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STATE OF MAINE
ONE HUNDRED AND THIRTY-FIRST LEGISLATURE
JOINT SELECT COMMITTEE ON HOUSING

MEMORANDUM

TO: Senator Margaret Rotundo, Senate Chair
Representative Melanie Sachs, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Teresa Pierce, Senate Chair
Representative Traci Gere, House Chair
Joint Select Committee on Housing

DATE: March 8, 2023

RE: **Biennial Budget Recommendations (LD 258)**

Please accept this memo as the Joint Select Committee on Housing (HOU) report on the biennial budget (LD 258) pursuant to Joint Rule 314. Our committee held its final work session on the HOU portions of the budget on March 7th. As you know, we have been established to address the issues facing our state regarding housing. Not only are we focused on the current housing crisis, but we will also spend this biennium crafting long-term policies to meet the housing needs of all Maine people and to make the comprehensive, systemic changes needed to avoid another housing crisis in the future. Our charge is broad and complex and must be addressed on multiple fronts. While there is support for all proposals in this budget, we believe that there are opportunities for greater investments.

Rural Affordable Rental Housing Program and Low-income Housing tax credit

This committee¹ supports a transfer of unappropriated general fund surplus (Part TT) to be divided between the Rural Affordable Rental Housing Program (RARHP) and the Low-income Housing tax credit program LIHTEC under the Maine State Housing Authority (see initiative ref # 1517)². However, \$30 million is not enough. Based on the information we have received over the course of our meetings this session, we know that the rural rental program is hugely successful in creating housing while LIHTEC has been the most effective tool for development in more urban areas. The \$15 million proposed for each of these programs will be exhausted too quickly. Based on testimony from MSHA, there is capacity in these programs for distribution of

¹ Members present and voting at 3/7 WS: Senators Pierce, Vitelli, Pouliot and Representatives Gere, Gattine, Campbell, Lookner, Blier, Golek and Rana.

² Initiative Ref #1517 includes an error. The number should match the dollar amount in Part TT (\$30 million not \$25 million). Please note that HOU is recommending increasing this amount to \$80 million.

a significantly higher dollar amount — \$80 million — with at least 20 projects awaiting funding. These additional dollars would make a bigger dent in creating desperately needed units across the state.

The ten members of the Joint Select Committee present at the work session on March 7th, unanimously recommend increasing the amount to be transferred from unappropriated general fund surplus from \$30 million to \$80 million to provide \$40 million in each year of the biennium to RARHP and LIHTEC.

Additional tools requiring funding

The important focus on developing housing units through RARHP and LIHTEC still leaves many tools to combat the housing crisis in need of funding unaddressed. Over the next several weeks, while your committee will be deliberating the biennial budget, our committee will be looking closely at these tools, several of which are programs that are already working but need more funding. We highlight here some of the tools we are exploring and we intend to return with more detail and costs as the weeks progress.

Housing First: At the top of the list of tools we will be working on is a program called Housing First. Housing First provides housing to the most vulnerable among us who have been chronically homeless by directly linking a stable living environment with much needed services to address mental health and substance use disorder on-site, 24-hours a day, 7-days a week.

Navigators: We will also be discussing increasing the number of housing navigators like those established in the MSHA pilot program pursuant to Part HH of LD 1733 enacted in the 130th Legislature (PL 2021, c. 483). A report on this pilot is due at the end of this month. These navigators work with local housing authorities, general assistance programs and nonprofit organizations to assist tenants with locating housing and completing the rental process and to provide mentoring services to promote successful landlord-tenant relationships.

Landlord Assistance: Landlord assistance programs administered through local housing authorities (or MSHA) which help fund repairs and improvements to make apartments compliant for Section 8 housing vouchers or cover security deposits are showing to be successful at making use of existing housing stock owned by landlords willing to accept rent vouchers. We've heard multiple stories of folks who have finally received their housing voucher but are unable to find a place where they can make use of it.

Offsite construction of housing: Manufactured or modular housing, built year-round in enclosed facilities, is another tool which can keep the pipeline of new stock flowing and can be more economical than traditional construction. Linking this industry to those who seek funding to develop affordable housing units is another tool we will be exploring over the next weeks.

