



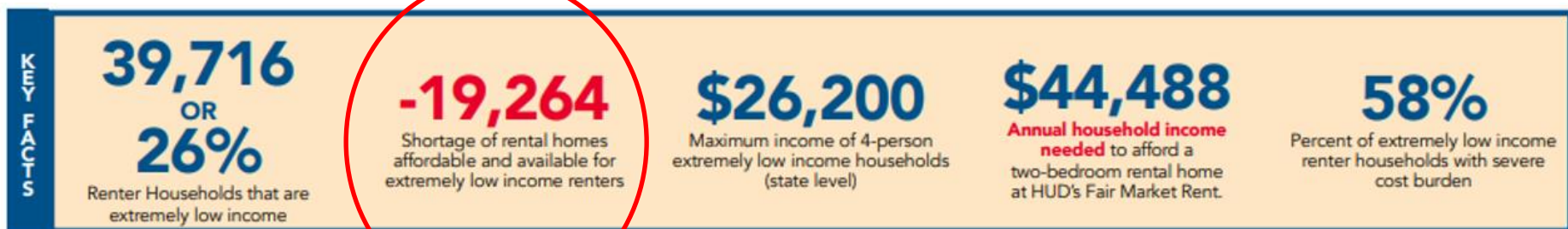
MAINE AFFORDABLE
HOUSING COALITION

The Maine Housing Crisis & Potential Solutions

Presented to the Commission to Increase Housing Opportunities by Studying
Land Use Regulations and Short-term Rentals
September 13, 2022

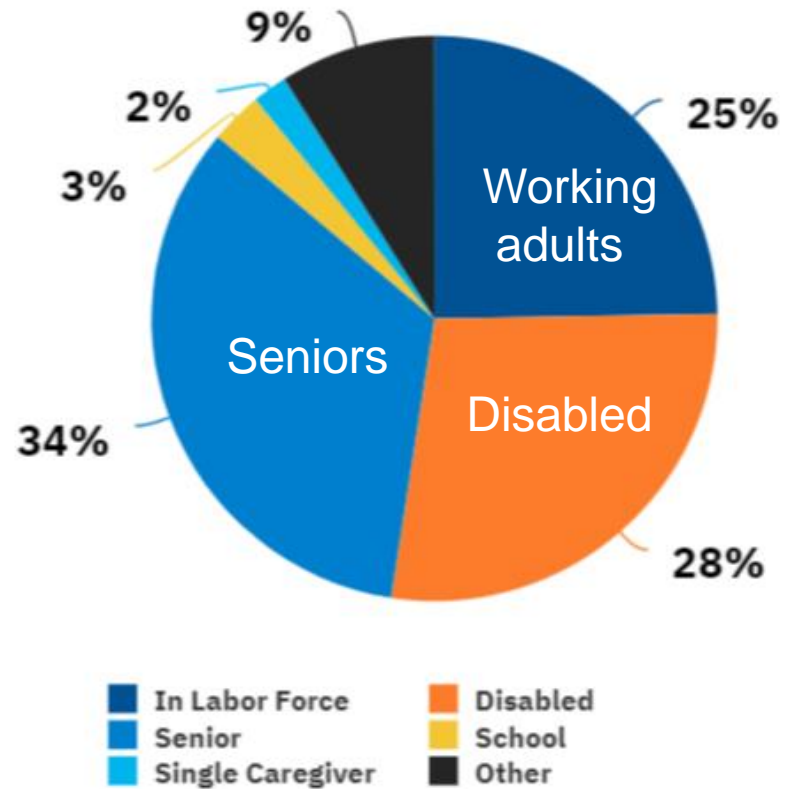
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2022 Maine Housing Profile for Extremely Low Income Households (30% AMI)



Any removal of permanent housing units or erosion of affordability further exacerbates our crisis.

Who are extremely low income renters?



Note: Mutually exclusive categories applied in the following order: senior, disabled, in labor force, enrolled in school, single adult caregiver of a child under 7 or a person with a disability, and other. At the national level, 15% percent of extremely low income renter households include a single adult caregiver, more than half of whom usually work more than 20 hours per week. Eleven percent of extremely low-income renter households are enrolled in school, 48% of whom usually work more than 20 hours per week.

