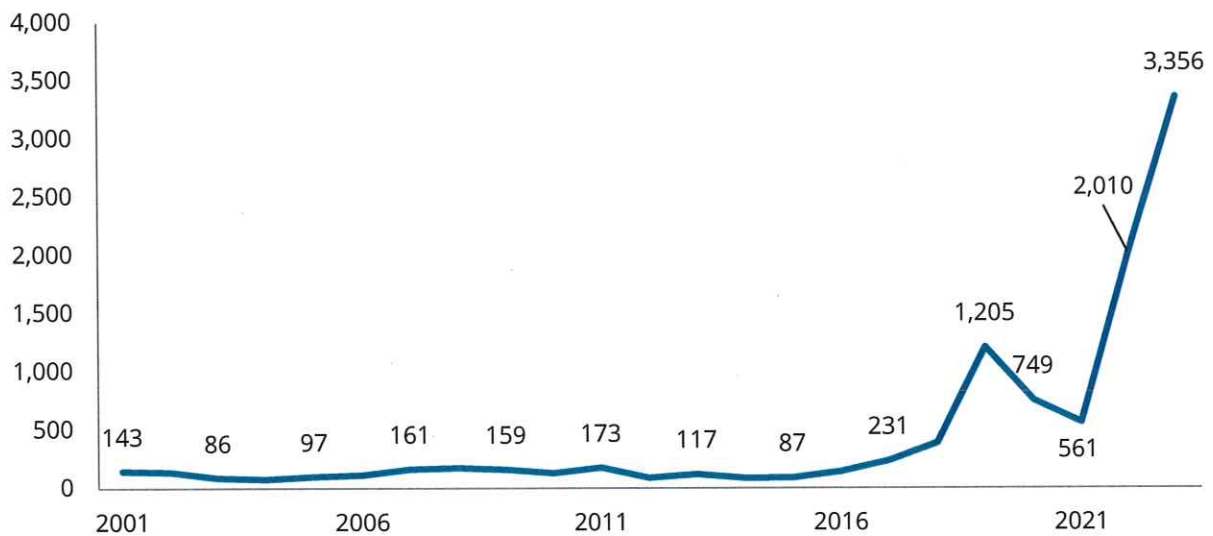


Source: Internal Revenue Service 2021, American Community Survey 5-Year 2021

Bubble Size = Baseline Population

Demand at the lowest income levels is also being impacted by a recent uptick in households seeking asylum, who generally need short-term housing support. Since 2018, the number of individual notice-to-appear cases filed annually in Maine (a proxy for the total number of asylum seekers arriving in Maine) has risen from under 400 to nearly 3,400 as of August 2023 (Figure 9).

**Figure 9: Total Individual Notice-To-Appear Cases Filed, 2001 - 2023**



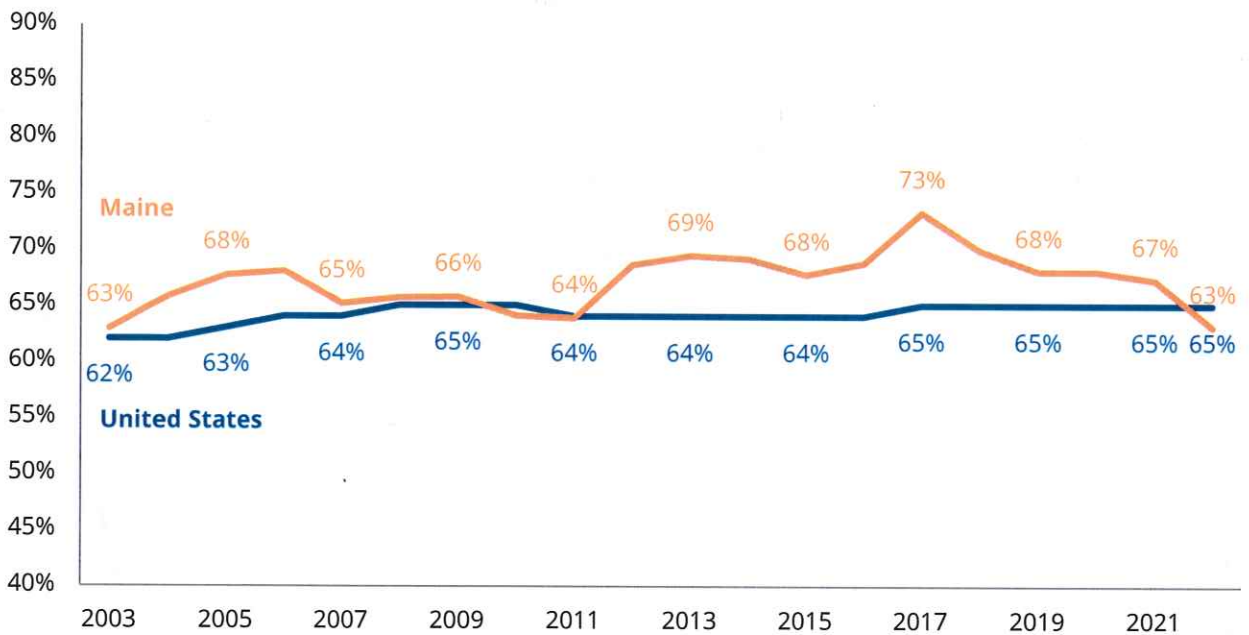
Source: TRAC New Proceedings Filed in Immigration Court; Notice to Appear Deportation Cases 2001 - 2023

Facing short-term restrictions on employment by the Federal Government, households seeking asylum often rely on Maine's General Assistance Program to find housing in the private market or utilize subsidized housing, which is difficult and costly to build quickly. Locations where housing is more affordable may be far from public transportation, a particular barrier for households without access to a car, and far from the support of existing refugee and asylum seeker communities. In addition, a high proportion of larger households arriving—data from the Office of Maine Refugee Services (OMRS) suggests that asylum seekers have an average household size of 4 people compared to 2.6 in the state on average—can make it difficult to find affordable homes that allow families to stay together.

*Labor Force Participation*

Maine has an aging population, which also means an aging labor force. Since 2011, Mainers 65 and over have grown from 16% to 21% of the population. This is significantly higher than in the United States overall (16%) and higher than all neighboring states, including Vermont (20%), New Hampshire (18%) and Massachusetts (17%). Until recently, Maine had significantly higher labor force participation amongst 55 – 64 year-olds relative to the United States as a whole, peaking at 73% in 2017. The decline of this labor force participation rate, which accelerated during the Covid-19 pandemic and does not track with national trends for this age group, is already impacting the health of Maine's economy as businesses find it increasingly challenging to fill open job positions (Figure 10).

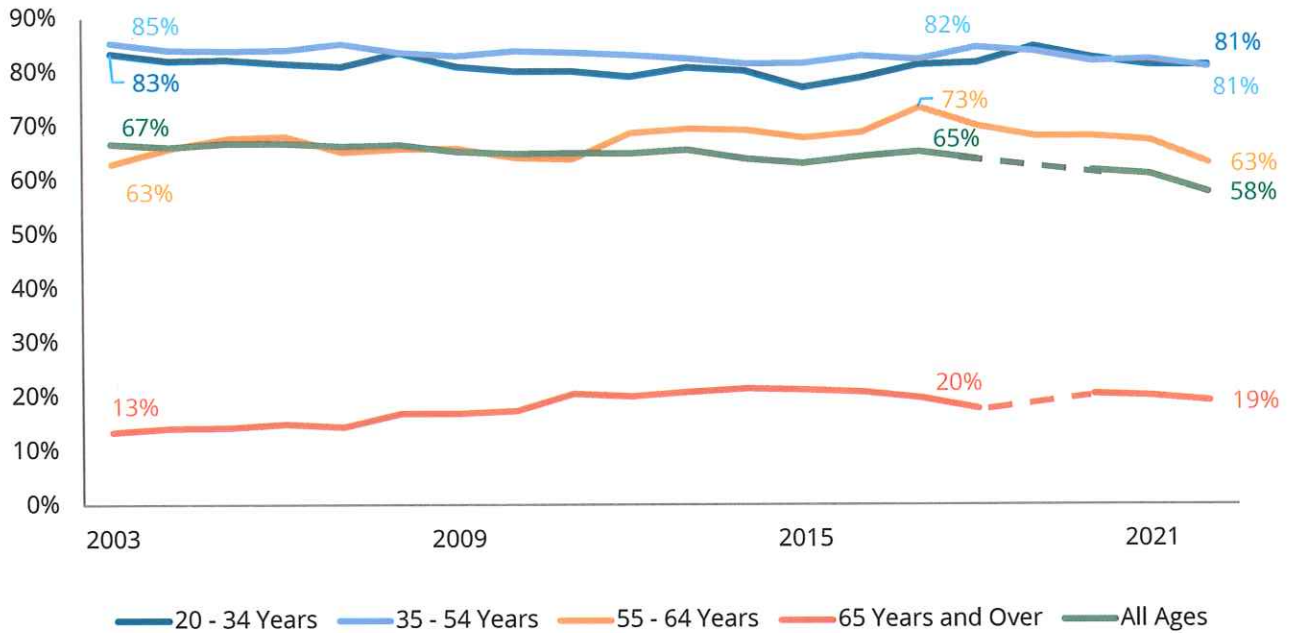
**Figure 10: Ages 55 - 64 Labor Force Participation, Maine vs. United States, 2003 - 2022**



Source: Bureau of Labor Statistics Local Area Unemployment Statistics 2003 – 2022

The decline in labor force participation amongst older Mainers suggests pandemic-driven early retirements, while labor force participation amongst younger groups has remained relatively consistent (Figure 11). As a result, Maine's overall labor force participation has not recovered to pre-pandemic levels, in contrast with the national labor force participation rate, which has largely recovered.

**Figure 11: Maine Labor Force Participation by Age, 2003 - 2022**



Source: Bureau of Labor Statistics Local Area Unemployment Statistics 2003 - 2022

Note: No data in 2019 for All Ages and 65 Years and Over.

**This decline in labor force participation for older adults, as well as Maine’s aging population more broadly, has contributed to a need for additional households to support Maine’s existing economy.**

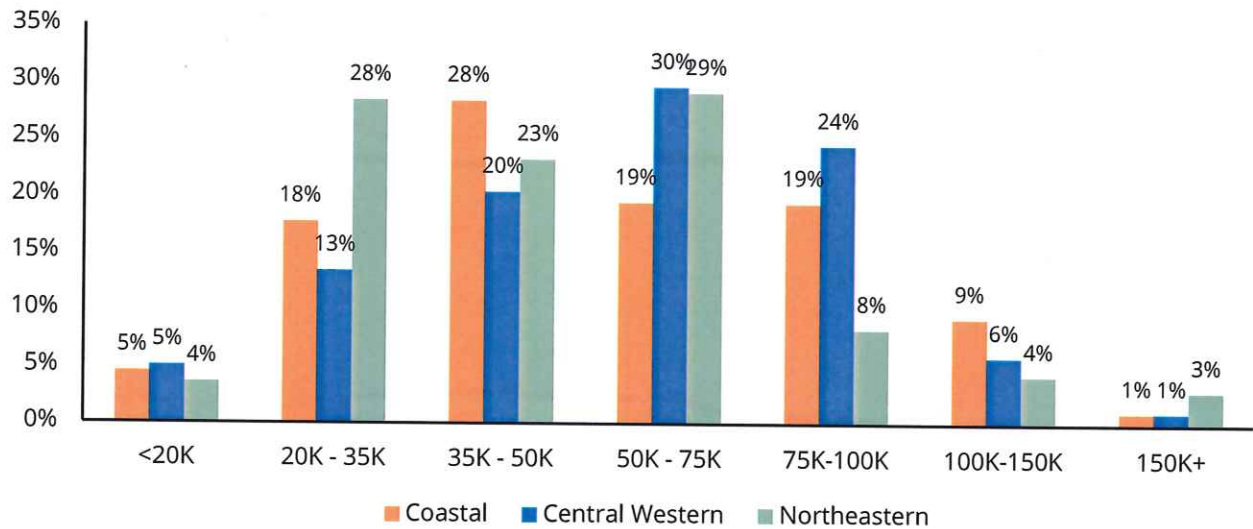
As of May 2023, Maine had 46,000 unfilled job positions, just over half of which are estimated to be located in the Coastal region<sup>18</sup>.

Unfilled job listings skew toward lower paying positions. In the Northeastern and Coastal regions, over 50% of job listings pay less than \$50,000 annually (Figure 12). This suggests that in-migrants, who are generally higher income, are not necessarily filling these positions at high rates as they move to the state. It also creates a large and growing mismatch between the home price that workers can afford and the price of available homes.

<sup>18</sup> HR&A analysis of Bureau of Labor Statistics Job Openings and Labor Turnover Survey, 2023.



**Figure 12: Job Listing Wages by Region, 2022 - 2023**



Source: Lightcast 2023

There has been a dramatic uptick in the “Unclassified” category, which includes new employer accounts from out of state that have not yet been processed by the State Department of Labor in their Quarterly Census of Employment and Wages. This may be a reference to the increase in remote workers, but further study is needed to understand the increase in remote work in Maine and the impact on wages.

**The result of these economic and demographic trends is that the ability to pay for higher-priced homes is increasing for some segments of the population while others struggle to afford costs in an increasingly constrained market.** Existing residents who are not actively part of the workforce or who have low or moderate wages (particularly those earning less than 80% of AMI) are competing in the same housing market. The Coastal Region is particularly impacted by this increased demand by higher wage households, but this region has also seen an influx of households seeking asylum who are in need of much lower cost housing options. Without adequate increased housing supply to meet this rising demand at different price points, Mainers are seeing reduced availability and affordability across all regions, as described in further detail below.

### Supply-Side Drivers of Housing Need

Housing supply is influenced by **the total number of homes in a market**, the **types of homes** (may include multifamily at varying densities, single-family homes, mobile homes, or other non-traditional home types (boats, etc.)), the **tenure of homes available** (homes can be either owned or rented), the **price point** (can be influenced by available subsidy programs, overall supply of homes and by what tenure or type, and be impacted by demand and the **availability** (whether the home is vacant and available for a user to occupy by renting or purchasing).

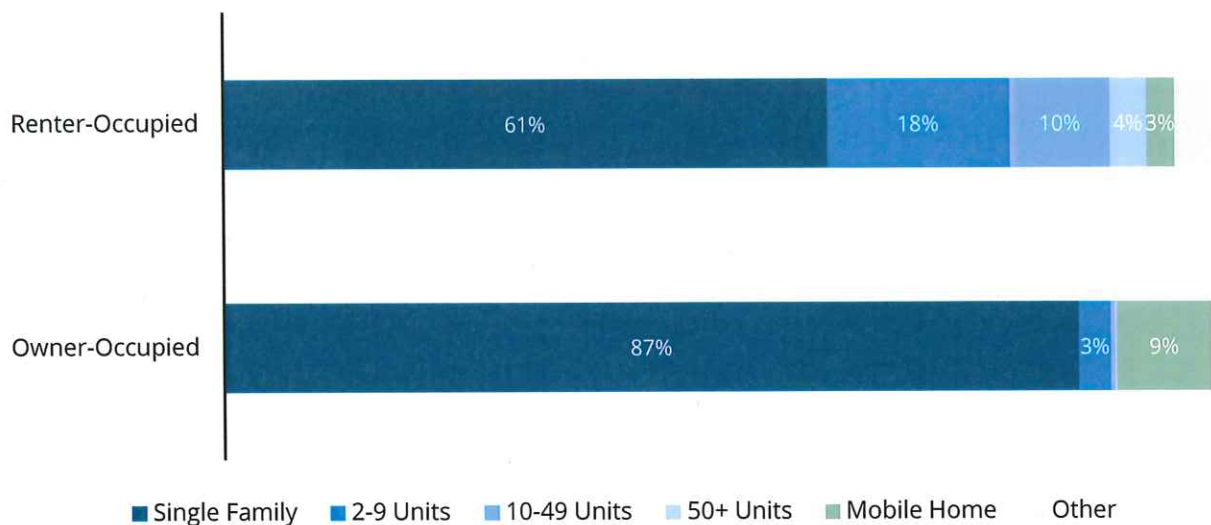
Maine’s existing housing supply is composed primarily of single-family homes that are owned, which is also the primary type of housing that has been added to the market. However, **over the last decade, Maine’s housing production has lagged job growth. Furthermore, the inventory of homes that need reinvestment is increasing, which is reducing the overall availability of homes.**

### Tenure and Typology

Owner-occupied homes represented 73% of all Maine's homes in 2021, a high share relative to the housing stock of the United States as a whole, which was 65% owner-occupied in 2021. Of those owner-occupied homes, close to 87% were single-family homes (on par with the United States owner-occupied stock, which is 89% single-family) (Figure 13). Notably, mobile homes, an affordable homeownership option, made up 9% of the owner-occupied stock.

There is greater diversity in Maine's renter-occupied housing stock, with low-density 2-9 unit buildings providing about 20% of the rental options in the state, and 10 – 49 unit buildings providing about 10% of rental options. The rental stock has a high representation of single-family homes, however, with single-family homes making up 61% of rental homes, close to twice the single-family share of the United States rental stock (33%). This is likely due to the overall character of Maine's housing inventory, local zoning regulations and the rural nature of much of the state.