Transitional housing: We're hearing of successful efforts to provide housing for those who are new to Maine and waiting for their authorization from the federal government to work. Of the many places we intend to visit, is a property in Saco where such a program is doing well. This not only addresses their housing need but will hopefully pay long-term benefits by increasing our available workforce population.

The Joint Select Committee on Housing has only begun to do the important work of addressing the housing crisis in our state. While we're focused on emergency issues, we do plan to look at making proposals to address more systemic issues that will create solid housing policy in the

long-term. In other words, we will be back looking at additional ways to invest in this critical fundamental need. Some tools we hope to learn more about and explore and will be included on future agenda of the Joint Select Committee include but are not limited to: expanding opportunity for home ownership, construction of housing to address the “missing middle” like starter homes and workforce housing; economical re-use or re-purposing of various types of existing buildings to increase our housing stock; and resources to improve coordination of housing development in the state. An important, and straightforward way to assist with that coordination is through providing funding to regional councils of government to hire planners and grant writers.

Please see the attached worksheet with the committee’s votes on the 3 initiatives proposed in LD 258. The initiative with reference #1517 includes an error (noted by MSHA in testimony at public hearing). Instead of providing \$25 million to RARHP and LIHTEC, that initiative would divide evenly the \$30 million transferred pursuant to Part TT. As noted above, (related to Part TT and initiative #1517) the committee supports an increase to \$80 million — \$40 million in each year of the biennium— to be divided between RARHP and LIHTEC. We will be happy to provide amendment language to Part TT to reflect both the increased amount and the recommendation that \$40 million be transferred in each of the years of the biennium.

In addition to the worksheet, below is a summary of the initiative votes. Those who voted against moving initiatives (as printed on the work sheet) “in” want to express that their opposition reflects their position that the Governor did not propose enough funding for these items relative to addressing the housing crisis in Maine.

Initiative #	Motion	In favor	Opposed
1517	IN 9-1	Pierce, Vitelli, Gere, Campbell, Gattine, Lookner, Blier, Golek, Rana	Pouliot
1518	IN 10-0	Pierce, Pouliot, Vitelli, Gere, Campbell, Gattine, Lookner, Blier, Golek, Rana	
1525	IN 7-3	Pierce, Vitelli, Gere, Gattine, Lookner, Golek, Rana	Pouliot, Campbell, Blier

Thank you for your time and consideration of our report.

Sec. A-20. Appropriations and allocations. The following appropriations and allocations are made.

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF

Housing Opportunity Program Z336

Initiative: BASELINE BUDGET

GENERAL FUND	History 2021-22	History 2022-23	2023-24	2024-25
Personal Services	\$0	\$243,874	\$254,810	\$0
All Other	\$0	\$2,756,126	\$2,656,126	\$2,656,126
GENERAL FUND TOTAL	\$0	\$3,000,000	\$2,910,936	\$2,656,126

Justification:

Public Law 2022, Chapter 672 authorized funding for the support and development of additional housing units in Maine, including units that are affordable to low and moderate income people and housing units targeted to community workforce housing needs.

HOUSING OPPORTUNITY PROGRAM Z336

PROGRAM SUMMARY

GENERAL FUND	History 2021-22	History 2022-23	2023-24	2024-25
Personal Services	\$0	\$243,874	\$254,810	\$0
All Other	\$0	\$2,756,126	\$2,656,126	\$2,656,126
GENERAL FUND TOTAL	\$0	\$3,000,000	\$2,910,936	\$2,656,126

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF

	2023-24	2024-25
DEPARTMENT TOTALS		
GENERAL FUND	\$2,910,936	\$2,656,126
DEPARTMENT TOTAL - ALL FUNDS	\$2,910,936	\$2,656,126

Sec. A-34. Appropriations and allocations. The following appropriations and allocations are made.