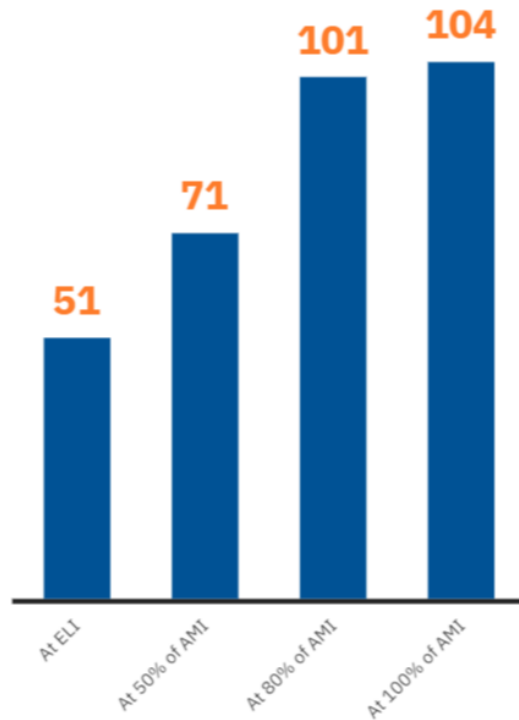
Source: 2020 5-Year ACS PUMS

Who does the housing crisis impact in Maine?

All people in Maine deserve a home.

Cost Burdened Means Making Choices Between Housing or Food or Medicine

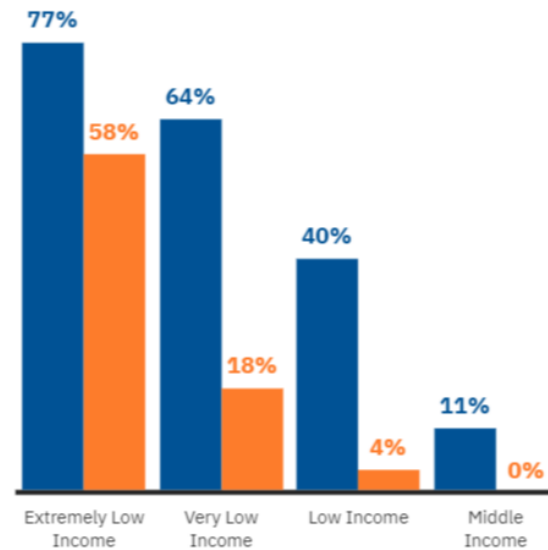
AFFORDABLE AND AVAILABLE HOMES PER 100 RENTER HOUSEHOLDS



Source: NLIHC tabulations of 2020 5-Year ACS PUMS

HOUSING COST BURDEN BY INCOME GROUP

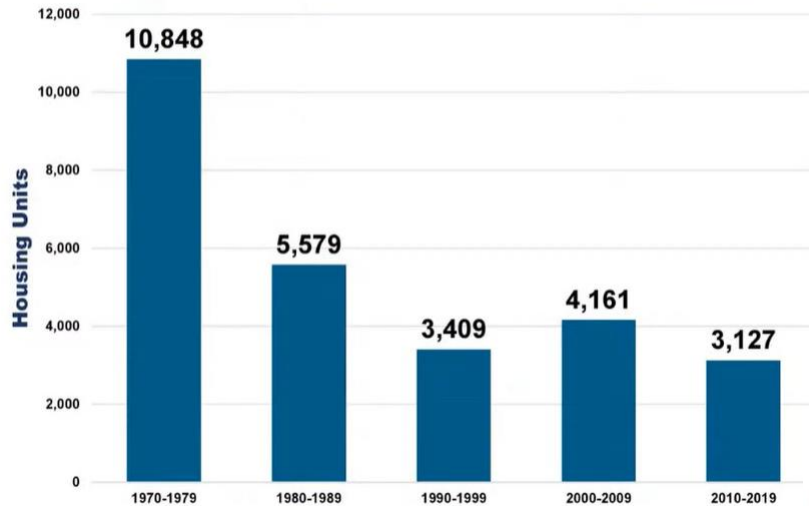
■ Cost Burdened ■ Severely Cost Burdened



Note: Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are severely cost burdened.