**Figure 13: Occupied Units by Typology and Tenure in Maine, 2021**



Source: American Community Survey 5-Year 2021

### Subsidized Housing

Federal, State and local subsidy can be used to provide direct assistance to households or to reduce the cost to build or operate homes. Although income eligibility for subsidized housing varies by program, these subsidies are typically available to households making up to 80% of Area Median Income. The most prominent funding source for affordable housing is the federal Low-Income Housing Tax Credit, provided to developers of affordable rental housing<sup>19</sup>, which ultimately reduces the total rent that occupants pay to better align with what they can afford. Public housing, another common type of affordable housing, is typically owned and managed by the local housing authority. Housing vouchers, a form of direct subsidy to tenants, provides rental assistance that allows households to rent on the private market at a price point they can afford (or, in some cases, specific project-based units).

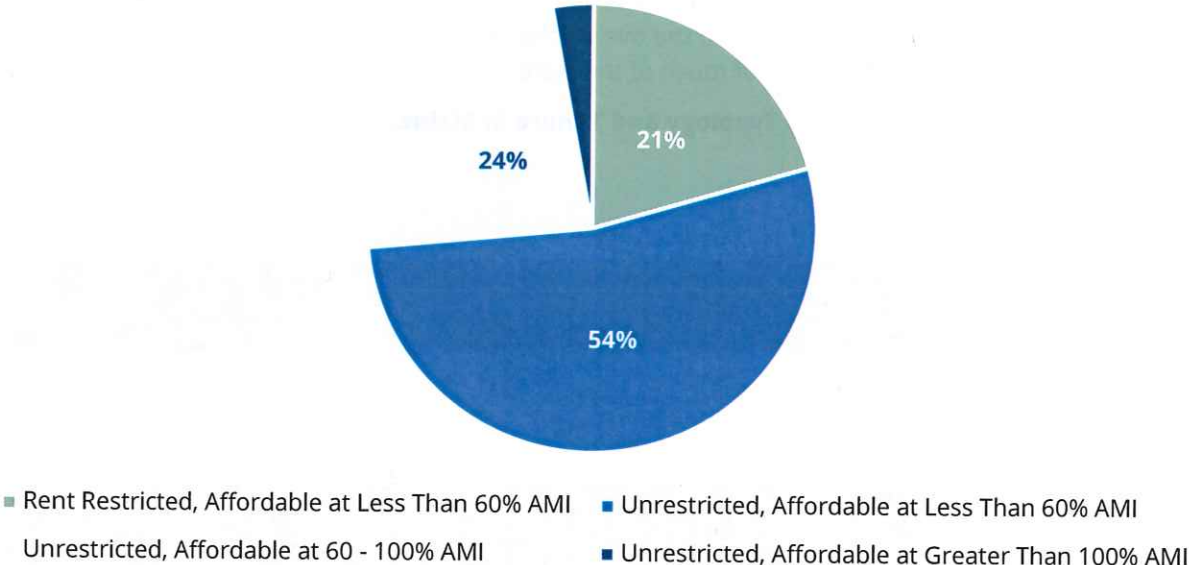
In 2021, Maine had approximately 28,000 subsidized rental homes with income restrictions ensuring affordability to households making less than 60% of AMI. These homes make up 21% of the rental

<sup>19</sup> The Low-Income Housing Tax Credit program gives State and local agencies an annual budget to issue tax credits to support construction or preservation of affordable housing.

housing stock, a substantial share (Figure 14). Maine has continued to add affordable housing: just over 7,500 of these subsidized, income-restricted units have been added since 2010 (Figure 15).

A further 71,850 units were affordable to households making less than 60% of AMI without rent restrictions, often referred to as "Naturally Occurring Affordable Housing (NOAH)." These units made up 54% of Maine's rental stock in 2021.

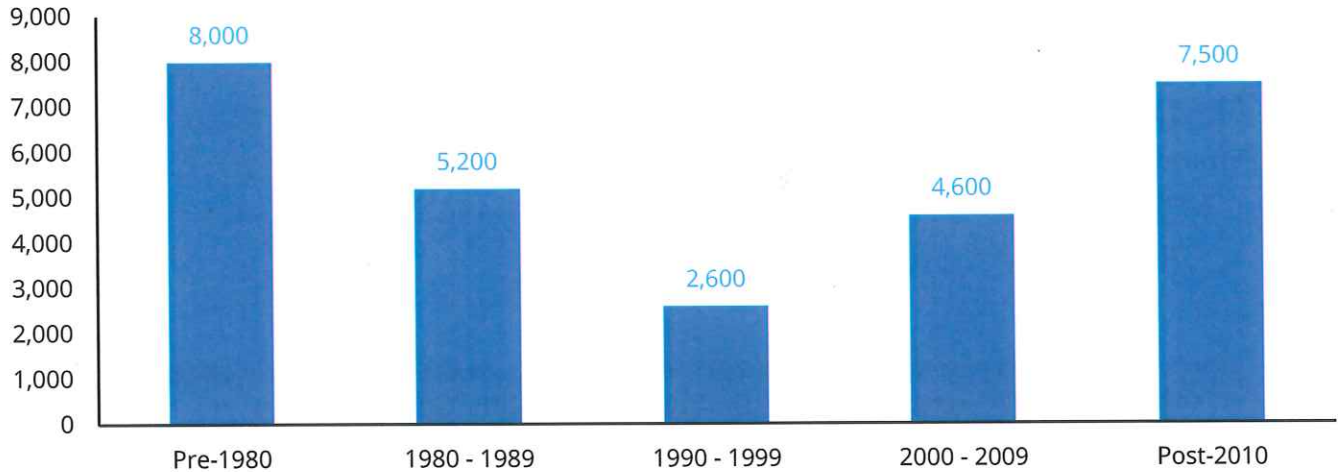
**Figure 14: Rental Housing by Affordability and Rent Restricted Status, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021, National Housing Preservation Database 2021



**Figure 15: Rent Restricted Units in Maine by Earliest Subsidy Date, 2021**

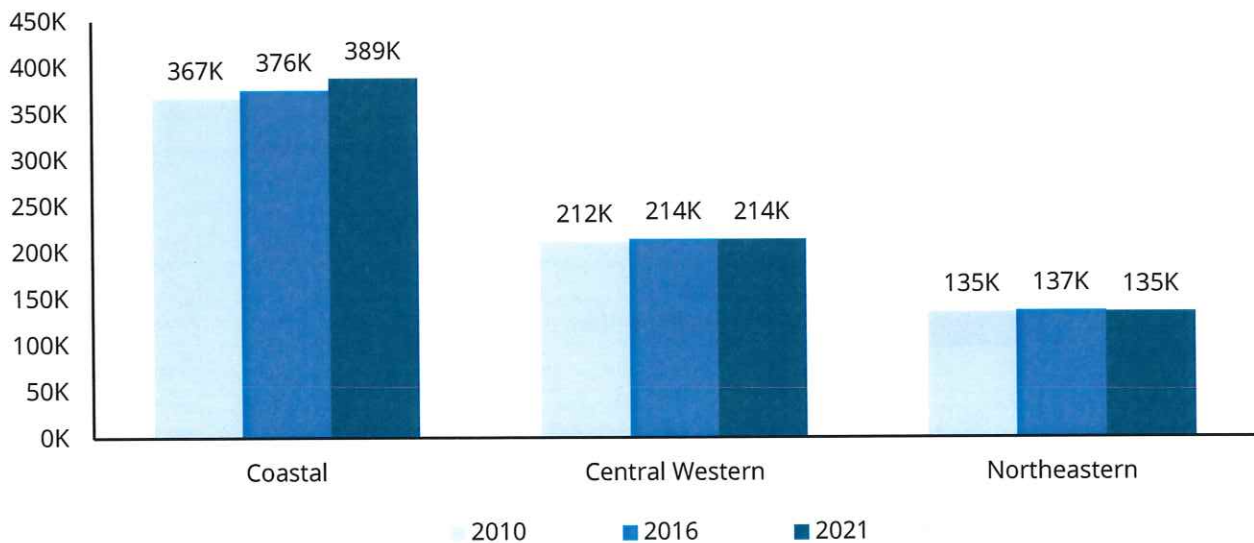


Source: National Housing Preservation Database 2021

*Housing Production*

**Overall housing production has lagged job growth over the past decade—particularly in the Coastal region.** All regions have gained significantly more jobs than housing units, with total housing inventory remaining essentially constant since 2016, with a slight decline in the Northeastern Region (Figure 16, Table 5). Job growth has been primarily concentrated in the Coastal Region, and while housing inventory there has grown modestly, the region has seen only 21,300 homes built relative to an increase of 39,334 jobs over the past decade (Table 5). The Northeastern region in particular has had modest job growth. However both the Northeastern Region and Central Western regions have availability rates of close to 2%, suggesting that limited housing supply may be impeding the ability of new workers to move to these regions to fill open positions.

**Figure 16: Total Housing Inventory by Region, 2010 - 2021**



Source: American Community Survey 5-Year 2021

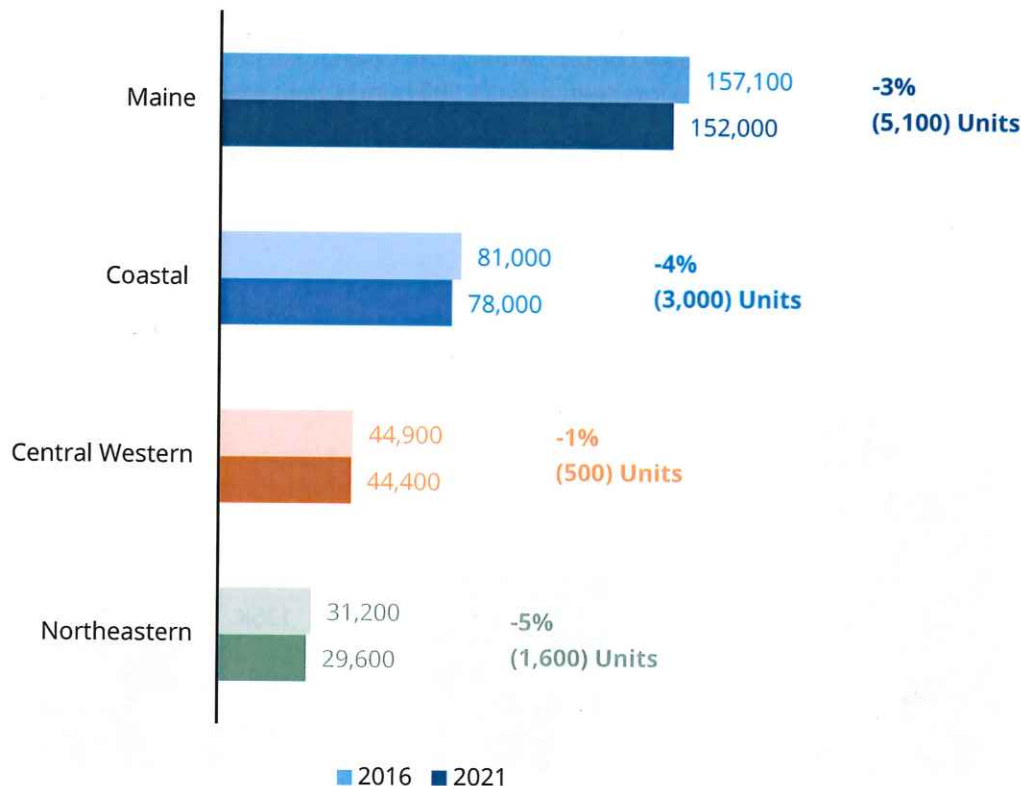
**Table 5: Net New Units versus Change in Employment and Job Listings**

	New / Lost Units 2010 -2021	New / Lost Jobs (2010 - 2022)	Change in Job Listings (2010 – 2022/23)	Availability Rate
Coastal	+21,304	+39,334	+13,144	2.1%
Central Western	+2,389	+5,791	+9,408	2.2%
Northeastern	(181)	+725	+2,583	3.0%

Source: American Community Survey 5-Year 2021, Bureau of Labor Statistics State Current Employment Statistics 2010, 2023 allocated using QCEW, Lightcast job listings 2010 , 2023

Notably, the state has experienced an overall decline in rental homes, with the greatest gross and percentage loss in the Coastal region of 3,000, or a 4% loss (Figure 17). This may be exacerbating labor force challenges for low and moderate wage jobs, which typically do not pay enough for workers to afford most homeownership options and thus rely heavily on rental housing.

**Figure 17: Renter Occupied Units by Region, 2016 - 2021**



Source: American Community Survey 5-Year 2021

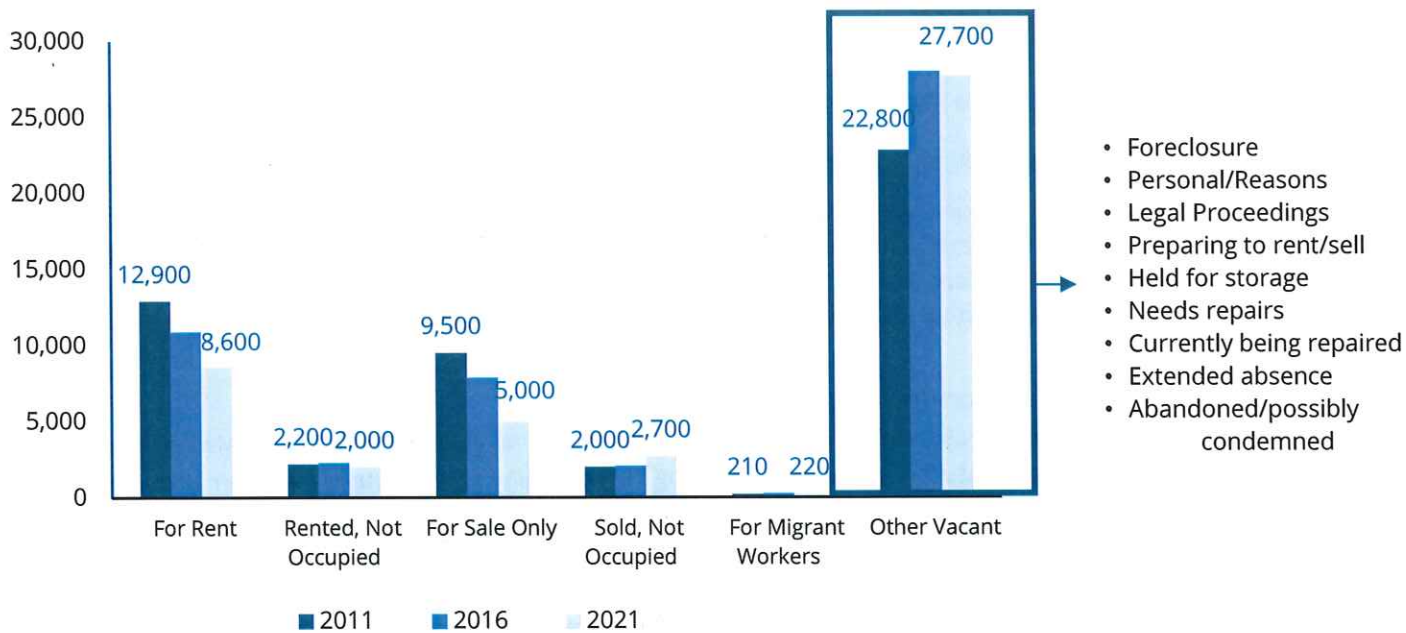
Moderate and low-density rental homes (single-family and 2-9 unit homes) in particular have declined in stock since 2016, with Maine seeing a loss of 4,800 single family homes (a 14% decline)

and 4,100 low-density (2-9 unit) homes (a 5% decline). These losses are concentrated among homes affordable to households earning 60 – 80% of AMI, which since 2016 have declined by over 3,500 single-family homes (a 33% decline) and almost 1,400 low-density homes (a 9% decline), although modest growth in higher density rental housing for low- and moderate-income renter households may have eased some cost pressures for renters.

*Vacant Housing Stock*

**Facing limited housing production relative to demand, some of Maine’s growing housing demand is being absorbed by vacant housing stock.** All regions have seen a decrease in vacant for-rent and vacant for-sale housing stock, meaning that there are increasingly limited available housing options for both renters and homebuyers (Figure 18). This scarcity increases competition for available homes and helps drive up prices. Simultaneously, Maine’s inventory of homes that are unavailable due to other conditions including foreclosure, repairs and family reasons, has increased by nearly 5,000 statewide since 2011, further reducing the available housing stock.<sup>20</sup>

**Figure 18: Vacant Housing in Maine, 2011 - 2021**



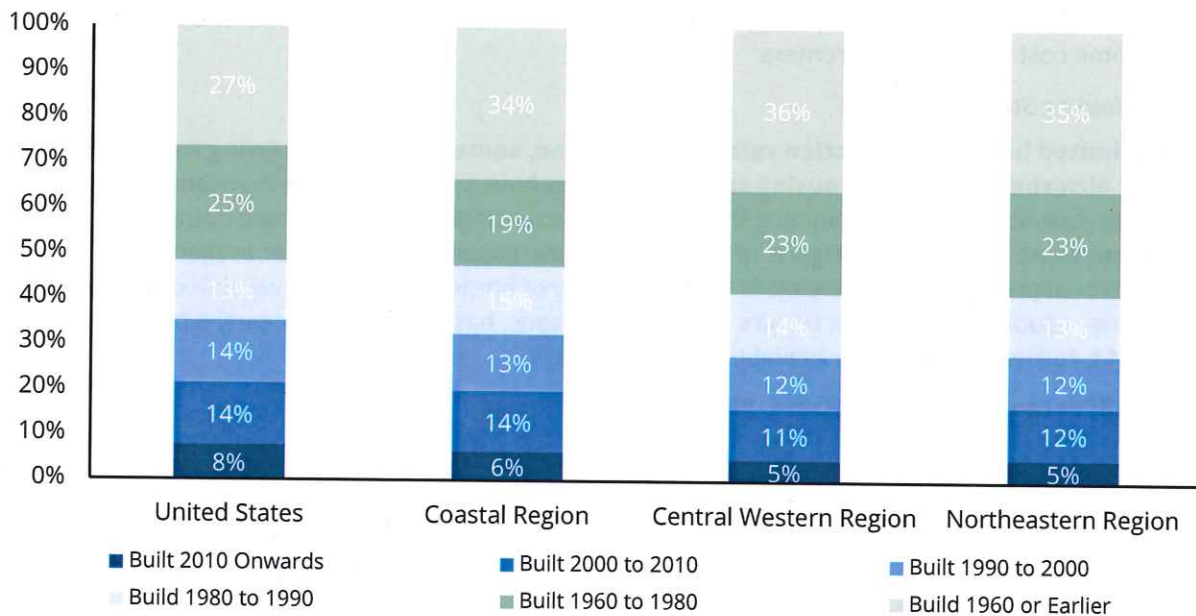
Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

Much of this need for repair and reinvestment is likely driven by Maine’s aging housing stock. Maine’s homes are older on average than the rest of the country, with homes built before 1960 making up around 35% of the housing stock in all regions, relative to 27% in the United States as a whole (Figure 19). This aging is particularly acute in the Central Western and Northeastern regions, where close to 60% of homes in 2021 were built before 1980.