HOUSING AUTHORITY, MAINE STATE

Housing Authority - State 0442

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2021-22	History 2022-23	2023-24	2024-25
All Other	\$31,296,000	\$82,190,500	\$32,190,500	\$32,190,500
OTHER SPECIAL REVENUE FUNDS TOTAL	\$31,296,000	\$82,190,500	\$32,190,500	\$32,190,500

Justification:

The Housing Opportunities for Maine (HOME) Fund was created by the Legislature and the Governor in 1983 to provide a flexible source of funding to address the problems of affordable housing. The real estate transfer tax was doubled to provide a dedicated source of revenue to the Fund. Of the total tax collected, 10% stays with the county (as an agent fee) and the balance is split between the General Fund and the HOME Fund. The HOME Fund provides the Maine State Housing Authority (MSHA) with one of its most important financial resources. None of the money is used for any kind of administrative costs. The flexibility of the HOME Fund is significant. It enables MSHA to leverage federal funds, to reduce interest rates for first time homebuyers and for affordable multi-family developments, and to improve housing opportunities for renters in need, persons who are homeless and persons with special needs. The HOME Fund has brought homeownership to Maine citizens who otherwise would not have been able to afford it. It has also provided affordable rental housing to thousands of low-income families, the elderly, persons who are homeless, persons with disabilities and to homeowners to finance needed home modifications and repairs. Because these funds are relatively free of restrictions they are the critical piece in many projects where most of the pieces are in place but a key additional piece is needed to make the project possible.

Housing Authority - State 0442

Initiative: Provides one-time funding to expand rental housing options that are affordable to workers and their families through equal funding to the Rural Affordable Rental Housing Program and the Low-income Housing Tax credit program.

Ref. #: 1517 One Time Committee Vote: 9-1 (IN) AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2023-24	2024-25
All Other	\$25,000,000	\$0
OTHER SPECIAL REVENUE FUNDS TOTAL	* \$25,000,000	\$0

note error

Justification:

MaineHousing offers multiple programs to encourage development of affordable rental housing for families and individuals, seniors and persons with special needs. Low income housing tax credits, development loans, direct development subsidies, affordable housing tax increment financing, and options to restructure debt are some of the critical tools provided by the agency to make these programs work. Developers, in turn, are required to ensure that housing developed with MaineHousing financing remains affordable. The agency reports that in calendar year 2021, it had 20,050 multifamily units in its portfolio, 773 multifamily units financed and under construction, and 524 new multifamily units completed. Despite this unprecedented volume of work, the decades-long undersupply of affordably priced homes in most areas of the state, as well as pandemic-related impacts on migration patterns and construction costs, have made additional housing investments critical to Maine's people and economy. Two of the most critical development programs offered by MaineHousing are the Rural Affordable Rental Housing Program (RARH) and the Low Income

Housing Tax Credit Program (LIHTC). While the RARH focuses on the creation of needed housing for households outside of Maine's larger municipalities, LIHTC has proven over the past 30 years to be the most successful affordable housing development tool available for Maine's urban areas. These state funds will be deployed by MaineHousing through these two successful programs to leverage additional resources and support additional rental housing needs in communities throughout the state.

Housing Authority - State 0442

Initiative: Adjusts funding to bring allocations in line with projected available resources for fiscal year 2023-24 and fiscal year 2024-25.

Ref. #: 1518

Committee Vote: 10-0 IN AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2023-24	2024-25
All Other	(\$4,649,526)	(\$4,816,650)
OTHER SPECIAL REVENUE FUNDS TOTAL	(\$4,649,526)	(\$4,816,650)

Justification:

This initiative aligns funding with revenue as recommended in the December 1, 2022 forecast of the Revenue Forecasting Committee.

**HOUSING AUTHORITY - STATE 0442
PROGRAM SUMMARY**

OTHER SPECIAL REVENUE FUNDS	History 2021-22	History 2022-23	2023-24	2024-25
All Other	\$31,296,000	\$82,190,500	\$52,540,974	\$27,373,850
OTHER SPECIAL REVENUE FUNDS TOTAL	\$31,296,000	\$82,190,500	\$52,540,974	\$27,373,850

Low-income Home Energy Assistance - MSHA 0708

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2021-22	History 2022-23	2023-24	2024-25
All Other	\$545	\$545	\$545	\$545
OTHER SPECIAL REVENUE FUNDS TOTAL	\$545	\$545	\$545	\$545

Justification:

Maine State Housing Authority (MSHA) assists the Public Utilities Commission to implement the Electric Assistance Program Fund. The Public Utilities Commission program subsidizes the electric bills of low-income households that qualify for the program. MSHA coordinates the flow of funds among the various utility companies by serving as a central processor. This program serves approximately 30,000 households per year.