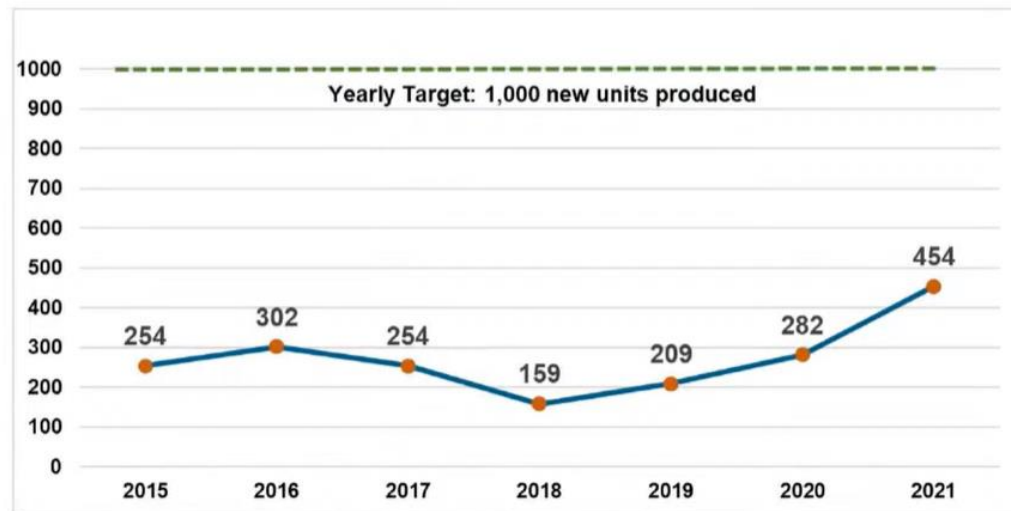
Source: NLIHC tabulations of 2020 5-Year ACS PUMS

AFFORDABLE HOUSING PRODUCTION BY DECADE



Maine Mismatch Between Supply and Demand

NEW AFFORDABLE HOUSING UNITS IN MAINE

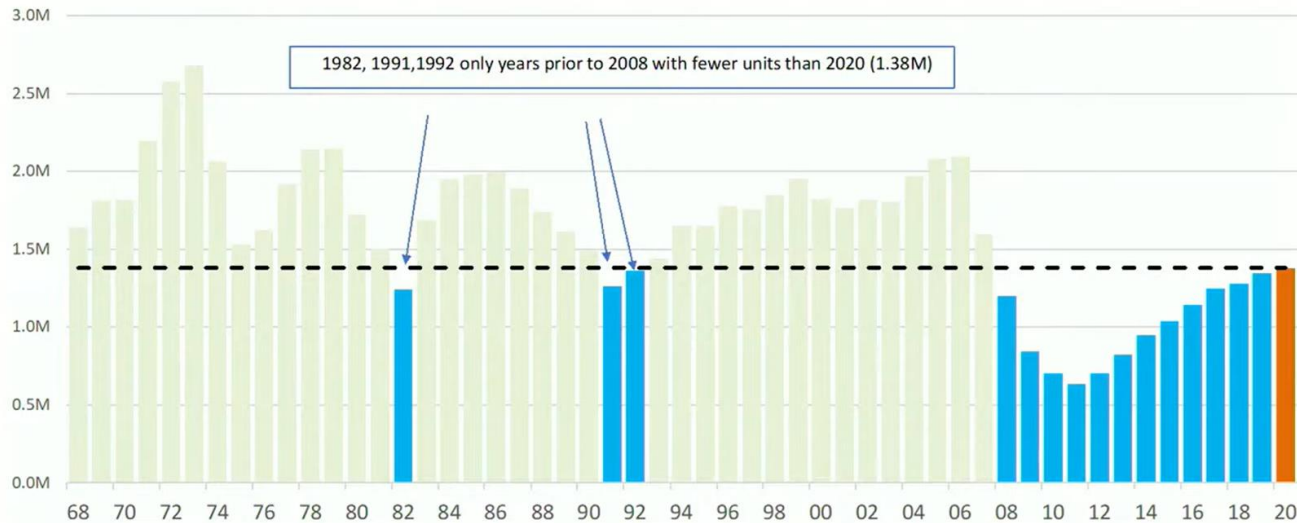


National Mismatch As Well

Longest Economic Expansion in History Produced Fewest Units on Record

U.S. New Housing Supply Low Relative to History

U.S. Annual Housing Completions and Manufactured Home Shipments (1000s)