<sup>20</sup> American Community Survey detailed vacancy breakdowns, including the share of Other Vacant housing in need of repair, are unavailable historically, limiting this study’s ability to directly assess changes in need for repair over time.



**Figure 19: Age of Housing Stock by Region, 2021**



Source: American Community Survey 5-Year 2021

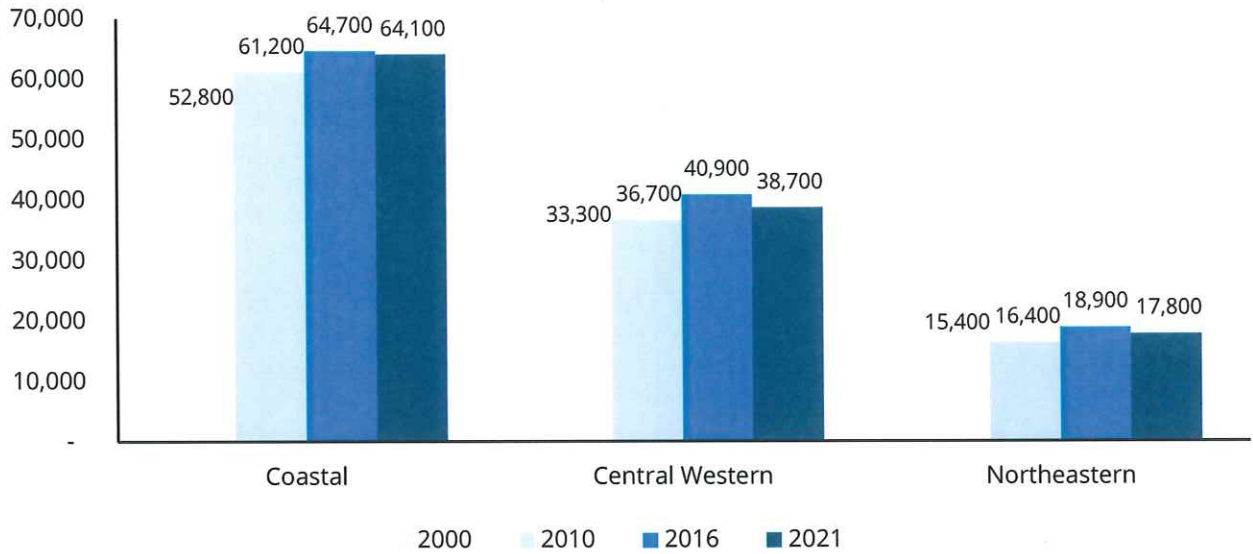
Both Maine's aging stock and increasing share of homes unavailable due to foreclosure, repairs and other reasons suggest that declining housing quality is a significant factor in Maine's housing availability challenges. However, data directly assessing housing quality in Maine is scarce, and further study will be needed to more accurately measure the extent of repair and reinvestment needed in Maine's housing stock.

#### Seasonal Homes and Short-Term Rentals

Maine's tourism and seasonal economy has also shaped its available housing supply. Maine has always had a high share of seasonal homes, representing 16% of Maine's total housing stock in 2021. The proportion of seasonal homes statewide has remained generally level, with a slight decrease from 124,500 homes in 2016 to 120,600 homes in 2021 (Figure 20). 85% of seasonal homes were concentrated in the Coastal and Central Western Regions, where seasonal housing makes up close to a fifth of the housing stock (Figure 21). In the Coastal Region, the share of seasonal housing remained consistent from 2000 – 2021 (Figure 22).

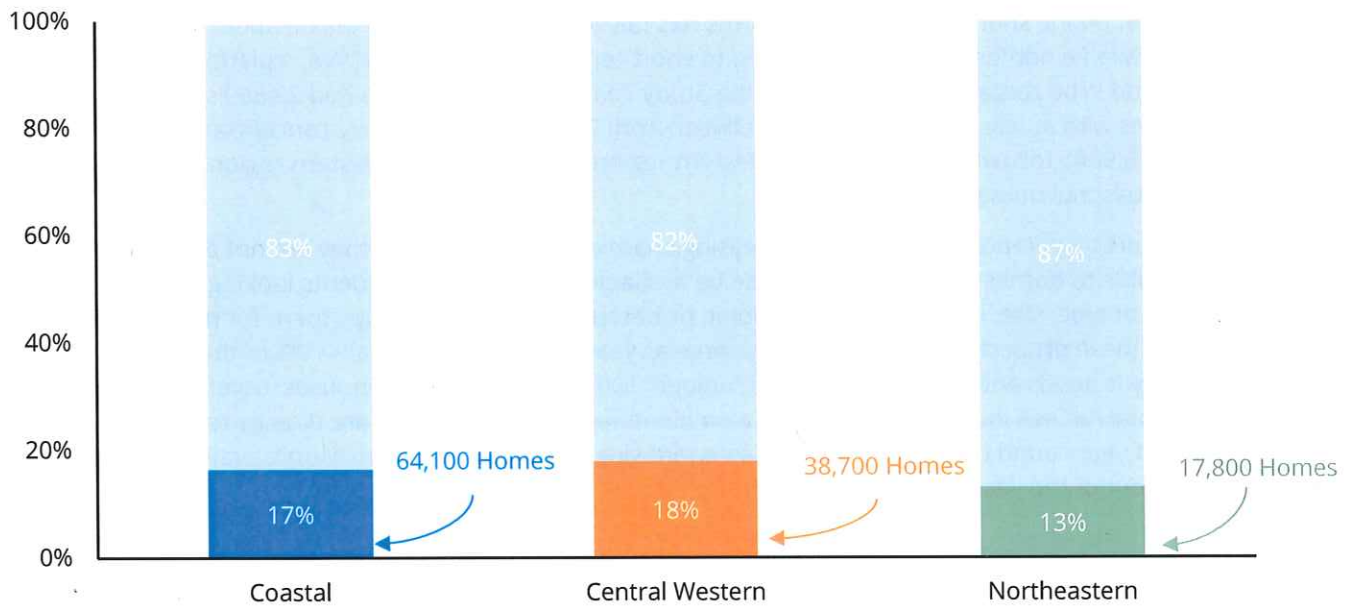
**The consistently high demand for seasonal homes means that Maine has historically required a higher number of homes relative to the number of year-round residents and available jobs than states with lower seasonal demand.**

**Figure 20: Seasonal Homes Over Time by Region, 2000 - 2021**



Source: Decennial Census 1990 - 2021

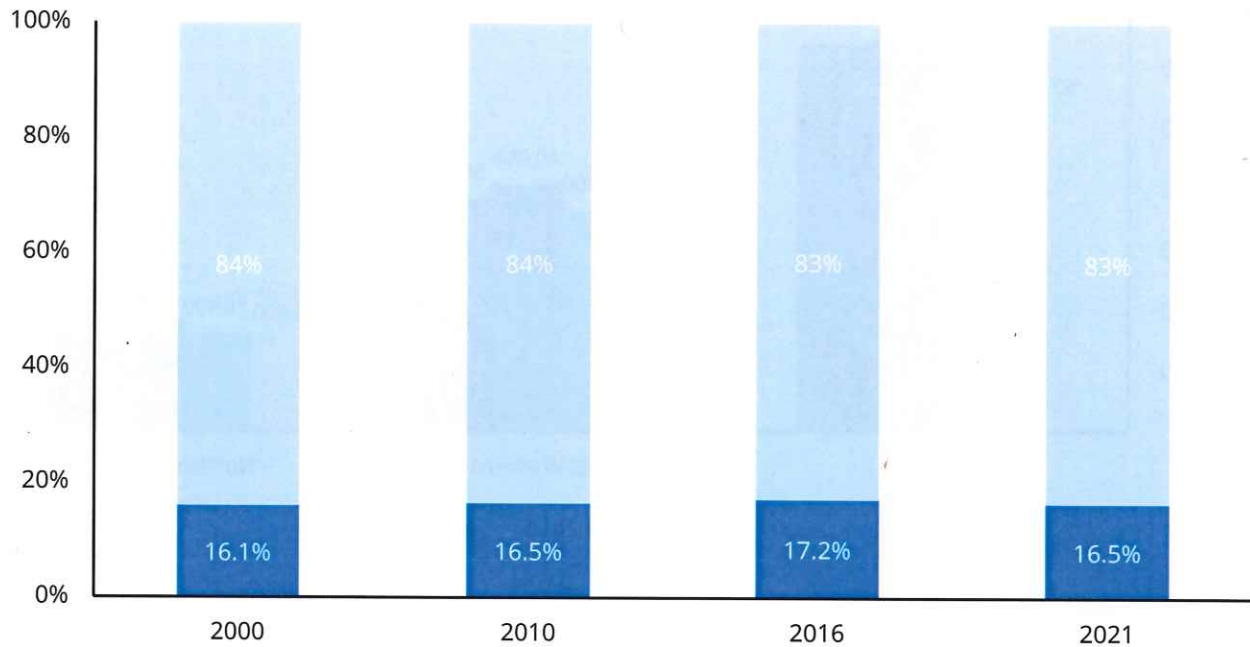
**Figure 21: Seasonal Housing as Share of Total Homes by Region, 2021**



Source: American Community Survey 5-Year 2021



**Figure 22: Seasonal Housing As Share of Total Homes Over Time in the Coastal Region, 2021**



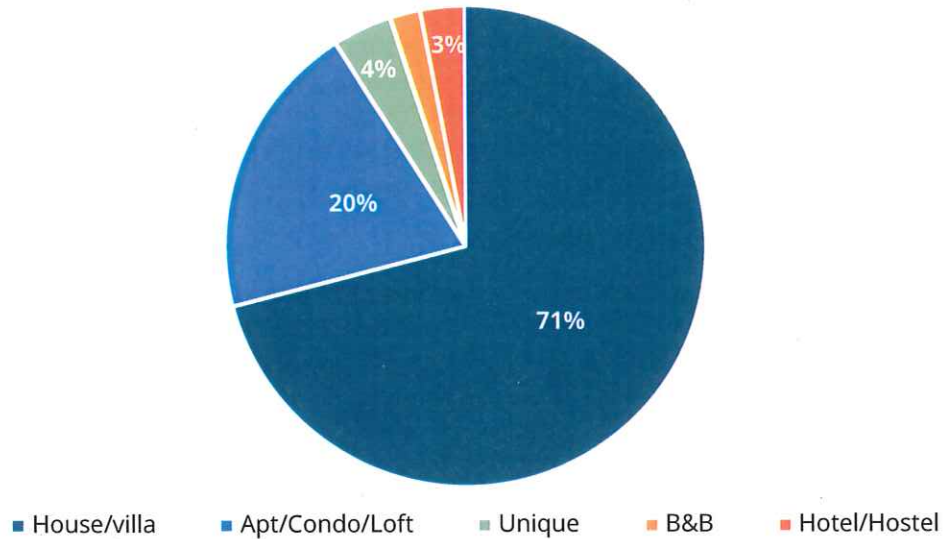
Source: American Community Survey 5-Year 2000, 2010, 2016, 2021.

The rise of online short-term rental platforms has raised some concerns in Maine about the extent to which available homes are being converted to short-term rentals. Using AirDNA, a platform tracking Airbnb and Vrbo rentals across the state, the Study Team found that Maine had 23,859 short-term rental properties with at least one reservation between April 2022 and 2023, largely concentrated in the Coastal region (16,904), followed by the Central Western region (5,014) and Northeastern region (1,941), about 20% of seasonal homes overall.<sup>21</sup>

While short-term rentals make up an increasing share of seasonal homes, they are not always directly comparable to homes that might otherwise be available to year-round residents looking for housing because of type, size, location and price point, or because the owners occupy them for part of the year. Many of these properties would not viably serve as year-round housing at all— 9% of the AirDNA inventory is hotels and hostels, B&Bs, and “unique” listings (e.g., tents, treehouses, caves, etc.) (Figure 23). Of the total AirDNA inventory, the Study Team identified 57% percent that are directly relevant to the supply of year-round homes—defined as an entire single family or multifamily unit, available more than 3 months out of the year.

<sup>21</sup> Note that the count of overall seasonal homes will likely incorporate most full-time short-term rentals, and may exclude short-term rentals that are used as a primary residence most of the year.

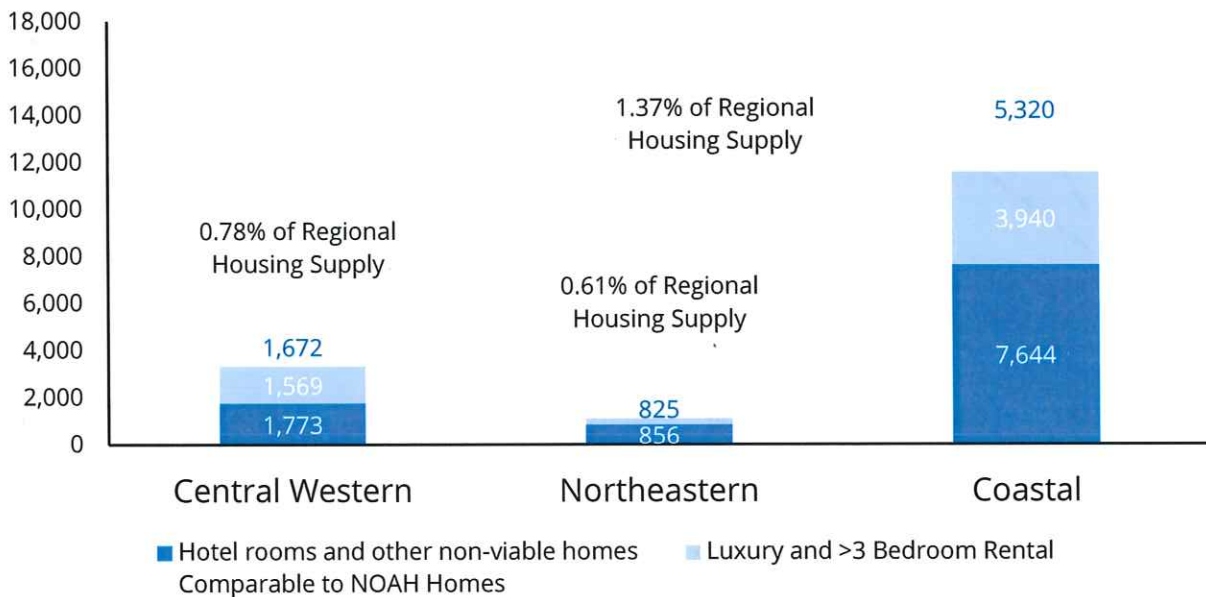
**Figure 23: Short-Term Rentals by Typology, April 2022 - 2023**



Source: AirDNA 2023. All properties with at least one reservation in the past year.

Further, not all short-term rentals would be available at a price point affordable to the median renter if offered on the private market, whether due to size, location, or high-end design. Excluding luxury rentals and rentals with more than 3 bedrooms from the data, the Study Team found that about 33% of the short-term rental stock is reasonably comparable to naturally occurring affordable housing (NOAH) on the market based on size and quality. In each region, the total number of current short-term rentals that meet this criteria range from just 0.6% to 1.4% of the total housing supply (Figure 24).

**Figure 24: Short-Term Rental Inventory by Region, 2021**



Source: AirDNA 2021

Concentration of short-term rentals is notably varied across the state, however, and conversion to short-term rental units may be putting more significant pressure on housing markets in areas with a high concentration of seasonal homes and heavy tourist demand, or in locations where this is a small number of homes overall. In Hancock County, for example, active short term rental inventory made up close to 10% of the total housing stock, and those that might otherwise be comparable to NOAH housing<sup>22</sup> made up about 3% of the total stock. In Lincoln and Franklin Counties, short-term rentals made up just over 6% of the total housing stock, and those comparable to NOAH housing made up 2.5% and 1.76% of the total stock, respectively. For breakdown of short-term rental inventory by county, see Appendix Page 6.

## Housing Availability and Affordability

The demand-side and supply-side trends described impact both **affordability** and **availability** in Maine's housing market, making it difficult for Mainers to find available housing that they can afford, especially in the Coastal region. Improving this will require aligning housing supply with the amount, type and location of homes needed by Maine's existing and future households.

