



October 5, 2021

Chairs Speaker Fecteau & Senator Hickman
c/o Office of Policy and Legal Analysis
Maine State Legislature

To the Honorable Members of the Commission,

Please find below policy recommendations to increase housing production.

Proposal 1: Establish a “Development Ready Community Program,” to provide technical assistance & funding to remove barriers to housing.

Maine communities have diverse conditions on the ground, unique demographics, and special politics that all influence whether a policy makes sense locally. A “Development Ready Communities Program” is a locally driven framework that supports municipal staff, elected officials, and the public in the work of setting local goals and achieving them. At its core, it understands the interconnected nature of the problem and sets up a framework for a systems approach to policy changes - considering housing, along with transportation, climate, and fiscal priorities, to ensure we are effectively working toward all these goals together. It also gives communities the technical and financial support they need to work through the process locally, rather than directly applying a blunt, punitive tool like 40B out of the gate. Many states, including Oregon, Washington, Maryland, Michigan, Delaware, and Indiana have all moved toward a “development readiness”-type approach.

- Communities set “Priority Investment Areas” tailored to their own context, based on clear criteria that local boards can understand and navigate. These priority areas might include downtowns, villages, crossroads, neighborhoods, corridors, working waterfronts, and farms.
- Communities receive technical assistance through local staff or Regional Planning Organizations to implement zoning changes within the Priority Development Area(s) to remove barriers to housing development. Strategies might include removing parking requirements, reducing minimum lot standards, removing square footage per unit requirements, reducing setbacks, allowing 2 accessory dwelling units per lot, reducing or eliminating impact fees, and other strategies established by this Commission.
- The state provides funding and gap financing to municipalities that have removed the barriers to housing, to help them achieve their local housing objectives, as well as climate, transportation, and other goals that are more easily achieved as part of a holistic and focused effort.

Proposal 2: Train small scale developers & local builders who are invested in our communities.

People who live locally care deeply about their communities and can become the small-scale developers who make necessary, incremental investments to the buildings that are the fabric of rural areas, villages, towns, and cities. Small-scale developers tend to be people who have played some role in real estate over the course of their careers, whether as real estate agents, architects, engineers, retired municipal officials, excavators, or others familiar with the work. Our state can help support locally grown developers by following in the path of other states to fund training programs that provide new developers with the tools and confidence they need. Two such trainings have been hosted and funded in Maine, which have resulted in new projects across the state. In Michigan, New Hampshire, Georgia, and Virginia, the State government has funded these trainings directly to expand the field of developers working across their states. Maine should also more aggressively support training for professionals in the building trades and ramp up marketing around the benefits of a career in the building trades to overcome outdated perceptions.

Proposal 3: Expand existing housing subsidies to smaller projects & more types of developers.

In many communities, and especially in rural Maine, housing production is stagnant because the cost of development is greater than the income from rent or sales. If we want to see an increase in the production of housing and extend these opportunities into rural Maine, it is critical to establish financing tools that close the financing gap and support small scale housing development. Currently only LIHTC projects with 30+ units gain access to financing through Maine State Housing Authority (MaineHousing), promoting a scale of development that doesn't fit well in many Maine communities. This can exacerbate resistance to housing projects and drive up the cost of development.

We recommend expanding MaineHousing's existing program of providing soft subsidies (0% interest loans with 30-year term) to a broader range of developers and a broader range of housing types, including small 2- to 8-unit buildings that fit the scale of our villages and small towns. To reduce the risk to Maine Housing, these funds could be disbursed and managed by CDFIs, Cap Agencies, or others who can determine which projects are most viable and best suit the community's needs. In addition, subsidies could be made available to Limited Equity Cooperatives, the only type of housing that guarantees permanent affordability.

Suggested Subsidies, based on existing MaineHousing program:

40%-60% AMI	\$150,000 per unit
60%-80% AMI	\$125,000 per unit
80%-120% AMI	\$100,000 per unit

Proposal 4: Reinvest property taxes into critical projects.

In most of Maine, and especially its rural areas, many social and economic factors combine to cause a single fundamental barrier: a financial gap between households at or below area median income

who need housing, and the actual cost for the market to deliver the housing. Tax Increment Financing (TIF) provides a way for local governments to help overcome this gap by reinvesting a portion of increased taxes back into projects. This does two important things: it effectively increases the value of a project, which allows access to a larger commercial loan, and secondarily allows for a project to cash flow in communities where rents alone can't cover operating costs. Maine would benefit from simplifying the TIF process for towns and developers, so municipalities could more easily use municipal TIFs for smaller projects in "Priority Investment Areas". Detailed guidance, prepared and disseminated statewide, with a focus on bridging the gap, would help increase local understanding and expand utilization, particularly in rural communities.

Proposal 5: Create a State Historic Tax Credit that is targeted to rural Maine.

During the past eleven years, 122 federal and state historic tax credit projects have been approved in Maine, resulting in the investment of more than half a billion dollars in our state. While the historic tax credit has been effective at rehabilitating residential units, these programs are currently limited to commercial projects. As a result, the historic tax credit programs primarily benefit town and city centers. Individual homeowners in rural areas could also benefit from the opportunity to repair and upgrade their historic homes and barns, stables, dairies, granaries, and other agricultural buildings. Many Mainers are trying to age in place and their income is often insufficient to address decades of deferred maintenance resulting from over a century of rural decline. People need the resources to restore these buildings and make them ready for the next generation of families. Programs of this type have been successful in places like New York State, where Historic Homeownership Rehabilitation Tax Credit is targeted to economically distressed localities.

Proposal 6: Fund community housing land trusts to support affordable neighborhoods into the future.

As climate migration puts growing pressure on Maine's housing market, it will be critical to buy land now to ensure areas for long-term affordable housing as part of Maine's long-term plan for community resilience. Community land trusts, such as those in Waterville and Portland, provide permanent community control of land and affordable housing and play an important role in keeping home prices accessible to Mainers. Land trusts temper spikes in land values that occur as a result of market manipulation and land speculation. As a result, homes become much more affordable to low-income buyers in perpetuity, helping lift lower-income residents out of poverty. During the recession in 2008, foreclosures on CLT homeowners were significantly lower than other homeowners. In addition, CLTs support Maine's Climate Action Plan goals to foster economic opportunity and prosperity and advancing equity through Maine's climate response.

Thank you for your consideration.

Sincerely,

Kara Wilbur
Chair

Mandy Reynolds
Executive Director