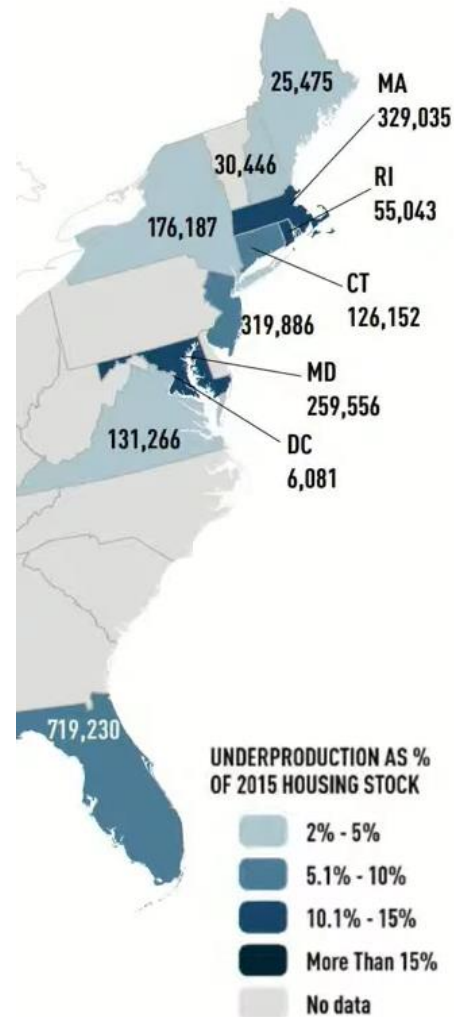
Source: Freddie Mac



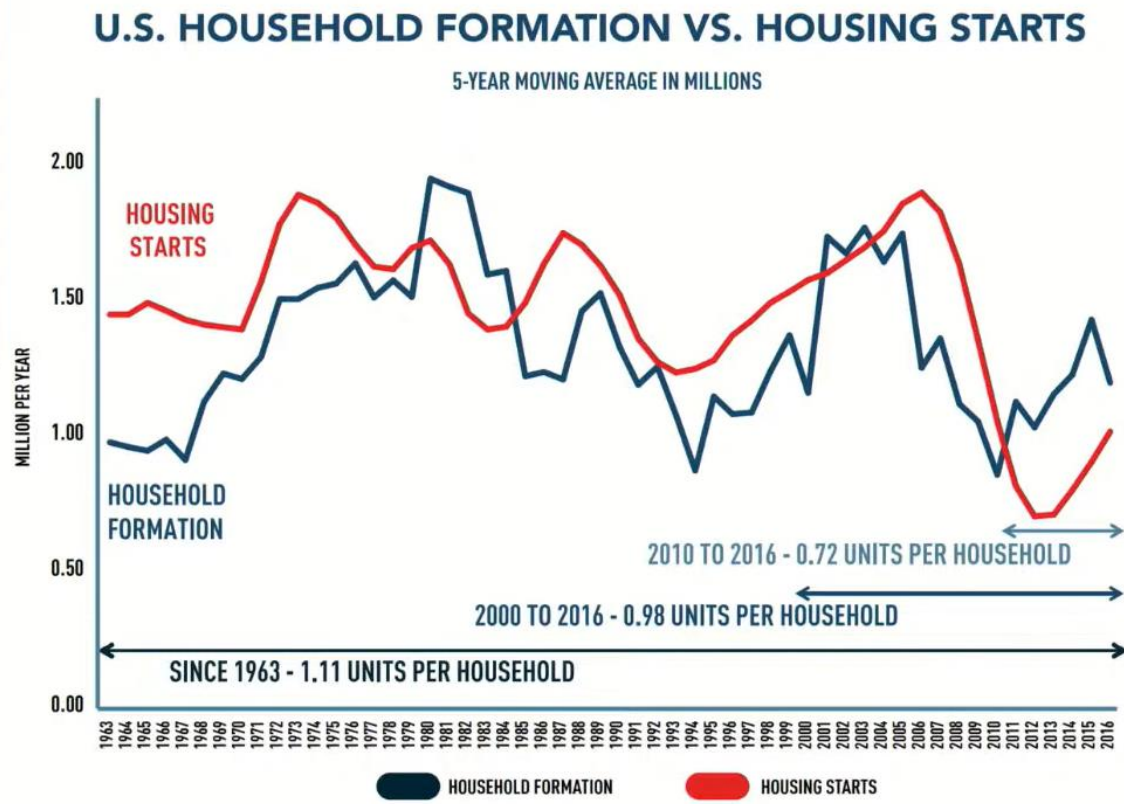
www.upforgrowth.org

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From 2000 to 2015, the U.S. Fell 7.3 Million Homes Short of Meeting Housing Needs