### Rental Affordability

Median rent for a 2-bedroom unit, utilities included, has historically been unaffordable in Maine, meaning that the median rent across the state exceeded the rent affordable to the median renter (under a standard definition set by HUD, rent is considered "affordable" when it does not exceed 30% of monthly income) (Figure 25). Between 2016 and 2021, Maine saw a significant uptick in median rents, along with rising median incomes, a trend that has occurred nationally.

**Figure 25: Rental Affordability in Maine, 2000 - 2020**



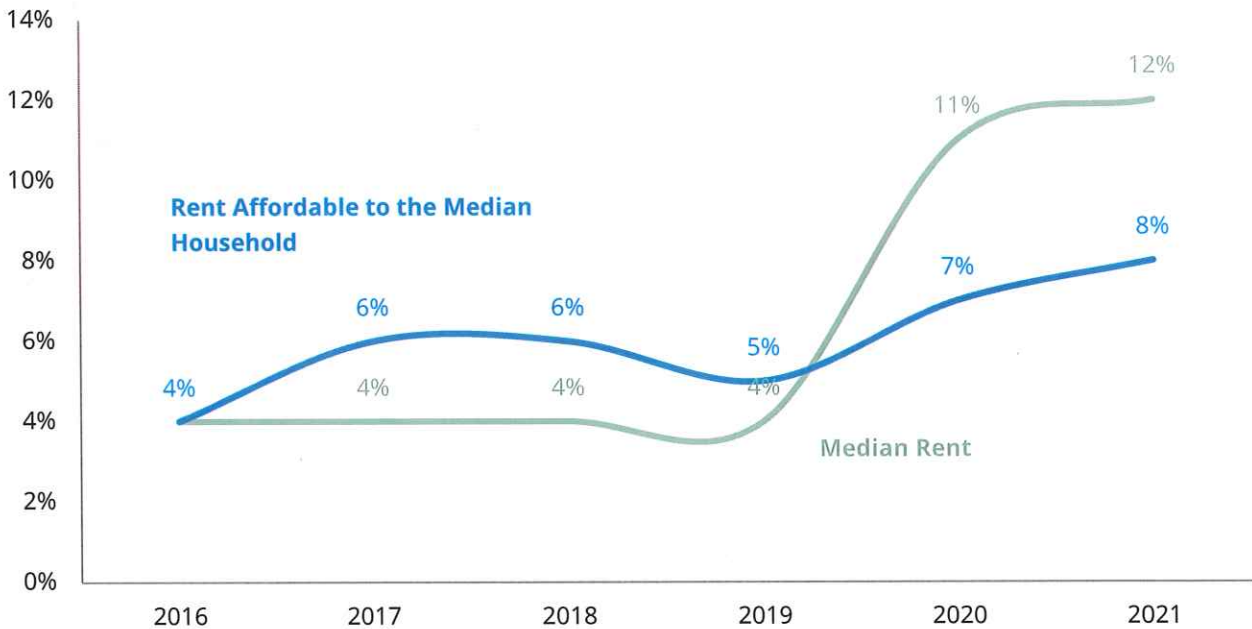
Source: MaineHousing Rental Affordability Index

<sup>22</sup> Luxury units and large homes with over 3 bedrooms removed.



Rental affordability has been an increasing challenge in recent years. In many places, rents have increased more quickly than wages. Rent in the Portland MSA increased by 12% in 2021 while renter household incomes increased by about 8%; before the Covid-19 pandemic, renter wages were increasing faster than rents in the Portland MSA (Figure 26). Recent inflation in the rental housing market has likely exacerbated this trend.

**Figure 26: Portland MSA Median Renter Income Versus Median Rent, Year Over Year Percent Change, 2016 - 2021**

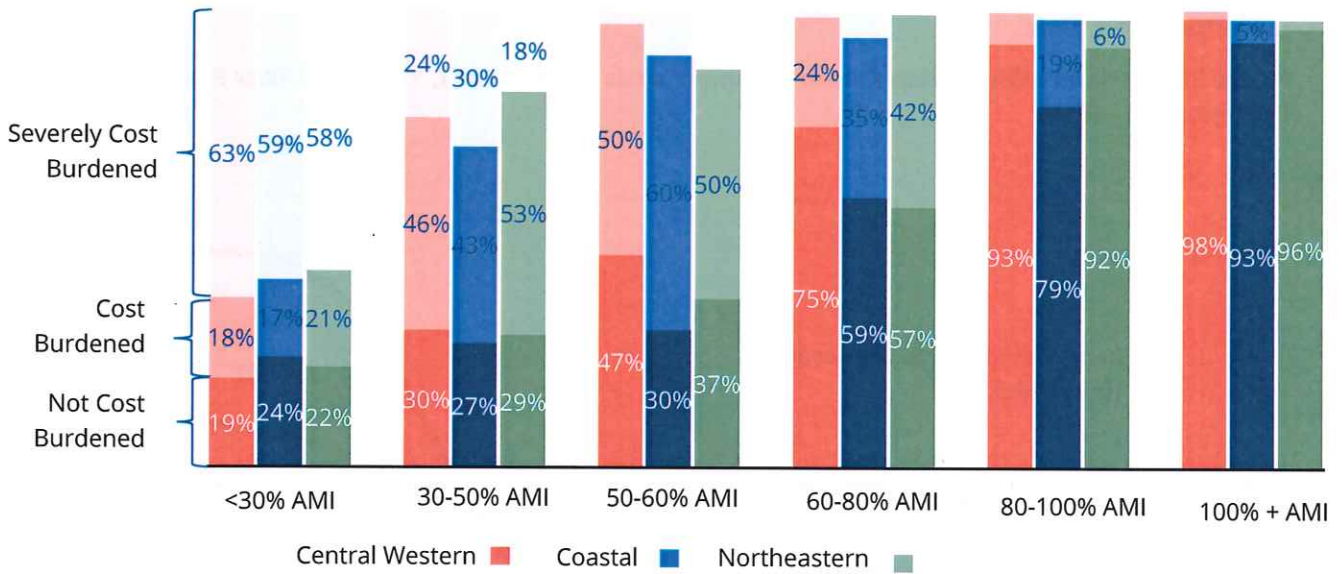


Source: American Community Survey 5-Year 2021, Zillow 2023

In the Augusta area, rents have been increasing faster than median renter household incomes since 2017; in 2020, however, the median renter income fell by close to 2% while rents continued to rise by 9%. In 2021, rents rose by 14%, close to twice as fast as median renter income, which rose by 8%. The Bangor area, which prior to 2021 had seen faster income growth than rent growth, saw rents rise by 12% in 2021 relative to median renter income growth of only 4%.

The majority of renter households below 60% of Area Median Income (AMI) are cost burdened in Maine (Figure 27). This held steady from 2016 to 2021, with a modest decline in cost burden for the lowest income renters, who may be supported by new subsidized affordable housing development (see Appendix Page 7). Renters in the Coastal Region experience the highest rates of cost burden, with the exception of the lowest income renters, around 80% of whom are cost burdened or severely cost burdened across all three regions.

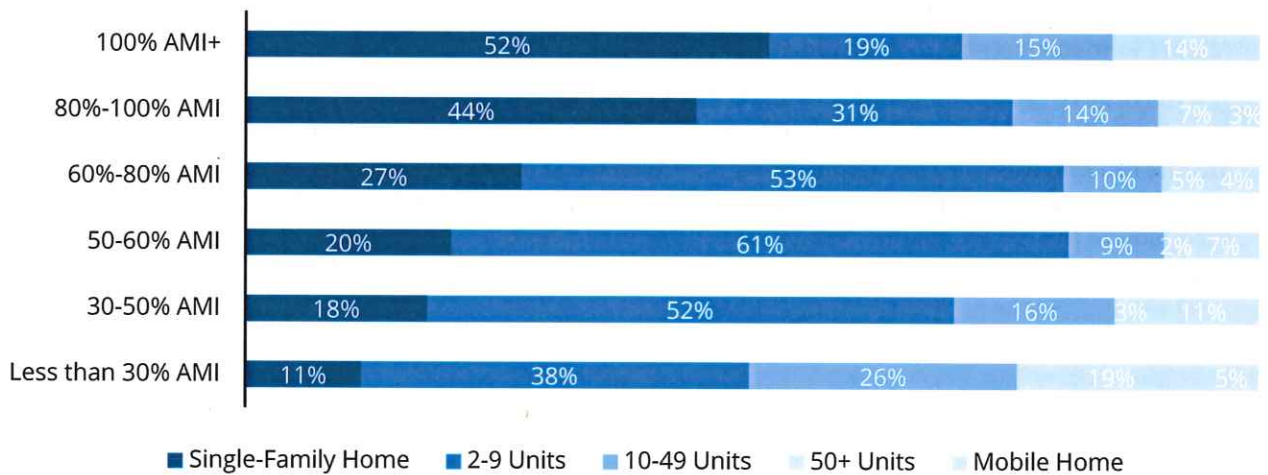
**Figure 27: Share of Renters Cost Burdened by Region, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

Throughout the state, moderate and lower density building types support affordability for renter households making less than 80% of AMI (Figure 28). While single family rentals tend to be affordable to households making more than 80% of AMI across the state, over 60% of the homes affordable to renter households making less than 50% AMI are in moderate density rental buildings, or those with between 2 and 49 rental units.

**Figure 28: Rental Housing Types Affordable by Income Bracket in Maine, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

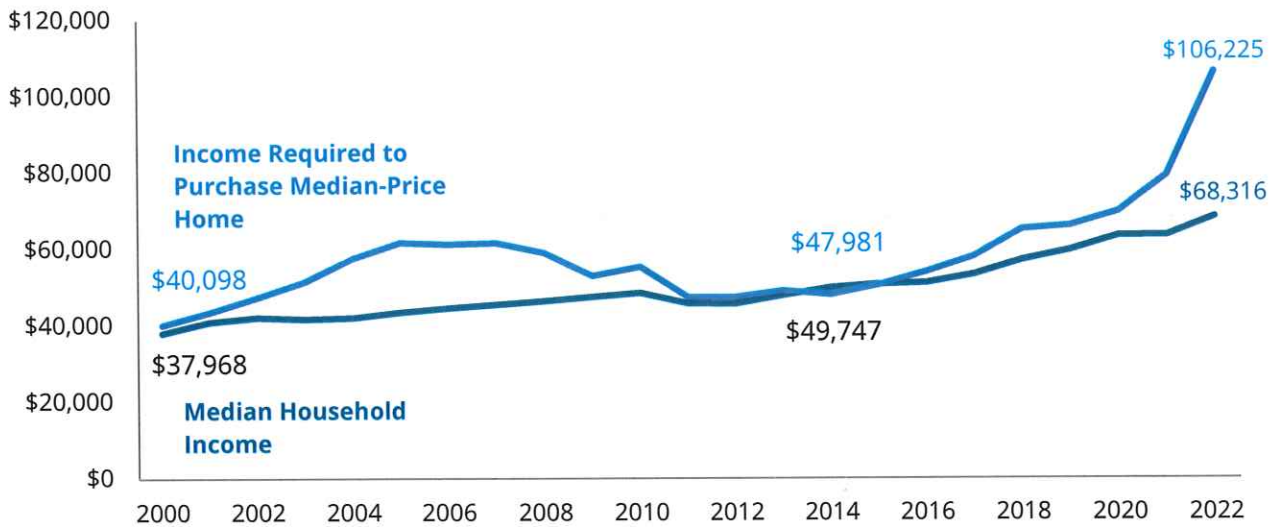
Housing affordability by building typology and region are not all consistent with statewide data. The Coastal region has a distribution most similar to the state, while the Central Western and Northeastern regions have a higher share of 10 or more unit homes affordable to homes over 100% AMI. The Central Western region also has a notably higher proportion of mobile homes across all income levels. A full breakdown of regional housing distribution by Area Median Income can be found in Appendix Page 7.

*Homeownership Affordability*

Until recently, Maine had a relatively affordable homeownership market, meaning the cost of purchasing a home has been relatively aligned with the purchasing capacity of the median household. Purchasing a home is considered affordable to a household if the costs of ownership, including a mortgage, property taxes, and insurance, do not exceed 30% of total household income.

**In recent years, however, the demand- and supply-side drivers described above, in addition to macroeconomic trends such as rising interest rates, have caused a significant divergence between the income needed to purchase a home in Maine and the actual median income of Mainers, who now need to make over \$100,000 annually to afford the median home price (Figure 29).**

**Figure 29: Purchasing Capacity Over Time, 2000 - 2022<sup>23</sup>**



Source: *MaineHousing 2022*

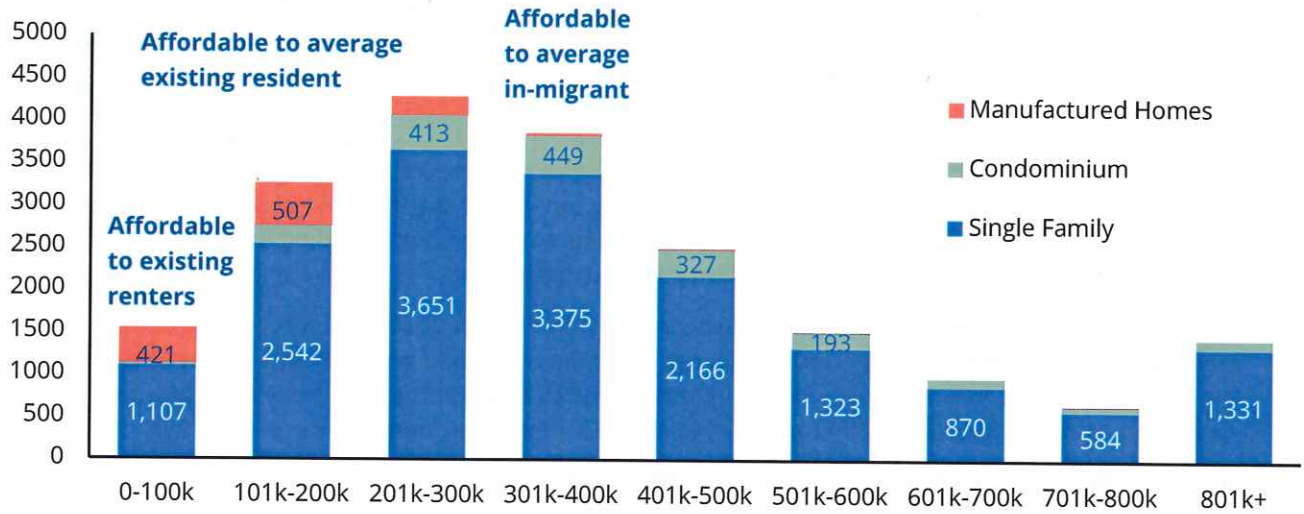
Home sales prices since 2022 have been concentrated in the \$200,000 - \$400,000 range. As of July 2023, the median sales price in the state was \$387,400, a 9% increase from the prior year and a 63% increase from July 2019<sup>24</sup>. These prices are generally relatively affordable to in-migrants, who are on average higher income than existing residents, but mostly unaffordable to the average existing resident in Maine, and even less so to the average existing Maine renter (Figure 30). Given Maine’s historic affordability, it is likely that higher income existing and new homeowners are “underhoused” or buying down market, increasing competition for moderate income homebuyers.

<sup>23</sup> Purchasing capacity over time is provided based on Maine Housing Methodology, which uses average property tax rate by county and assumes 28% as the cost burden threshold.

<sup>24</sup> Redfin 2023.



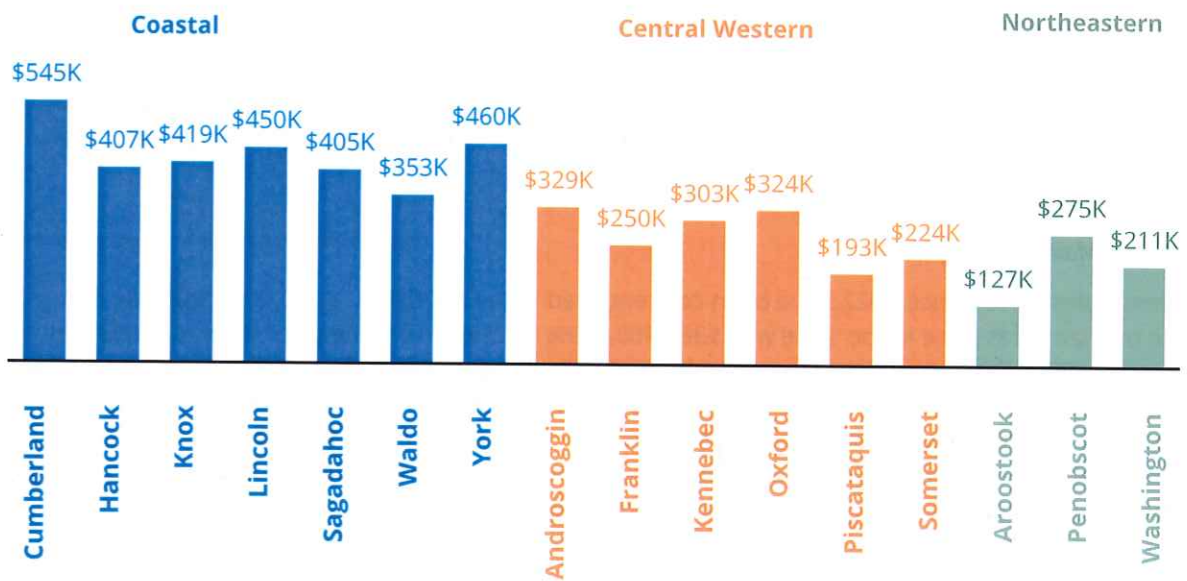
**Figure 30: Maine Home Sales by Price Point, 2022 - 2023**



Source: Maine MLS Data 2023, Internal Revenue Service 2021, American Community Survey 5-Year 2021

Home sale prices vary significantly by region and are highest in the Coastal Region, particularly in Cumberland and York Counties, with an average sale price of \$434,000 (Figure 31). The median home sale price in the Northeastern and Central Western Regions are \$204,000 and \$270,000 respectively in 2023.

