Good Afternoon Chairs and the distinguished members of the Commission to Increase Housing Opportunities in Maine by Studying Zoning and Land Use Restrictions. My name is Nick Murray, and I serve as policy analyst with Maine Policy Institute, a nonpartisan, free-market think tank based in Portland. Thank you for convening and for allowing public comment on this important issue.

We commend the work that this commission is undertaking. Housing affordability is a crucial pillar of a healthy economy, and in many ways, unaffordability is a symptom of a weak economy. As rent burdens rise, more and more working class Mainers are pushed farther away from gainful employment. This can lead to longer commutes and greater wear-and-tear on personal vehicles, which in turn drive higher living costs. Understanding the problems in the state's housing markets requires taking a look at the overall economic situation. Maine has continued to refuse prospective workers, families, and entrepreneurs by maintaining a high tax burden[1] and many outdated regulations, leading to stagnant population growth and a rapidly-aging workforce.

In a paper published in the journal *Critical Housing Analysis*, Salim Furth, a zoning and housing scholar with the Mercatus Center, found that "US rental unaffordability is mostly the result of low incomes." Looking at New England specifically, Furth divides the different markets of New England into six sub-regions, of which two would apply to Maine: "Northern NE metro" which includes Southern Maine, as well as Southern New Hampshire and Burlington, Vermont, and "Northern NE small town," which makes up the rest of the region (excluding Manchester, NH). He found that "high rent is the primary cause of unaffordability in high-cost, high-wage metro areas."[2] As seen in the table below, Furth finds that small town residents are even more likely to encounter housing unaffordability via low incomes.

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[1] State-Local Tax Burden Rankings | Tax Foundation

[2] Furth, Salim. "Decomposing Housing Unaffordability." *Critical Housing Analysis*. June 5, 2021. doi: 10.13060/23362839.2021.8.1.523

Table 3: New England's geography of unaffordability

Sub-region	Not burdened	Burdened mainly by…			Average income	Average rent
		income	rent	size or a mix		
Gateway cities	49%	36%	7%	7%	$ 47,600	$ 12,480
SW Connecticut	51%	19%	22%	9%	$ 78,400	$ 18,600
Massachusetts Bay	53%	17%	21%	9%	$ 77,400	$ 18,840
Northern NE, metro	55%	26%	11%	8%	$ 58,200	$ 14,340
Southern NE balance	55%	29%	9%	7%	$ 55,200	$ 13,200
Northern NE, small-town	56%	36%	4%	4%	$ 44,700	$ 10,620
New England	53%	26%	13%	8%	$ 61,500	$ 15,060

Source: author's calculations.

The 2020 York County Housing Affordability Report showed that housing costs, especially for renters, are rising in Southern Maine at a faster rate than the state average.[3] But, as Furth notes, housing affordability is a function of the overall economy. It is intricately related to overall economic vitality, but Maine's approach to economic development,[4] predominately made up of corporate welfare programs—ever-increasing grants to select employers and industries—has not borne adequate results to help Mainers better afford daily life.[5]

Research from the University of Ohio and the OECD, published in the journal Economic Development Quarterly, found that government policies specifically favoring certain industries "crowd out other economic activity, potentially reducing long-term growth." They also note that targeted tax and subsidy "incentives have a statistically significant, negative relationship with start-up rates" which is a problem, because with fewer businesses overall, workers' job mobility is limited.[6]

Another study published in February 2020 examined how targeted incentive policies affect states' fiscal health. Using data from 32 states between 1990 and 2015, they found that "after controlling for the governmental, political, economic, and demographic characteristics of states, incentives draw resources away from states" and "negatively affect the overall fiscal health of states."[7]

By instead lowering costs for businesses, workers, and families across the board, Maine lawmakers can help stand up an economic recovery that will lead to greater economic mobility

[3] Housing Affordability Report
[4] Understanding Governor Mills' jobs and recovery plan | Maine Policy Institute
[5] Setting Community Development Priorities in Maine
[6] The Effects of State and Local Economic Incentives on Business Start-Ups in the United States: County-Level Evidence
[7] McDonald, B.D., III, Decker, J.W. and Johnson, B.A.M. (2021), You Don't Always Get What You Want: The Effect of Financial Incentives on State Fiscal Health. Public Admin Rev, 81: 365-374.

and overall affordability, as incomes rise to meet a growing cost of living. Cutting taxes and fees, and removing regulations from occupational licensing to personal vehicle inspections, anything will help the average Maine family to build its own future, and might also aid prospective Mainers to take the plunge and move here full-time.

Just as statewide regulatory reform will lift the economic tide for renters and buyers alike, local zoning and regulatory reform will aid property owners and builders better serve the marketplace. Local zoning sets much of the economic tone of a town or city. With this in mind, this commission should look at the effects of rolling back unnecessary local restrictions, such as those on density, minimum lot sizes, “accessory-dwelling units” like tiny homes, manufactured housing, side yards, setbacks, or even a property owner’s ability to build on their own land.

The 2021 New Hampshire Residential Cost Survey Report found that the 25% growth in the state’s median rent over the last five years is the result of low inventory and a very low vacancy rate by national or regional standards.[8] Generally, a market with a 5% vacancy rate is considered to be balanced between tenants and landlords; in NH, it is less than 1%. Thankfully, with a vacancy rate of 3.5%, Maine’s rental market is more balanced than our neighbor’s,[9] though currently constricted considering the 15-year average of 6.7%.[10]

No doubt that this commission understands the urgency of this endeavor, but the situation in New Hampshire should be a sign that now is the time for transformational reform to state and local economic policy in Maine. Soup to nuts, rolling back costs placed on all Mainers resulting directly from state and local government restrictions, would allow those who are struggling some room to breathe, while attracting more opportunity for economic independence and growth.

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[8] 2021 New Hampshire Residential Cost Survey Report
[9] 2020, Homeownership and Vacancy Rates by State: Maine | FRED | St. Louis Fed
[10] Residential Rent Statistics for Maine