**LOW-INCOME HOME ENERGY ASSISTANCE - MSHA 0708
PROGRAM SUMMARY**

OTHER SPECIAL REVENUE FUNDS	History 2021-22	History 2022-23	2023-24	2024-25
All Other	\$545	\$545	\$545	\$545
OTHER SPECIAL REVENUE FUNDS TOTAL	\$545	\$545	\$545	\$545

Maine Energy, Housing and Economic Recovery Program Z124

Initiative: BASELINE BUDGET

	History 2021-22	History 2022-23	2023-24	2024-25
OTHER SPECIAL REVENUE FUNDS				
All Other	\$4,319,400	\$4,318,538	\$4,318,538	\$4,318,538
OTHER SPECIAL REVENUE FUNDS TOTAL	\$4,319,400	\$4,318,538	\$4,318,538	\$4,318,538

Justification:

The Maine Energy, Housing and Economic Recovery Program are used exclusively to pay debt service on issued bonds. No program funds are used to pay for any MaineHousing staff or other operational costs.

Maine Energy, Housing and Economic Recovery Program Z124

Initiative: Decreases funding to bring debt service payments in accordance with the repayment schedule.

Ref. #: 1525

Committee Vote: 7-3 IN AFA Vote: _____

	2023-24	2024-25
OTHER SPECIAL REVENUE FUNDS		
All Other	(\$758)	(\$2,003)
OTHER SPECIAL REVENUE FUNDS TOTAL	(\$758)	(\$2,003)

Justification:

This initiative will meet the legal contractual obligation to bond holders and avoid default.

**MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY PROGRAM Z124
PROGRAM SUMMARY**

	History 2021-22	History 2022-23	2023-24	2024-25
OTHER SPECIAL REVENUE FUNDS				
All Other	\$4,319,400	\$4,318,538	\$4,317,780	\$4,316,535
OTHER SPECIAL REVENUE FUNDS TOTAL	\$4,319,400	\$4,318,538	\$4,317,780	\$4,316,535

Shelter Operating Subsidy 0661

Initiative: BASELINE BUDGET

GENERAL FUND	History 2021-22	History 2022-23	2023-24	2024-25
All Other	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
GENERAL FUND TOTAL	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000

Justification:

The Shelter Operating Subsidy (SOS) Program provides funding for emergency shelters that serve people who are homeless. These emergency shelters are society's ultimate safety net. Funds from this program are used statewide. Program funds help emergency shelters pay operating costs and improve conditions of emergency shelters to comply with code and regulatory requirements. These funds only cover a portion of a shelter's operating costs. The objective of the SOS Program is to keep emergency shelters operating to provide a safe haven for those who are homeless. Program funds Maine's emergency shelters that provide bed nights for Maine citizens. Maine State Housing Authority allocates the funds directly to the providers.

**SHELTER OPERATING SUBSIDY 0661
PROGRAM SUMMARY**

GENERAL FUND	History 2021-22	History 2022-23	2023-24	2024-25
All Other	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
GENERAL FUND TOTAL	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000

HOUSING AUTHORITY, MAINE STATE

DEPARTMENT TOTALS	2023-24	2024-25
GENERAL FUND	\$2,500,000	\$2,500,000
OTHER SPECIAL REVENUE FUNDS	\$56,859,299	\$31,690,930
DEPARTMENT TOTAL - ALL FUNDS	\$59,359,299	\$34,190,930

PART TT

Sec. TT-1. Transfer from General Fund unappropriated surplus; State Housing Authority program. Notwithstanding any provision of law to the contrary, on or before June 30, 2024, the State Controller shall transfer \$30,000,000 from the unappropriated surplus of the General Fund to the Maine State Housing Authority, State Housing Authority program, Other Special Revenue Funds account to expand rental housing options that are affordable to workers and their families through equal funding to the Rural Affordable Rental Housing Program and the Low-income Housing Tax credit program.

PART TT SUMMARY

This Part requires the transfer of \$30,000,000 from the unappropriated surplus of the General Fund to the Maine State Housing Authority, State Housing Authority program, Other Special Revenue account to expand rental housing options that are affordable to workers and their families through equal funding to the Rural Affordable Rental Housing Program and the Low-income Housing Tax credit program.