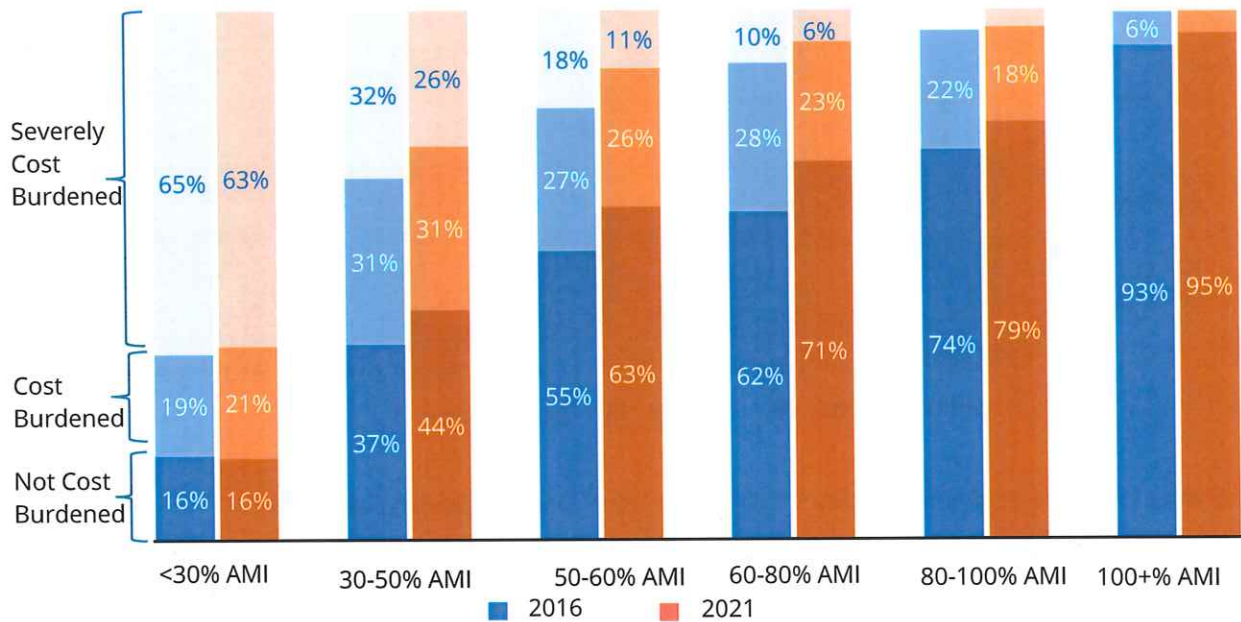
**Figure 31: Median Home Sales Price by County, 2023**



Source: Redfin 2023

Despite the historic affordability of the homeownership market, 20% of homeowners still experienced cost burden in 2021, a 4% decrease from 2016 (Figure 32). Cost burden for homeowners remained level from 2016 to 2021 for the lowest income households but decreased for all other income groups. Given data limitations on measuring cost burden in real-time, *this likely does not fully capture the impact on cost burden of the most recent home price increases.*

**Figure 32: Share of Owners Cost Burden Over Time in Maine, 2016 – 2021**

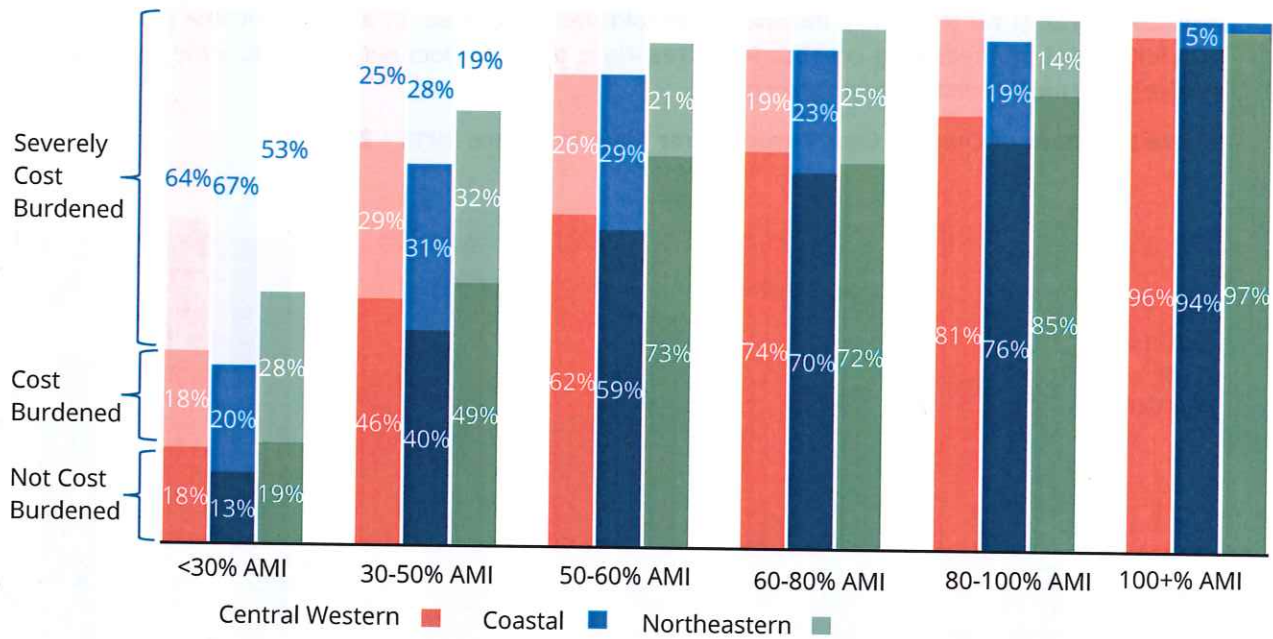


Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

Notably, very low-income homeowners have experienced very high-cost burden rates, even more than renters of the same income. This may be partially driven by Maine’s large senior homeowner population; **senior homeowners in Maine tend to be lower income than other households and rely on fixed incomes, and in aggregate face higher rates of cost burden.**

Regionally, owner cost burden rates are highest in the Coastal Region, likely due in part to significantly higher home values (Figure 33).

**Figure 33: Share of Owners Cost Burdened by Region, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

Overall, the availability of homes in Maine is declining while costs relative to incomes are rising. This crunch in the housing market is being driven by demand-side shocks including sudden in-migration and need for additional workers to support Maine's economy, and supply-side pressures including limited housing production and a rising number of homes in need of reinvestment due to poor condition. To improve housing availability and affordability for Mainers, Maine will need to increase housing production and reinvestment aligned with the amount, type and location of housing needed by both existing and future households.



## How many homes does Maine need today?

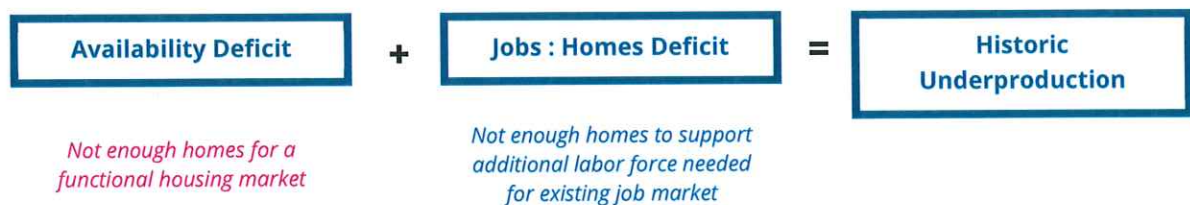
Quantifying how many homes Maine needs today to improve both **availability** and **affordability** for Mainers requires measuring how many homes *should have* been built or reinvested in in recent years (historic underproduction) to support population and job growth with stable availability. Addressing this historic underproduction is a State policy priority that aims to ensure affordability for all Mainers while supporting the economic health of the State. **In some areas of the state, addressing historic underproduction might reflect the need for new homes to address population and economic growth, while in other areas of the state that have not seen significant population growth, this may reflect the need to invest in or replace aging housing stock that is deteriorating past its useful life.**

If the existing housing deficit continues to grow, Maine will struggle to support economic growth or maintain its existing economic activity, and it will become increasingly difficult and costly to address affordability challenges for low- and moderate-income residents. Existing residents with changing housing needs won't have the flexibility to move within their existing housing markets. Lack of homes will also inhibit the growth of Maine's labor force and economy, which could pull from out of state if there were sufficient places for new residents to live. Aligning housing development with economic and demographic trends will help support Maine's economy and stabilize housing prices for existing residents.

### Historic Underproduction

Historic Underproduction includes two components: the **availability deficit** and the **jobs : homes deficit**. The combination of these two measures is intended to capture both the homes needed now to support healthy availability for existing households, as well as homes that would support households to move to Maine and fill unfilled jobs. These deficit measures, defined in Figure 34, are based on the State's economic targets<sup>25</sup>.

**Figure 34: Components of Historic Underproduction**



#### Availability Deficit

The "availability deficit" measures the additional homes needed to create a healthy level of availability in the housing market overall, with "true availability" representing homes that are vacant and available to live in. This designation is a key component of the analysis, as not all homes that are defined as "vacant" are available to be lived in. Availability rate is an important characteristic in a housing market as it allows flexibility in housing choice. A 1:1 household to unit ratio with zero availability would make it almost impossible for existing households to move and could not accommodate any growth in households.

<sup>25</sup> The State Department of Labor targets an unemployment rate of 3.5% and a job openings rate of 3.0%.

Measuring “true availability” requires an understanding of how vacancy is measured. There are many different types of vacant units, some of which are not available to be occupied by households looking for a home because they are seasonal homes, in foreclosure, or in need of repair, for example.<sup>26</sup>

The Study Team measures “true availability” as the number of vacant for-sale and for-rent homes in the market; in other words, homebuyers and prospective renters could access these homes when they need to move (Figure 35).

**Figure 35: Vacant Housing Stock Composition**



**Across the state of Maine, the availability rate has plummeted to 2.3% on average, well below what is often considered to be a healthy rate of 5%.** This is true for all regions in Maine (Figure 36). These low availability rates indicate a general housing shortage that is putting pressure on regional housing markets due to lack of available homes.<sup>27</sup>

<sup>26</sup> High level Vacancy categories in the American Community Survey includes Seasonal Homes, Other Vacant, rented or sold not occupied, for migrant workers, vacant for rent and vacant for sale.

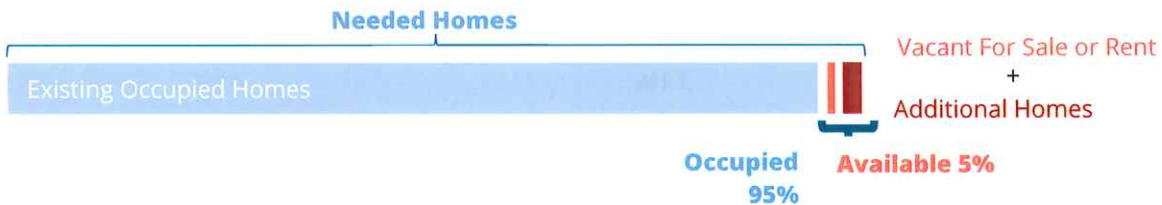
<sup>27</sup> The true availability rate is taken as a percentage of total homes, where total homes are calculated as occupied renter homes, occupied owned homes, vacant for rent and vacant for sale. The true availability is then calculated as the percentage of vacant for rent and vacant for sale of the total homes.

**Figure 36: Available and Occupied Housing Stock by Region, 2021**



The Study Team calculated the homes needed in each region to achieve a target availability rate of 5%, which would support broader affordability and availability for all Mainers (Figure 37).

**Figure 37: Housing Stock including Target Availability Rate**



Based on this target availability rate, the Study Team estimates that an additional **16,500 homes** are needed in Maine now to create a healthy rate of availability for existing residents (Table 6).

The need varies significantly by region and is the greatest in the Coastal Region – with about 9,300 units needed to address the availability deficit. The Central Western and Northeastern regions have lower availability needs at 4,900 and 2,300 respectively, reflecting lower populations and higher availability in the Northeastern Region.

**Table 6: Homes Needed to Meet Regional Availability Deficit**

Region	Units
Coastal Region	9,300
Central Western Region	4,900
Northeastern region	2,300
<b>Statewide</b>	<b>16,500</b>



### Jobs : Homes Deficit

The “jobs : homes” deficit component of Historic Underproduction in Maine was developed by the Study Team to measure the number of additional homes needed to house a labor force that can support Maine’s current economy. This homes deficit is calculated using two components:

1. Deficit resulting from a tight labor market (based on a target unemployment rate)
2. Deficit resulting from unfilled job openings (based on a target job openings rate)

In collaboration with the Department of Labor and based on the State’s labor market goals, the Study Team used a **target unemployment rate of 3.5%** and a **target job openings<sup>28</sup> rate of 3.0% in this analysis.**<sup>29</sup>

The unemployment rate reflects the percentage of the workforce that is unemployed at any given time; these individuals are available to fill unfilled positions and are important for supporting a healthy labor market. The job openings rate is the share of unfilled jobs within the overall job market. Every region in Maine has an average annual unemployment rate, measured based on employment trends from May 2022 – April 2023, lower than the target 3.5%. Measured rates range from 2.4% in the coastal region to 3.1% in the Northeastern Region. The job openings rate for all regions exceeds DOL’s target rate of 3.0%, ranging from 4.4% in the Northwestern Region to 9.2% in the Central Western Region (Table 7).

**Table 7: Existing Unemployment and Job Openings by Region**

	<i>Unemployment Rate</i> <i>(Avg May 2022 – April 2023)</i>	<i>Job Openings Rate<sup>30</sup></i> <i>(Avg May 2022 – April 2023)</i>
<i>Coastal Region</i>	2.4%	6.1%
<i>Central Western Region</i>	2.9%	9.2%
<i>Northeastern Region</i>	3.1%	4.4%
<b>Statewide</b>	<b>2.7%</b>	<b>6.5%</b>

**Unemployment and job openings targets are meant to bring labor supply and labor demand in the state into better balance to support a healthy economy and ensure economic opportunity for all Mainers.**

- **Unemployment Rate** The target unemployment rate of 3.5% is reflective of a full employment economy in which the overwhelming majority of people who want a job have one. In a full employment economy, a small share of the labor force is experiencing unemployment, which is often transitional. This might include people searching for a job because they have recently entered or re-entered the labor force, people who may be seeking to change careers or those who recently completed an educational or training program and are seeking a job that aligns with their skills and preferences.

<sup>28</sup> Job Openings Rate is defined as the percent of job openings in the labor market over the sum of total jobs and job openings.

<sup>29</sup> Measurements of unemployment and job listings are based on annual averages to account for seasonal changes in the workforce.

<sup>30</sup> Calculated using Job Openings and Labor Turnover Survey gross numbers and allocating to regions based on proportion of Lightcast data job openings over a one year period.

- **Job Openings Rate** A target job opening rate of 3.0% reflects a labor market in which most of the labor demand in the state is met and there is a healthy balance between available job opportunities and the number of unemployed job seekers throughout the state. Job openings similarly capture labor market transitions where some employers are growing and seeking to expand their staff levels while many others are seeking to fill an available job opening due to replacement needs because the incumbent job holder has retired, accepted a promotion, switched careers, or otherwise left a job.

Better aligning job openings with unemployment requires additional workers to fill those jobs, and with a low unemployment rate, many of those workers will need to come from out of state. **Without homes that can accommodate those additional households at a price point they can afford, Maine will continue to struggle to sustain healthy labor market conditions, which will harm local businesses.**

The job openings rate is 6.5% statewide on average over the last year and is down from a pandemic level high of 8.1% in 2021<sup>31</sup>, but remains elevated compared with pre-pandemic averages. Since March 2022, the Federal Reserve has raised interest rates to reduce inflation, which had reached a 40 year high of 9.1% in June of 2022<sup>32</sup>. Due to these ongoing changes, the Study Team has selected an alternate base conditions job openings rate that reflects an elevated condition to the pre-pandemic average, but not as severe as the current measurements reflected by the May 2022 – April 2023 average (Table 8).

**Table 8: Job Openings Rates for Historic Conditions, Existing Conditions and Modified Near-Term Conditions**

	<i>Job Openings Rate<sup>33</sup>(Avg May 2022 – April 2023)</i>	<i>Job Openings Rate 5-year Regional averages (2015- 2019)</i>	<i>Job Openings Rate Midpoint</i>
<i>Coastal Region</i>	6.1%	4.5%	<b>5.3%</b>
<i>Central Western Region</i>	9.2%	4.4%	<b>6.8%</b>
<i>Northeastern Region</i>	4.4%	4.0%	<b>4.2%</b>
<i>Statewide</i>	6.5%	4.4%	<b>5.5%</b>

To calculate the number of homes needed to support this target scenario, the Study Team measured the additional workers needed to achieve these target labor market conditions. This number represents the additional workers necessary to reduce the job openings rate and support an employment rate reflective of a full employment economy. See Figure 38 for the Coastal Region example.