**Nationally,
Housing Starts
Have Not Kept
Pace With
Household
Formation**

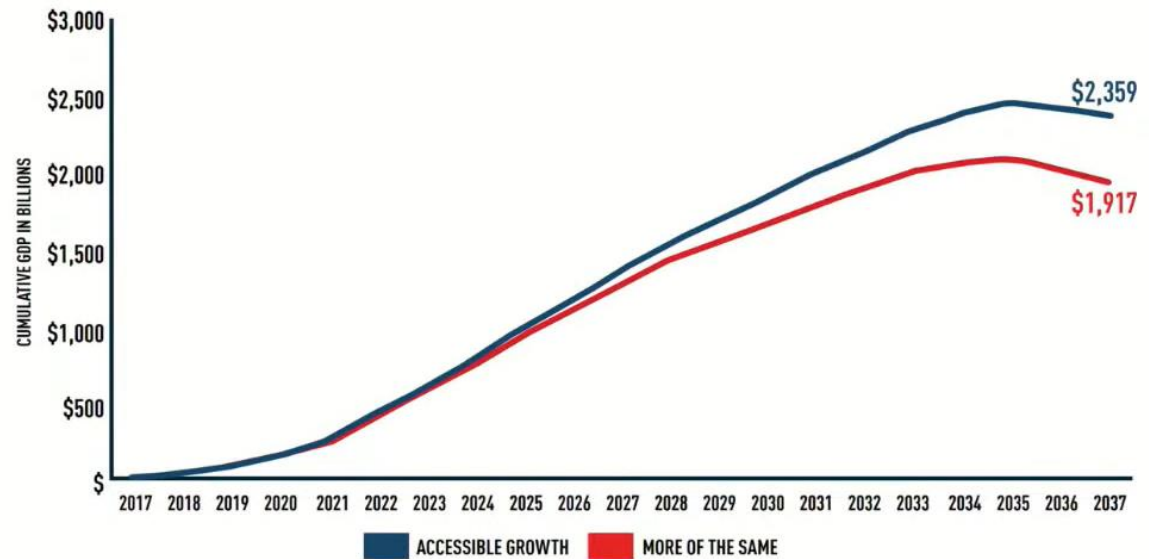


If We Built the Missing 7.3 Million Homes

Solving Housing Underproduction Can Drive Economic Recovery and Growth



