

130th Maine Legislature
Joint Standing Committee on Labor and Housing
Testimony of Erik C. Jorgensen, MaineHousing, in Neither for Nor Against

LD 1656: An Act to Promote Energy-efficient Affordable Housing

10 May 2021

Senator Hickman, Representative Sylvester and esteemed members of the Labor and Housing Committee: my name is Erik Jorgensen, Director of Government Relations at the Maine State Housing Authority (MaineHousing).

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. MaineHousing is an independent state authority created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

I am speaking today neither for nor against LD 1656: An Act to Promote Energy-efficient Affordable Housing. It's not every session that one sees a bill that recommends investing such a substantial sum in new housing production. The need is absolutely acute, and there is no question that an investment of \$100 million could make a real difference around the state.

Additionally, this measure requires that any housing produced through this legislation be constructed to the level of one of several important energy efficiency standards. We think that is a valuable goal for any new construction and applaud its inclusion here.

So from the funding and environmental perspectives, we think this bill is important and on the right track. We do, however, have some serious concerns about it from an affordable housing finance perspective, and worry that these issues could throw obstacles into reaching the aims that are so clearly desired by the sponsors.

Our chief concern is that the bill as written requires municipal, county and 501 (c)(3) ownership of these properties. Public ownership means those projects would be ineligible to take advantage of federal and state tax credits, which represent this country's primary tool to pay for subsidized affordable housing. Tax Credits typically pay, over 15 years, for 30-70% of the cost to create a low income multifamily housing project. To not have that financing source as an option leaves a hole that we can't see how a developer would be able to fill. It's also worth noting that, unlike traditional multifamily affordable housing projects, these would not pay property taxes.

Our second concern relates to subsidy. The bill calls for "set rate" apartments designed to be affordable for the life of the project. In order to provide this sort of housing, that means there has to be some source of ongoing subsidy as part of the financing of the project. We do not believe that subsidy is something that can be paid for with bonds (subsidy is an operating, not a capital cost), and because the bill specifies that low-income renters will pay exactly 25% of their income (which is lower than the section 8 threshold) these projects would be ineligible for section 8 vouchers which require, among other things at least a 30% of income stake for the tenant. Section 8 vouchers are really the only reliable long term source of subsidy – I don't think any bank would finance a project with "grants" and "General Assistance" as part of a financing strategy.

Finally, the matter of the PLA requirement could be a problem in Maine, given the existing shortage of contractors who do this sort of work to begin with. We would be concerned that most of the companies that currently build multifamily affordable housing would not avail themselves of this funding and simply stick to building tax credit properties, which are straightforward and proven.

We have some other concerns as well, but these we feel are the most significant ones.

Of course, if this funding is simply intended to build and pay for housing up front, rather than to have it be financed with mortgages, it might be workable, but that approach would result in a comparatively small number of units being produced, without the leverage offered by tax credits or other subsidy. We believe that if the state were to make an historic investment like this, it would be far better to structure the funding to incentivize the construction of the maximum number of units.

You will never hear MaineHousing advocate against substantial investments in affordable housing, and this represents an investment that could, if structured properly, make a real difference in both the quantity and the environmental impact on years of future developments in Maine. That said, if the committee decides to move ahead with this bill we stand by to offer any

technical support that the sponsors or committee might desire. We are grateful to Representative Millett for this bill, and this committee for your focus on affordable housing this session.