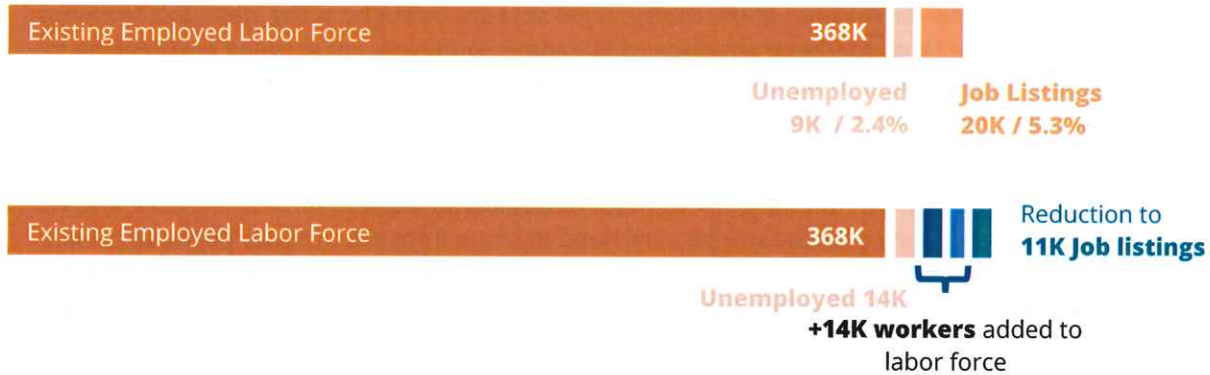
<sup>31</sup> JOLTS Seasonally Adjusted July 2021

<sup>32</sup> TED: The Economics Daily. (2022). Consumer Prices up 9.1 percent over the year ended June 2022, largest increase in 40 years. BLS

<sup>33</sup> Calculated using Job Openings and Labor Turnover Survey gross numbers and allocating to regions based on proportion of Lightcast data job openings over a one-year period.



**Figure 38: Existing and Target Labor Force Conditions: Coastal Region Example**



Based on the resulting workers needed, the Study Team measured the number of homes needed to accommodate this additional labor force. The Study Team applied a jobs : homes ratio to these numbers by region, which is based on the existing jobs : homes ratio but with a 5% availability rate. By incorporating all occupied homes, this ratio accounts for working, non-working and unemployed populations, and the number of jobs supported by one home, taking into account a 5% market availability rate. Figure 39 reflects an example ratio of 1.15, indicating that in the Coastal Region, one home for every 1.15 jobs would incorporate a healthy availability rate.

**Figure 39: Jobs : Homes Ratio Calculation for the Coastal Region**



The Study Team calculated this ratio for each region and used it to measure the homes required to house the additional workers needed by region. See Figure 40 for the Coastal Regional example.

**Figure 40: Homes Needed to Support Target Workforce Conditions: Coastal Region Example**



Based on this analysis, the additional labor force needed to support Maine’s existing economy is approximately **24,100 workers**, who would require **22,000 additional homes** statewide to account for a healthy availability rate. Accounting for regional differences in labor force needs, there is a shortage of 11,900 homes in the Coastal Region, 8,100 homes in the Central Western Region and 2,000 homes in the Northeastern Region (Table 9).

**Table 9: Workers and Homes Needed to Address Jobs : Homes Deficit**

	<i>Required Workers</i>	<i>Target Jobs Housing Ratio</i>	<i>Additional Homes Needed</i>
<i>Coastal Region</i>	13,700	1.15	11,900
<i>Central Western Region</i>	8,400	1.03	8,100
<i>Northeastern Region</i>	2,000	1.01	2,000
<b>Statewide</b>	<b>24,100</b>		<b>22,000</b>

Economic and labor force conditions are constantly changing, and the State will have to monitor labor force conditions and make adjustments to the target rates as needed to support evolving goals.

Including both historic underproduction and the jobs : homes deficit, **Maine needs 21,200 homes in the Coastal Region, 13,000 homes in the Central Western Region, and 4,300 homes for the Northeastern region (Table 10).**

**Table 10: Historic Underproduction by Region, 2021**

<i>Region</i>	<i>Availability Deficit</i>	<i>Jobs : Homes Deficit</i>	<i>Total Historic Underproduction</i>
<i>Coastal</i>	9,300	11,900	21,200
<i>Central Western</i>	4,900	8,100	13,000
<i>Northeastern</i>	2,300	2,000	4,300
<i>Maine</i>	16,500	22,000	38,500

## Income Distribution

In addition to the number of homes that Maine needs to sustain and grow its economy, it is important to measure the cost of the homes needed to support affordability in the market. The Study Team allocated both the availability deficit and the jobs : homes deficit by price point as an example of how production targets can be distributed, however, regional and local planning work will need to be done to further allocate the housing types and price points that will support affordability.

The Study Team calculated affordable monthly rent by income based on a monthly housing cost burden of 28%, including a utility allowance using the average of Statewide HUD utility allowance schedules<sup>34</sup>. The Study Team calculated affordable home purchase price including monthly mortgage payments, property taxes, utilities and insurance (Table 11).

<sup>34</sup> MaineHousing's Affordability Index measures affordability at 28% of monthly household income.

**Table 11: Affordable Rent and Home Prices by Income Group, 2023**

<i>Income Range</i>	<i>Affordable Monthly Rent<sup>35</sup></i>	<i>Affordable Home Price</i>
<i>Less than 20K</i>	< 80	N/A
<i>20K - 35K</i>	81 – 430	< 36,500
<i>35K - 50K</i>	431 – 780	36,501 – 90,700
<i>50K - 75K</i>	781 – 1,360	90,701 – 180,900
<i>75K- 100K</i>	1,361 – 1,950	180,901 – 271,200
<i>100K - 150K</i>	1,951 – 3,110	271,201 – 451,700
<i>150K+</i>	3,111 +	451,701 +

**Availability Deficit Income Distribution:**

The availability deficit impacts all households as people seek to move. This may include those who are hoping to downsize to age in place, those who have growing households, households with a change in income and desire to relocate because of it, households with a change in job location, and other reasons for relocation. One way to view the allocation of this deficit is to distribute it across the income distribution of the region (Table 12).

**Table 12: Existing Household Income Distribution**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<i>Less than 20K</i>	11%	16%	18%
<i>20K - 35K</i>	11%	15%	17%
<i>35K - 50K</i>	11%	15%	14%
<i>50K - 75K</i>	18%	18%	18%
<i>75K- 100K</i>	15%	13%	13%
<i>100K - 150K</i>	18%	14%	13%
<i>150K+</i>	16%	8%	8%

A limitation of this methodology is that it does not fully capture greater need at low- and moderate-income levels. Low- and moderate-income households are more constrained in their choices and more likely to pay more than they can afford in housing costs. It is important to increase the availability of homes at different price points, with an emphasis on homes that are affordable to lower income

<sup>35</sup> Apartment unit monthly rents were calculated assuming 28% of income towards housing expenses less utility allowance. Utility allowance was calculated using HUD schedules assuming a 2 bedroom garden apartment unit.



households. Methods of reallocation to address the need at lower income levels may vary by geographic region and respond to specific needs of certain areas of the state. Adjustment to lower incomes should account for what proportion of the population within which income groups is the highest cost burdened for both renters and homeowners. Methods that include this factor will have a better chance of addressing the need at income levels that are paying the highest share of their household income in home costs.

The allocation of the Availability Deficit based on existing income distribution varies by regional characteristics, with the Northeastern and Central Western having greater need at lower household incomes than the Coastal Region (Table 13). Northeastern and Central Western Regions have 49% and 46% of households respectively at household incomes less than 50K, while the Coastal region proportion of households less than 50k is 34%.

**Table 13: Allocation of Availability Deficit Based on Existing Household Income Distribution<sup>36</sup>**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<b>Regional Totals</b>	<b>9,400</b>	<b>4,900</b>	<b>2,300</b>
<i>Less than 20K</i>	1,100	780	420
<i>20K - 35K</i>	1,000	760	380
<i>35K - 50K</i>	1,000	730	320
<i>50K - 75K</i>	1,700	880	410
<i>75K - 100K</i>	1,400	650	290
<i>100K - 150K</i>	1,700	690	290
<i>150K+</i>	1,500	410	190

*Jobs : Homes Deficit Income Distribution*

To allocate the homes needed to fill the jobs : homes deficit by price point, the Study Team aligned the wages of existing job openings with home prices that would be affordable to those wages. The methodology used to arrive at this distribution included a multistep process that reviewed job listing data for wages and aligned those wages with typical household incomes associated with them (Table 14).<sup>37</sup> This distribution allows job listing wages to be allocated to household incomes by accounting for households with more than one earner.<sup>38</sup>

This distribution is a tool to help regions and municipalities plan for housing that households can afford based on available jobs, ensuring that they can move to and stay in Maine.

<sup>36</sup> Income Distributions are allocated based on regional numbers and rounded to the tens for counts in the hundreds, and hundreds for counts over a thousand. Due to rounding, numbers may not sum exactly to regional or state numbers.

<sup>37</sup> The Study Team calculated a wage distribution using job listing wages based on a review of job listings over a 12 month period, June 2022 - May 2023.

<sup>38</sup> Using the Public Use Microdata Sample, the Study Team used regional household averages in Maine, Vermont and New Hampshire to estimate the likely total household income of individuals who hold similar jobs across the region. For additional detail about this analysis, see Appendix Page 12.

**Table 14: Estimated Household Income Distribution for Job Listings by Region**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<i>Less than 20K</i>	0.6%	0.7%	0.6%
<i>20K - 35K</i>	5.5%	4.4%	8.4%
<i>35K - 50K</i>	10.4%	7.9%	10.6%
<i>50K - 75K</i>	16.7%	16.8%	20.4%
<i>75K - 100K</i>	19.3%	20.3%	18.9%
<i>100K - 150K</i>	26.9%	28.9%	23.6%
<i>150K+</i>	20.6%	21.0%	17.6%

Using the resulting household income distribution, the Study Team allocated the jobs : homes regional deficits by the estimated household incomes for workers needed to fill open jobs in each region (Table 15).

**Table 15: Allocation of Jobs : Homes Deficit to Household Incomes Based on Wages of Open Job Listings<sup>39</sup>**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<i>Regional Totals</i>	<b>11,900</b>	<b>8,100</b>	<b>2,000</b>
<i>Less than 20K</i>	70	50	10
<i>20K - 35K</i>	660	360	170
<i>35K - 50K</i>	1,230	640	210
<i>50K - 75K</i>	2,000	1,400	410
<i>75K - 100K</i>	2,300	1,600	380
<i>100K - 150K</i>	3,200	2,300	470
<i>150K+</i>	2,500	1,700	350

## Historic Underproduction Geographic Distribution

Across regions, individual jurisdictions are contributing more or less to housing demand based on job growth, demographic and migration trends, and other factors, including the existing inventory of available

<sup>39</sup> Income Distributions are allocated based on regional numbers and rounded to the tens for counts in the hundreds, and hundreds for counts over a thousand. Due to rounding, numbers may not sum exactly to regional or state numbers.

housing and the share of seasonal homes. Housing need in each region is impacted by the existing conditions and trends of individual jurisdictions and counties, and as such requires both local and regional approaches to tackling housing production needs.

To measure local contributions to housing demand, the Study Team considered both population share and job share of each county. Weighting allocation by both population and jobs helps ensure that housing to address the State's historic underproduction is being added in places where jobs are, both to support households in living close to where they work and also to ensure that towns and cities that are growing economically are also accommodating the population needed to support that growth. This avoids issues of decreasing affordability when housing is not provided where job growth exists, and unnecessary development in areas where there may not be as significant job or population growth.

There are many ways to allocate housing to more granular geographies across Maine, many of which would incorporate unique criteria specific to certain areas of the State, particularly due to the varying growth trends across Maine. For purposes of this study, the Study Team weighted housing need based on population and jobs shares in each region. Using the Coastal Region as an example, the greatest allocation of homes based on this methodology is to Cumberland County, which represents 42% of the region's population and 54% of the region's jobs (Table 16). In the Central Western region Kennebec has the greatest weighted allocation and in the Northeastern region Penobscot has the greatest weighted allocation.

**Table 16: County Level Distributions Historic Underproduction<sup>40</sup>**

<i>Counties</i>	<i>Population Share</i>	<i>Job Share</i>	<i>Weighted Allocation</i>	<i>Historic Underproduction</i>
<i>Maine Historic Underproduction</i>				<b>38,500</b>
<i>Hancock County</i>	8%	7%	7%	1,500
<i>Cumberland County</i>	42%	54%	48%	10,200
<i>Knox County</i>	6%	5%	5%	1,100
<i>Lincoln County</i>	5%	3%	4%	870
<i>Sagadahoc County</i>	5%	5%	5%	1,100
<i>Waldo County</i>	6%	3%	4%	900
<i>York County</i>	29%	22%	26%	5,500
<i>Piscataquis County</i>	4%	4%	4%	510
<i>Androscoggin County</i>	28%	30%	29%	3,800
<i>Franklin County</i>	8%	7%	7%	900
<i>Kennebec County</i>	32%	39%	35%	4,600
<i>Oxford County</i>	15%	11%	13%	1,700
<i>Somerset County</i>	13%	10%	12%	1,500
<i>Aroostook County</i>	27%	24%	25%	1,100
<i>Penobscot County</i>	61%	66%	64%	2,700
<i>Washington County</i>	12%	9%	11%	460

<sup>40</sup> County Distributions are allocated based on regional numbers and rounded to the tens for counts in the hundreds, and hundreds for counts over a thousand. Due to rounding, numbers may not sum exactly to regional or state numbers.



# How many homes will Maine need to accommodate future population growth?

## Overview

The State of Maine is projected to grow by about 3% over the next decade, with growth primarily concentrated in the Coastal region (Table 19). In addition to the housing that Maine needs now, the state will need additional housing this decade to accommodate population change and support both new household formation and in-migration.

The Maine State Economist develops population projections every two years to accommodate changing demographic and growth conditions. While the state overall is growing, it is important to note that not all areas in the state are projected to grow in the coming decade. However, even in places where overall population is aging and declining, there is still need for housing production and reinvestment; in fact, household formation generally increases these circumstances (children of an aging population move into their own homes and some existing households split up). For example, while Aroostook, Piscataquis and Somerset Counties are all projected to see a modest total population decline by 2030, all of those counties will still see a net gain in households in that time period, requiring additional homes. Further, as these regions face a declining workforce, new homes at affordable price points will be essential to attracting workers to the region and ensuring that existing younger households can stay.

**Table 17: Estimated Population Change, 2020-2030**

County	2020 Population	2030 Population	% Growth	Added /Lost People
<b>Northeastern Region</b>				
Aroostook	66,994	66,937	-0.1%	-57
Penobscot	152,007	153,327	0.9%	1,320
Washington	31,062	33,555	8.0%	2,493
<b>Central Western Region</b>				
Androscoggin	111,039	113,477	2.2%	2,438
Franklin	29,418	29,603	0.6%	185
Kennebec	123,754	130,259	5.3%	6,505
Oxford	57,849	58,321	0.8%	472
Piscataquis	16,768	15,935	-5.0%	-833
Somerset	50,404	49,781	-1.2%	-623
<b>Coastal Region</b>				
Cumberland	303,312	308,124	1.6%	4,812
Hancock	55,460	56,707	2.3%	1,247
Knox	40,609	41,130	1.3%	521
Lincoln	35,192	35,364	0.5%	172
Sagadahoc	36,688	36,921	0.6%	233
Waldo	39,635	42,405	7.0%	2,770
York	212,089	225,816	6.5%	13,727
<b>Statewide</b>				
Maine	1,362,280	1,397,663	2.6%	35,383

Source: Maine State Economist 2023



Recent shifts in population growth due to unexpected global and economic events, including the COVID-19 pandemic, demonstrate the unpredictable nature of population projections. As such, the State will need to continue to monitor population change to better understand long term expectations. It is not certain whether recent growth is a longer-term trend or was a short-term, Covid-induced change.

Despite the uncertainty, Maine should continue to plan for population and household growth, which is crucial for maintaining the health of Maine's economy. Planning for housing to support that growth will ensure that the increased demand over time will not exceed the supply of housing, causing prices to rise.

## Accommodating Population Growth

**The Maine State Economist's population projections anticipate 35,000 additional residents in Maine by 2030.** This change in population varies by region, with the Northeastern region projected to grow by 1.5%, Central Western by 2.1%, and Coastal by 3.25%. Maine's statewide growth of 2.6% is modest compared to the State of New Hampshire, which is expected to grow by 6.95% between 2020 and 2030<sup>41</sup>, and is also less than Massachusetts which is expected to grow 4.21% between 2020 and 2030<sup>42,43</sup>.

**Based on average household characteristics and the age distribution of the projected population, these residents translate to approximately 37,000 new households statewide by 2030.** Future housing will need to accommodate not only these new households but also a healthy availability rate and an allowance for seasonal/alternate home use. The additional allocation for seasonal homes/alternate use homes assumes that the relative demand for seasonal homes remains constant as the population grows. This assumption is based on historic data, which has indicated that while seasonal homes as a percentage of total homes has fluctuated slightly it has stayed relatively constant since 2000 (Table 20).

**Table 18: Seasonal Homes and Alternate Use as a Percentage of Total Homes Over Time**

Year	2000	2010	2016	2021
Coastal	16.6%	17.2%	17.8%	17.1%
Northeastern	12.7%	12.8%	14.6%	13.9%
Central Western	17.5%	17.7%	19.8%	18.8%

Without accommodating the demand for seasonal homes and alternate uses, seasonal buyers and other users will acquire more of the housing stock that could otherwise be occupied by full-time residents (Figure 41).