U.S. CUMULATIVE GDP BY SCENARIO
20-YEAR PRODUCTION PERIOD COMPARED TO BASELINE



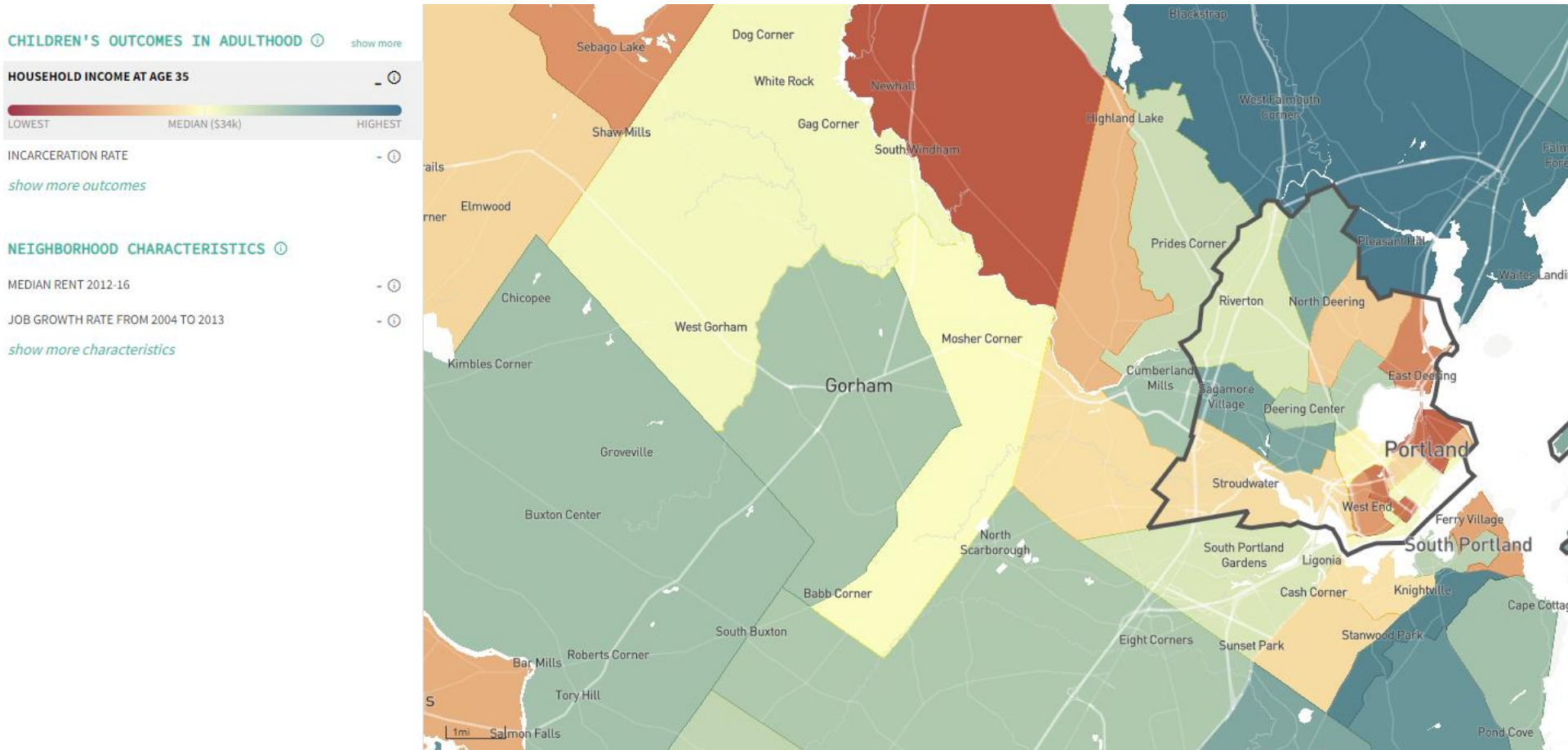
How Zoning and Process Creates the Mismatch

Why Don't We Have Enough of the Right Types of Housing in the Right Places?