<sup>41</sup> Scardamalia, Robert. (2022). State, County, and Municipal Population Projections: 2020 – 2050. New Hampshire Department of Business and Economic Affairs, Office of Planning and Development.

<sup>42</sup> UMass Donahue Institute. (2018). Regional Population Projections for 2020 RTPs.

<sup>43</sup> The state of Vermont projected an increase of 2.5%, however projections were executed in 2013 and do not reflect recent national trends.

**Figure 41: Future Housing Need Methodology: Coastal Region Example**



Jurisdictions across the state already add housing every year. On average from 2016 - 2021, The Coastal, Central Western and Northeastern regions permitted 3,400, 1,000, and 400 units respectively. This analysis simply measures the number of new homes that would align with projected population growth, within a range of +/- 0.5% to accommodate uncertainty around future growth. Accounting for varying population projections in each region and a steady availability rate of 5%, **between 38,000 and 46,000 additional units will be needed by 2030 to accommodate households and associated vacant and seasonal units for a healthy housing market (Table 21).**<sup>44</sup>

**Table 19: Future Need Scenario Low / High Range 2021 – 2030 Growth**

Region	Change in Households	Homes to Accommodate Availability	Homes to Accommodate Seasonal Use	Total Homes Needed
Coastal	19,000 – 21,900	1,000 – 1,200	4,200 – 4,900	24,200 – 28,000
Central Western	7,800 – 9,300	410 – 490	1,500 – 1,900	9,700 – 11,700
Northeastern	3,000 – 4,700	160 - 250	790- 1,100	4,000 – 6,100
	29,800 – 35,900	1,600 – 1,900	6,500 – 7,900	37,900 – 45,800

Annualizing the total homes needed over nine years results in 2,700 – 3,100 homes for the Coastal Region, 1,100 – 1,300 homes for the Central Western Region, and 430 – 660 homes for the Northeastern Region (Table 22). Any adjustments to population projections will result in adjustments to production

<sup>44</sup> Population projections provided by the State Economist are for population growth during the period between the year 2020 and 2030. Since data sources for this study are aligned with 2021 or a 2021 equivalent, a year of growth demand is removed from the total. Adjusted housing need by region for the time period 2021 – 2030 is summarized in Table 14. Adjusted Regional Housing Demand for time period 2021 - 2020. The total adjusted projected need to accommodate future growth from 2021 – 2030 across all regions in Maine is 42,200 units.

targets. Similar to the jobs : homes deficit, any anticipated changes in future conditions regarding slower or faster growth than expected would impact homes needed to address future growth.

**Table 20: Annualized Production Goals Future Need, 2021 – 2030**

<i>Region</i>	<i>Annualized Production Goal Range: Future Need</i>
<i>Coastal</i>	2,700 – 3,100
<i>Central Western</i>	1,100 – 1,300
<i>Northeastern</i>	430 - 660

### Future Need Geographic Allocation

The future need projections are based on the Maine State Economist’s population projections, which occur every two years and are output at the county level for the State of Maine.

While the state overall is growing, not all areas in the state are projected to grow in the coming decade. Certain counties show much greater additional housing need to accommodate population change. Need is sized based on population shifts including aging, dissolution of multi-person households resulting in additional household formations and anticipated economic changes. Aroostook, Piscataquis and Somerset Counties are projected to see a modest total population decline by 2030, with Piscataquis seeing a decrease in the low growth scenario. However, in all other scenarios there will likely be a net gain in households in that time period, requiring additional homes (Table 21).



**Table 21: County Level Distributions, Future Need by 2030**

<i>Counties</i>	<i>Future Need Low</i>	<i>Future Need High</i>
<b>Maine Future Need</b>	<b>37,900</b>	<b>45,800</b>
<i>Hancock County</i>	1,900	2,200
<i>Cumberland County</i>	7,200	8,600
<i>Knox County</i>	1,400	1,700
<i>Lincoln County</i>	880	1,100
<i>Sagadahoc County</i>	770	950
<i>Waldo County</i>	2,100	2,300
<i>York County</i>	10,100	11,100
<i>Piscataquis County</i>	-30	110
<i>Androscoggin County</i>	2,200	2,700
<i>Franklin County</i>	820	1,000
<i>Kennebec County</i>	4,500	5,100
<i>Oxford County</i>	1,900	2,300
<i>Somerset County</i>	330	600
<i>Aroostook County</i>	720	1,100
<i>Penobscot County</i>	1,400	3,000
<i>Washington County</i>	1,700	1,900

### Total Need

To arrive at the overall annual production need for the State for the nine years from 2021 – 2030, the Study Team summed the annual production need for both historic underproduction and future need. This assumes that historic underproduction and future need can be addressed incrementally. The combined annual production needed to account for both historic underproduction and future need is **between 8,500 and 9,300 homes statewide per year (Table 22).**

**Table 22: Annualized Production Need 2021 – 2030**

	<i>Annualized Future Need</i>	<i>Annualized Historic Underproduction Need</i>	<i>Total Homes Needed Annually</i>
<i>Coastal</i>	2,700 – 3,100	2,400	<b>5,100 – 5,500</b>
<i>Central Western</i>	1,100 – 1,300	1,400	<b>2,500 – 2,700</b>
<i>Northeastern</i>	430 – 660	480	<b>900 – 1,100</b>
<b><i>Total for Maine</i></b>	<b>4,200 – 5,100</b>	<b>4,300</b>	<b>8,500 – 9,300</b>

The Study Team compared these annual production needs to building permit data released annually by HUD. All regions will require an increase in production, with a range of 50% to 175% increase required to achieve the high end of the production goals (Table 23). These numbers provide context for how much more housing regions will need to permit compared to historical trends to address this need. While the percent change in building permits needed in the Central and Northeastern Regions is higher than in the Coastal Region, the need is much smaller overall. More than half of annual production needs are in the Coastal Region, while the Northeastern Region would need to permit and build about 900 homes per year to meet these goals.

**Table 23. Annual Production Needs Benchmarked to Historic Permitting**

	<i>Total Annual Production Need</i>	<i>5-year average (2016 - 2021)</i>	<i>% Change in Permits</i>	<i>Net Change in permits</i>
<i>Coastal</i>	<b>5,100 – 5,500</b>	3,400	<b>50% - 62%</b>	<b>1,700 – 2,100</b>
<i>Central Western</i>	<b>2,500 – 2,700</b>	1,000	<b>150% - 170%</b>	<b>1,500 – 1,700</b>
<i>Northeastern</i>	<b>900 – 1,100</b>	400	<b>128% - 175%</b>	<b>510 - 700</b>
<i>Maine</i>	<b>8,500 – 9,300</b>	4,800	<b>77% - 94%</b>	<b>3,700 – 4,500</b>

Source: Annual units permitted by county as measured by HUD, average 2016 - 2021



## Next Steps and Implementation

In response to the requirements established in LD 2003, this Study measures the number of homes needed to meet the housing and economic development goals established by the State of Maine. The next step in the process will be to set housing production and reinvestment targets at the local level and to consider the different housing typologies that can support housing production across the income spectrum. To move from the regional level to the local level will involve consideration of local obstacles such as available infrastructure, development capacity and other factors. It will also involve dialogue among communities about where and how to accommodate growth within the region.

The assessment of regional housing need and the local targets will need to be updated periodically to reflect changing conditions. In particular, there is considerable uncertainty around whether recent immigration is a longer-term trend or a short-term impact of the Covid-19 pandemic. The State and regional partners will need to establish a process to evaluate and modify production targets based on changing housing, labor force, demographic and population conditions and make those changes available to the public.

In order for stakeholders to monitor these changing conditions and track progress towards local housing production targets, the State will be providing an online data dashboard of baseline housing conditions at the state, county, and municipal level that will be updated on a periodic basis. Moving forward, improved collection of both building permitting and demolition data, as well as continuous tracking of vacancy trends, will also be critical for monitoring new development.

Finally, there are a number of important issues in this report that deserve further study to ensure that housing policy in Maine reflects changing conditions. In particular, more data and information is needed to understand the specific housing needs of Maine's aging population, asylum seekers and refugees, and those who are facing housing quality issues and energy insecurity.

# Appendix

**Appendix Table 1: State of Maine’s Study Geographic Regions Defined**

Counties	Cities	Towns
<b>Northeastern Region</b>		
Aroostook County	Caribou, Presque Isle	Allagash, Amity, Ashland, Bancroft, Blaine, Bridgewater, Castle Hill, Caswell, Chapman, Crystal, Dyer Brook, Eagle Lake, Easton, Fort Fairfield, Fort Kent, Frenchville, Grand Isle, Hamlin, Hammond, Haynesville, Hersey, Hodgdon, Houlton, Island Falls, Limestone, Linneus, Littleton, Ludlow, Madawaska, Mapleton, Mars Hill, Masardis, Merrill, Monticello, New Canada, New Limerick, New Sweden, Oakfield, Orient, Perham, Portage Lake, Saint Agatha, Saint Francis, Sherman, Smyrna, Stockholm, Van Buren, Wade, Washburn, Westfield, Westmanland, Weston, and Woodland
Penobscot County	Bangor, Brewer and Old Town	Alton, Bradford, Bradley, Burlington, Carmel, Charleston, Chester, Clifton, Corinna, Corinth, Dexter, Dixmont, East Millinocket, Eddington, Edinburg, Enfield, Etna, Exeter, Garland, Glenburn, Greenbush, Greenfield, Hampden, Hermon, Holden, Howland, Hudson, Indian Island, Kenduskeag, Lagrange, Lakeville, Lee, Levant, Lincoln, Lowell, Mattawamkeag, Maxfield, Medway, Milford, Millinocket, Mount Chase, Newburgh, Newport, Orono, Orrington, Passadumkeag, Patten, Plymouth, Springfield, Stacyville, Stetson, Veazie, Winn and Woodville
Washington County	Calais and Eastport	Addison, Alexander, Baileyville, Beals, Beddington, Centerville, Charlotte, Cherryfield, Columbia, Columbia Falls, Cooper, Crawford, Cutler, Danforth, Deblois, Dennysville, East Machias, Harrington, Indian Township, Jonesboro, Jonesport, Lubec, Machais, Machiasport, Marshfield, Meddybemps, Milbridge, Northfield, Pembroke, Perry, Princeton, Robbinston, Roque Bluffs, Steuben, Talmadge, Topsfield, Vanceboro, Waite, Wesley, Whiting and Whitneyville
<b>Central Western Region</b>		
Androscoggin County	Auburn, and Lewiston	Durham, Greene, Leeds, Lisbon, Livermore, Livermore Falls, Mechanic Falls, Minot, Poland, Sabattus, Turner and Wales
Franklin County		Avon, Carrabassett Valley, Carthage, Chesterville, Eustis, Farmington, Industry, Jay, Kingfield, Madrid, New Sharon, New Vineyard, Phillips, Rangeley, Strong, Temple, Weld and Wilton
Kennebec County	Augusta, Gardiner, Hallowell and Waterville	Albion, Belgrade, Benton, Chelsea, China, Clinton, Farmingdale, Fayette, Litchfield, Manchester, Monmouth, Mount Vernon, Oakland, Pittston, Randolph, Readfield, Rome, Sidney, Vassalboro, Vienna, Wayne, West Gardiner, Windsor, Winslow and Winthrop
Oxford County		Andover, Bethel, Brownfield, Buckfield, Byron, Canton, Denmark, Dixfield, Fryeburg, Gilead, Greenwood, Hanover, Hartford, Hebron, Hiram, Lovell, Mexico, Newry, Norway, Otisfield, Oxford, Paris, Peru, Porter, Roxbury, Rumford, Stoneham, Stowe, Sumner, Sweden, Upton, Waterford, West Paris and Woodstock

Piscataquis County		Abbott, Atkinson, Beaver Cove, Bowerbank, Brownville, Dover-Foxcroft, Greenville, Guilford, Medford, Milo, Monson, Parkman, Sangerville, Sebec, Shirley, Wellington and Willimantic
Somerset County		Anson, Athens, Bingham, Cambridge, Canaan, Cornville, Detroit, Embden, Fairfield, Harmony, Hartland, Jackman, Madison, Mercer, Moose River, Moscow, New Portland, Norridgewock, Palmyra, Pittsfield, Ripley, Saint Albans, Skowhegan, Smithfield, Solon and Starks
<b>Coastal Region</b>		
Cumberland County	Portland, South Portland, and Westbrook	Baldwin, Bridgton, Brunswick, Cape Elizabeth, Casco, Cumberland, Falmouth, Freeport, Gorham, Gray, Harpswell, Harrison, Naples, New Gloucester, North Yarmouth, Pownal, Raymond, Scarborough, Sebago, Standish, Windham, and Yarmouth
Hancock County	Ellsworth	Amherst, Aurora, Bar Harbor, Blue Hill, Brooklin, Brooksville, Bucksport, Castine, Cranberry Isles, Dedham, Deer Isle, Eastbrook, Franklin, Frenchboro, Gouldsboro, Great Pond, Hancock, Lamoine, Mariaville, Mount Desert, Orland, Osborn, Otis, Penobscot, Sedgwick, Sorrento, Southwest Harbor, Stonington, Sullivan, Surry, Swans Island, Tremont, Trenton, Verona, Waltham and Winter Harbor
Knox County	Rockland	Appleton, Camden, Cushing, Friendship, Hope, Isle au Haut, North Haven, Owls Head, Rockport, St George, South Thomaston, Thomaston, Union, Vinalhaven, Warren and Washington
Lincoln County	Wiscasset	Alna, Boothbay, Boothbay Harbor, Bremen, Bristol, Damariscotta, Dresden, Edgecomb, Jefferson, Newcastle, Nobleboro, Somerville, South Bristol, Southport, Waldoboro, Westport, Whitefield and Wiscasset
Sagadahoc County	Bath	Arrowsic, Bowdoin, Bowdoinham, Georgetown, Phippsburg, Richmond, Topsham, West Bath and Woolwich
Waldo County	Belfast	Belmont, Brooks, Burnham, Frankfort, Freedom, Islesboro, Jackson, Knox, Liberty, Lincolnville, Monroe, Montville, Morrill, Northport, Palermo, Prospect, Seasmont, Searsport, Stockton Springs, Swanville, Thorndike, Troy, Unity, Waldo and Winterport
York County	Biddeford and Saco	Acton, Alfred, Arundel, Berwick, Buxton, Cornish, Dayton, Eliot, Hollis, Kennebunk, Kennebunkport, Kittery, Lebanon, Limerick, Limington, Lyman, Newfield, North Berwick, Ogunquit, Old Orchard Beach, Parsonsfield, Sanford, Shapleigh, South Berwick, Waterboro, Wells and York



## **Review of Housing Production Goal National Precedents and their Methodologies**

National Housing Production Goal Analysis precedents were reviewed in the development of the State of Maine's methodology. Three examples specifically reviewed were the California Regional Housing Need Allocation, the Oregon Housing Needs Analysis, and Massachusetts Chapter 40B.

### **California Regional Housing Need Allocation**

The California Regional Housing Need Allocation sets state and regional housing production goals and requires local government's zoning and housing plans to work towards achieving those goals. The State of California Department of Housing and Community Development (HCD) sets the amount of new housing units each region is required to produce within the income categories of Very Low (0 - 50% AMI), Low (50 - 80% AMI), Moderate (80% - 120% AMI) and Above Moderate Income (120% AMI +).

HCD sets the amount of housing needed by region using population projections from the California Department of Finance and adjusted based on local characteristics of target vacancy, overcrowding and share of cost-burdened households. The housing need is set every eight years for the next 8 year cycle. After regional numbers are set, regional organizations then allocate a share of units to local jurisdictions within their region. Local jurisdictions report progress towards their allocations to HCD annually using a progress report template.<sup>1</sup>

### **Oregon Housing Needs Analysis**

In 2019, Oregon passed House Bill 2003 directing Oregon Housing and Community Services (OHCS) to support housing needs as outlined by Oregon's statewide land use planning program. Oregon's model for estimating regional housing need is called the Oregon Housing Needs Analysis (OHNA). This methodology is used by OHCS to measure current housing need, historic underproduction, projected housing need over the next 20 years, and housing need for those currently homeless. It also considers the impacts on housing markets from vacation homes. The methodology incorporates guidance on the distribution of unit affordability in a region, with the latest methodology suggesting that about 32% of Oregon's housing need should be affordable to households earning less than 60% of state median income. and allocates this regional need to the local level with guidance on unit typologies (single family or multifamily). This is intended to replace housing need calculations previously executed at the local level.

The OHNA also establishes local production targets for cities with populations over 10,000, which the state tracks and evaluates regularly through a Housing Production Dashboard presenting data on progress towards production targets. Furthermore, the state tracks ongoing housing equity indicators, including cost burden and homeownership rates by race, age, and disability status.<sup>2</sup>

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<sup>1</sup> Association of Bay Area Governments. (2020). Regional Housing Needs Allocation Proposed Methodology: San Francisco Bay Area, 2023-2031.

Association of Bay Area Governments. (2021). Regional Housing Needs Allocations Frequently Asked Questions.

<sup>2</sup> Oregon Department of Land Conservation and Development Oregon Housing and Community Services. (2022). Oregon Housing Needs Analysis Legislative Recommendations Report: Leading with Production.

## Massachusetts Chapter 40B

Massachusetts 40B is a state statute that overrides local authority to block affordable housing development in the State of Massachusetts. Chapter 40B enables Local Zoning Boards of Appeals to approve affordable housing developments, with at least 20 – 25% of the units have long-term affordability restrictions, under flexible rules. Chapter 40B is a controversial law as it allows developers of affordable housing to appeal a local decision to the state if the community in which the developer is looking to build has less than 10% of year-round housing as affordable housing, or less than 1.5% of its land area as affordable housing.

Municipalities can receive a 1 or 2-year exemption from the developer appeals process through the creation of a Housing Production Plan (HPP) and maintaining annual affordable housing growth of 0.5%. Characteristics of approved plans include the following:

- Units must be part of a subsidized development built or operated by a public agency, non-profit or limited dividend organization.
- A minimum of 25% of units must be income restricted at 80% AMI with restrictions for at least 30 years.
- The proposed development must be subject to a regulatory agreement and monitored by a public agency or nonprofit organization.
- Owners must meet affirmative marketing requirements.

Implemented in 1969, this policy has a long history reflecting its successful implementation in the state for the creation of housing in many communities. Many towns since the policy's implementation have exceeded the 10% threshold, a count that continuously increased throughout the 2000s. Chapter 40B has produced over 60,000 units in over 1,200 developments and is considered responsible for approximately 34% of all housing production in Greater Boston from 2002 – 2006.<sup>3</sup>

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<sup>3</sup> MassHousing. (2023). Chapter 40B and MassHousing.



## Regional Area Median Income Percentage to Gross Household Income

PUMS data was used as a basis for existing conditions analysis throughout the report. To understand household income levels at a more regional level using PUMS, HUD fair market rents were applied by PUMA to understand household incomes with respect to percentage of AMI levels. There are 10 PUMA geographies in the State of Maine and multiple HUD geographies within some PUMAs, so the two datasets did not align exactly. Since PUMA geographies cannot be broken down further, a HUD fair market rent needed to be selected for each individual PUMA. For those PUMAs which had multiple Fair Market Rent areas in them, the Study Team took HUD AMI limits with the largest population within a particular PUMA.

**Appendix Table 2: PUMA to HUD Geography Crosswalk**

PUMA Geography	PUMA Code	HUD Geography
<b>Northeastern Region</b>		
Northeast Maine – Aroostook & Washington Counties PUMA	23 00100	Aroostook County
Penobscot County PUMA	23 00300	Penobscot County – Bangor, ME HUD Metro FMR Area
<b>Central Western Region</b>		
Androscoggin County PUMA	23 00600	Androscoggin County – Lewiston – Auburn ME, MSA
Northwest Maine – Oxford, Somerset, Franklin & Piscataquis Counties PUMA	23 00200	Oxford County
Kennebec County PUMA	23 00400	Kennebec County
<b>Coastal Region</b>		
Cumberland County (Southeast) – Portland, South Portland & Westbrook Cities PUMA	23 01000	Cumberland County – Portland, ME HUD Metro FMR Area
Coastal Maine Region – Hancock, Knox, Waldo & Lincoln Counties PUMA	23 00500	Hancock County
Sagadahoc & Cumberland (North) Counties – Bath City & Brunswick PUMA	23 00700	Sagadahoc County – Sagadahoc County, ME HUD Metro FMR Area
South Maine – York (west) & Cumberland (West) Counties PUMA	23 00800	York County – Portland ME HUD Metro FMR Area
Cumberland (Outside Portland) & York (East) Counties – Biddeford & Saco Cities PUMA	23 00900	Cumberland County – Cumberland County, ME (Part) HUD Metro FMR Area

## Short Term Rental County-Level Findings

**Appendix Table 3: Short-Term Rental Inventory as Share of Total Housing Supply by County, 2023**

Counties	Total AirDNA Inventory	NOAH-Comparable AirDNA Inventory
<b>Northeastern Region</b>		
Aroostook County	1.2%	0.5%
Penobscot County	1.1%	0.4%
Washington County	3.2%	1.5%
<b>Central Western Region</b>		
Androscoggin County	0.5%	0.2%
Franklin County	6.2%	1.8%
Kennebec County	1.1%	0.4%
Oxford County	4.8%	1.4%
Piscataquis County	4.1%	1.9%
Somerset County	1.5%	0.8%
<b>Coastal Region</b>		
Cumberland County	2.8%	0.9%
Hancock County	9.8%	3.1%
Knox County	5.2%	1.6%
Lincoln County	6.3%	2.5%
Sagadahoc County	2.4%	0.9%
Waldo County	3.7%	1.5%
York County	4.2%	1.1%

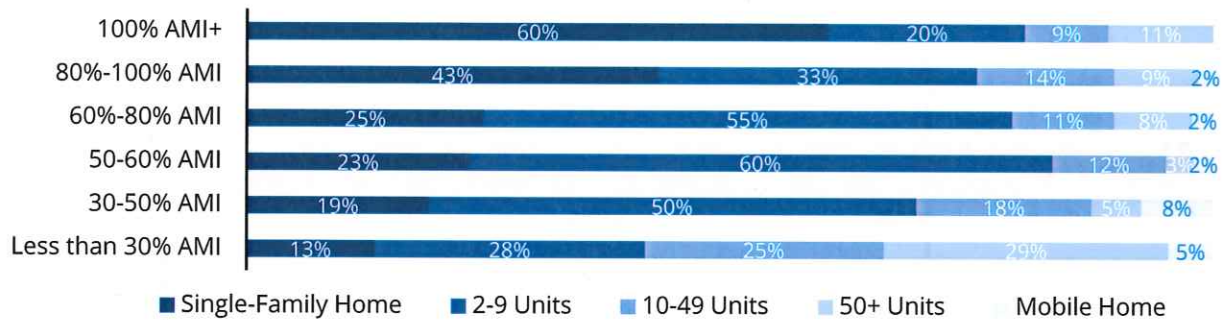
Source: AirDNA 2023; American Community Survey 5-Year, 2021.

Note: Total AirDNA Inventory defined as properties with at least one reservation in the past year. NOAH-Comparable AirDNA Inventory defined as properties with at least one reservation in the past year, available more than 3 months out of the year, that are an entire single family or multifamily unit, and excluding luxury rentals and rentals with more than 3 bedrooms.

## Housing Typology Distribution by AMI – Regional Breakout

Housing typologies by income in the Coastal Region generally mirror that of the state (Appendix Figure 1). Notably, buildings with 50 or more units support affordability for very low-income households in the Coastal Region.

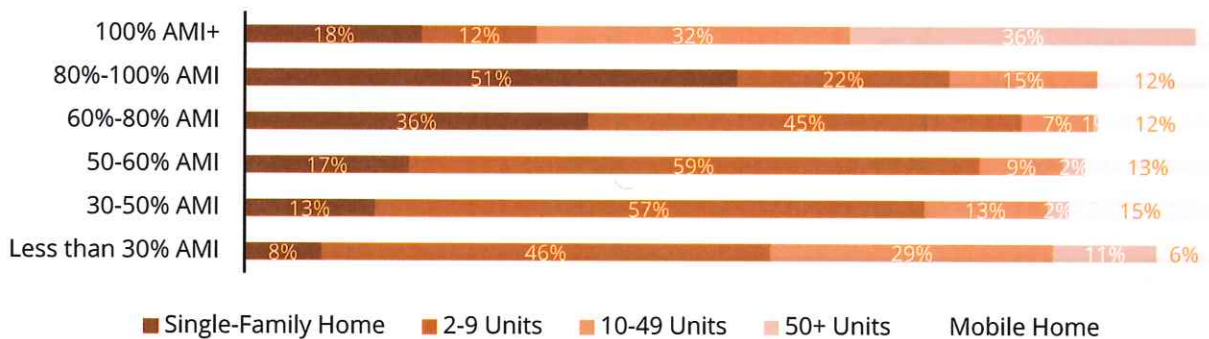
**Appendix Figure 1: Rental Housing Types Affordable by Income Bracket in the Coastal Region, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

Compared to the state as a whole, the Central Western Region has a high share of 10 or more-unit homes affordable to households over 100% of AMI, and a high share of single-family homes supporting households between 60 – 100% of AMI (Appendix Figure 2). 2-9 unit buildings are an important source of homes affordable to renter households making very low incomes in this region.

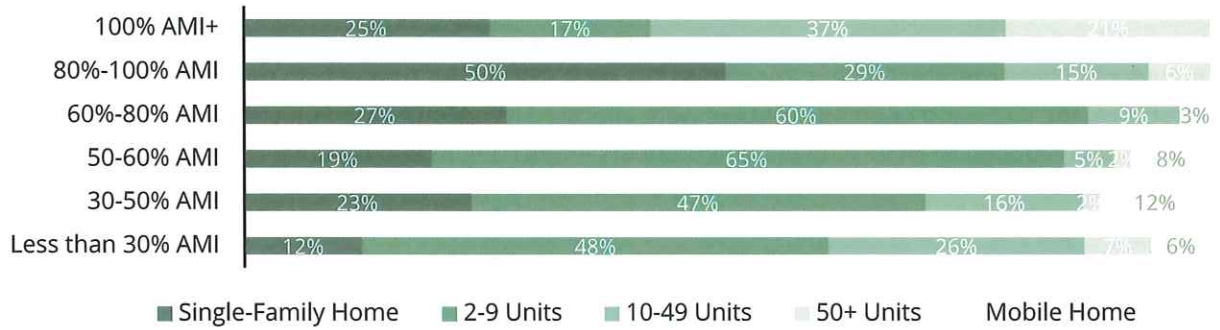
**Appendix Figure 2: Rental Housing Types Affordable by Income Bracket in the Central Western Region, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

In the Northeastern region, 2-9 unit buildings are the most prevalent source of rental homes affordable to renter households making less than 80% AMI, with a higher share of higher-density rental buildings affordable to households over 100% of AMI (Appendix Figure 3).

**Appendix Figure 3: Rental Housing Types Affordable by Income Bracket in the Northeastern Region, 2021**



Source: American Community Survey 5-Year, Public Use Microdata Sample (PUMS) 2021

### **Job Openings Rate Calculation Methodology**

The Study Team used an adjusted method to calculate job openings when compared to the Job Openings and Labor Turnover Survey (JOLTS) values. The JOLTS data is benchmarked primarily from the Quarterly Census of Employment and Wages program (QCEW). Our analysis is based on the FRED employment numbers resulting from the Current Population Survey (CPS) survey. To translate these values to the FRED data source, the JOLTS job opening numbers were allocated to regions based on Lightcast job listings data, and then applied to FRED Employment numbers – reflecting a ratio of listings to employment rather than the traditional JOLTS measure of jobs. This adjustment shifts the opening rate slightly from the corresponding JOLTS reported rate.



## Home Affordability Calculation by Household Income

Home affordability calculations for both rental and homeownership incorporated necessary additional expenses typical of homeowners and renters.

### *Renter Affordability Calculation*

For renter affordability ranges correlating to the predetermined income ranges, a cost burden ratio of 28% was used based on Maine Housing's standard assumptions. Rental Utility allowance was selected from HUD regional tables and included in the affordability calculation by netting it out of the households monthly payment. The utility allowance for rental units was assumed to be an average value of Maine's region tables (Tables for Regions 4, 5, 6 and 7, Region 1, and Region 2 and 3) and assumed to be a 2-bedroom garden unit. This utility allowance was assumed at \$381 per month, and includes electric heating, cooking, lighting, and water heating, water, sewer, and trash collection.

The resulting affordable rent shown in Appendix Table 4 is what the corresponding household income could afford.

**Appendix Table 4: Regional Household Income Range with Corresponding Rental Affordability**

<i>Income Range</i>	<i>Affordable Monthly Rent<sup>4</sup></i>
<i>Less than 20K</i>	< 80
<i>20K - 35K</i>	81 - 430
<i>35K - 50K</i>	431 - 780
<i>50K - 75K</i>	781 - 1,360
<i>75K - 100K</i>	1,361 - 1,950
<i>100K - 150K</i>	1,951 - 3,110
<i>150K+</i>	3,111 +

### *Homeowner Affordability Calculation*

For homeowner affordability ranges correlating to the predetermined income ranges, a cost burden ratio of 28% was used based on Maine Housing's standard assumptions. Additional cost assumptions incorporated are as follows:

- Utilities – \$500 per month, Assumed for a 3 bedroom single family home averaging across all region tables and including electric heating, cooking, lighting, and water heating, water, sewer, and trash collection.
- Insurance - \$80 per month
- Property Taxes – Assumed to be an average rate of 1.39%, based on an assessed value of 75%

<sup>4</sup> Apartment unit monthly rents were calculated assuming 28% of income towards housing expenses less utility allowance. Utility allowance was calculated using HUD schedules assuming a 2 bedroom garden apartment unit.

Home mortgage costs were estimated using the corresponding household income and current market conditions, including an 80% loan to value, 7.5% interest rate, 4% closing costs with a 30-year amortization.

**Appendix Table 5: Regional Household Income Range with Corresponding Affordable Home Purchase Price**

<i>Income Range</i>	<i>Affordable Home Price</i>
<i>Less than 20K</i>	N/A
<i>20K - 35K</i>	< 36,500
<i>35K - 50K</i>	36,501 – 90,700
<i>50K - 75K</i>	90,701 – 180,900
<i>75K- 100K</i>	180,901 – 271,200
<i>100K - 150K</i>	271,201 – 451,700
<i>150K+</i>	451,701 +

## Methodology for Job : Homes Deficit Household Income Allocation

The Jobs : Homes deficit income allocation was calculated using a methodology that includes both PUMS data and Lightcast job opening distribution data.

Data was collected on the distribution of personal and corresponding household incomes for those living in the Northeastern Region. To ensure the analysis incorporated a sufficient sample size of households and their incomes, a larger geography was used rather than specific regional geographies. Because of this data limitation, this regional distribution was then applied to all regions job listings instead of having regional specific distributions. States included in this Northeastern Region geography for the purposes of this calculation include New Hampshire, Vermont, and Maine. The resulting matrix shows the estimated distribution of household income for individual earners within a specific personal income range (Appendix Table 6).

**Appendix Table 6: Regional Household Income Distribution by Personal Income**

<i>Household Income</i>	<i>Less Than 20K</i>	<i>20K-35K</i>	<i>35K-50K</i>	<i>50K-75K</i>	<i>75K-100K</i>	<i>100K-150K</i>	<i>150K+</i>
<i>Less Than 20K</i>	12%	0%	0%	0%	0%	0%	0%
<i>20K-35K</i>	12%	28%	0%	0%	0%	0%	0%
<i>35K-50K</i>	12%	14%	25%	1%	0%	0%	0%
<i>50K-75K</i>	18%	23%	22%	27%	1%	0%	0%
<i>75K-100K</i>	14%	14%	24%	23%	25%	1%	0%
<i>100K-150K</i>	18%	12%	20%	33%	41%	41%	1%
<i>150K+</i>	15%	8%	9%	16%	33%	57%	99%

The Study Team derived a distribution of individual wages from Lightcast job listing data. The Study Team used Unique Postings from June 2022 to May 2023 individually for each region, summing based on average incomes of occupation codes (SOC). The resulting summary provided individual wage distributions of job listings over the selected one-year period by region (Appendix Table 7).

**Appendix Table 7: Individual Job Listing Income Distributions by Region**

<i>Personal Listing Income</i>	<i>Less Than 20K</i>	<i>20K-35K</i>	<i>35K-50K</i>	<i>50K-75K</i>	<i>75K-100K</i>	<i>100K-150K</i>	<i>150K+</i>
<i>Coastal</i>	4.6%	17.8%	28.4%	19.5%	19.4%	9.3%	1.1%
<i>Central Western</i>	5.1%	13.5%	20.4%	29.6%	24.4%	5.9%	1.1%
<i>Northeastern</i>	3.7%	28.4%	23.2%	29.1%	8.3%	4.3%	2.9%

The resulting individual wage distributions were then applied to the overall household income distribution, resulting in an estimate of a regional household income distribution which one could expect out of state relocations for open job opportunities to fall within (Appendix Table 8).

**Appendix Table 8: Estimated Household Income Distribution for Job Listings by Region**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<i>Less than 20K</i>	0.6%	0.7%	0.6%
<i>20K - 35K</i>	5.5%	4.4%	8.4%
<i>35K - 50K</i>	10.4%	7.9%	10.6%
<i>50K - 75K</i>	16.7%	16.8%	20.4%
<i>75K - 100K</i>	19.3%	20.3%	18.9%
<i>100K - 150K</i>	26.9%	28.9%	23.6%
<i>150K+</i>	20.6%	21.0%	17.6%

The Study Team then applied the estimated Jobs : Homes deficit to the resulting household distribution expected for out of state relocations to Maine for new job opportunities in Appendix Table 8, totaling 11,400 units for the Coastal Region, 7,500 for the Central Western Region, and 1,900 for the Northeastern Region. The resulting distribution of the Jobs : Homes deficit provides an estimate on which to base home prices such that out of state relocating households could afford to purchase them (Appendix Table 9).

**Appendix Table 9: Allocation of Jobs : Homes Deficit to Estimated Household Incomes Based on Wages of Open Job Listings**

<i>Household Income</i>	<i>Coastal</i>	<i>Central Western</i>	<i>Northeastern</i>
<i>Less than 20K</i>	70	50	10
<i>20K - 35K</i>	630	330	160
<i>35K - 50K</i>	1,180	600	200
<i>50K - 75K</i>	1,900	1,300	390
<i>75K - 100K</i>	2,200	1,500	360
<i>100K - 150K</i>	3,100	2,200	450
<i>150K+</i>	2,350	1,600	340
<b>Total</b>	<b>11,400</b>	<b>7,500</b>	<b>1,900</b>