Development Stage	City's Role	Impact on Feasibility
Site Investigation & Due Diligence	The city establishes the site's zoning and often provides basic infrastructure. While the city does not directly influence the market analysis, city decisions regarding infrastructure, transportation, schools, and other local considerations influence market conditions.	<ul style="list-style-type: none"> • Zoning Codes • Open Space Requirements • Minimum Parking Ratio Requirements • Rezoning Process
Financial Feasibility	The city influences project costs and revenues through a variety of policies that are designed to further public goals. These include affordability requirements, green building and urban design policies, and the permitting and entitlement process.	<ul style="list-style-type: none"> • Sustainability Requirements • Green Roof Requirements • Material Requirements • Inclusionary Housing
Financing Structure	Cities often have policies to subsidize development costs, particularly in affordable housing projects and other projects that align with policy priorities.	<ul style="list-style-type: none"> • Property Tax Abatement and Exemption Programs • Impact Fee Financing
Approvals Process	Cities determine the required steps of an approval process and establish touch-points within the development process for community members to influence and respond to new development.	<ul style="list-style-type: none"> • Neighborhood Association Contract Requirements • Historic District Review • Design Review • Permit Approval Timeline • Appeal Process • CEQA and similar rules
Construction	The city is involved in the building permitting process and ensuring compliance. Furthermore, city policies could impact the lease-up and tenancing of the project.	<ul style="list-style-type: none"> • Building Permit Fees • Inspection Fees

Source: Up for Growth (2021)

Your Neighborhood, Created by Its Zoning, Has a Lifetime Impact



STR Impact - AirBnB

- Over 1,000 homes available for weeklong rentals across several months in Maine



Map area

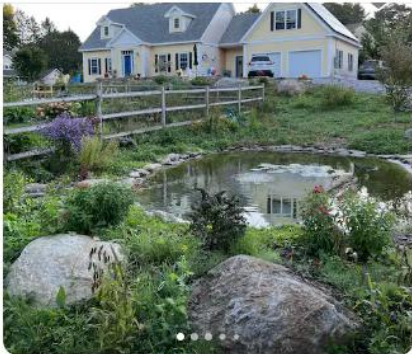
Week in Sep, Nov, Jan...

Add guests



Over 1,000 homes

Filters



Loft in Camden, Maine

★ 5.0 (21)

Lovely new loft in permaculture ...

1 bed

Nov 1 – 6

\$101 / night



Condo in Bath, Maine

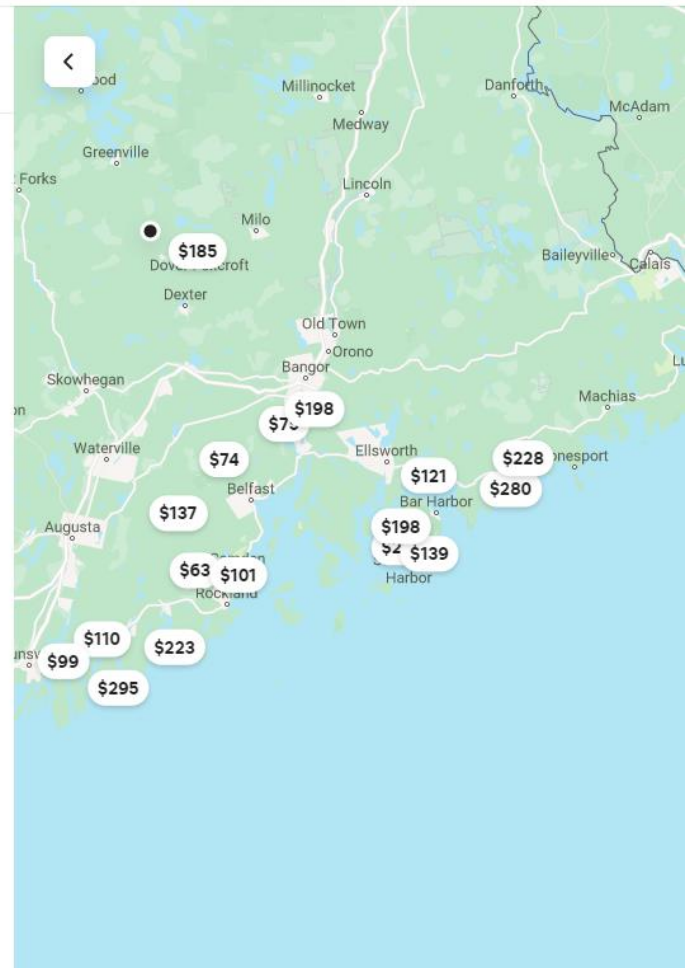
★ 4.94 (36)

Maine Spot - Bowdoin, Lighthouses, ...

3 beds

Sep 11 – 16

\$99 / night



STR Impact - VRBO

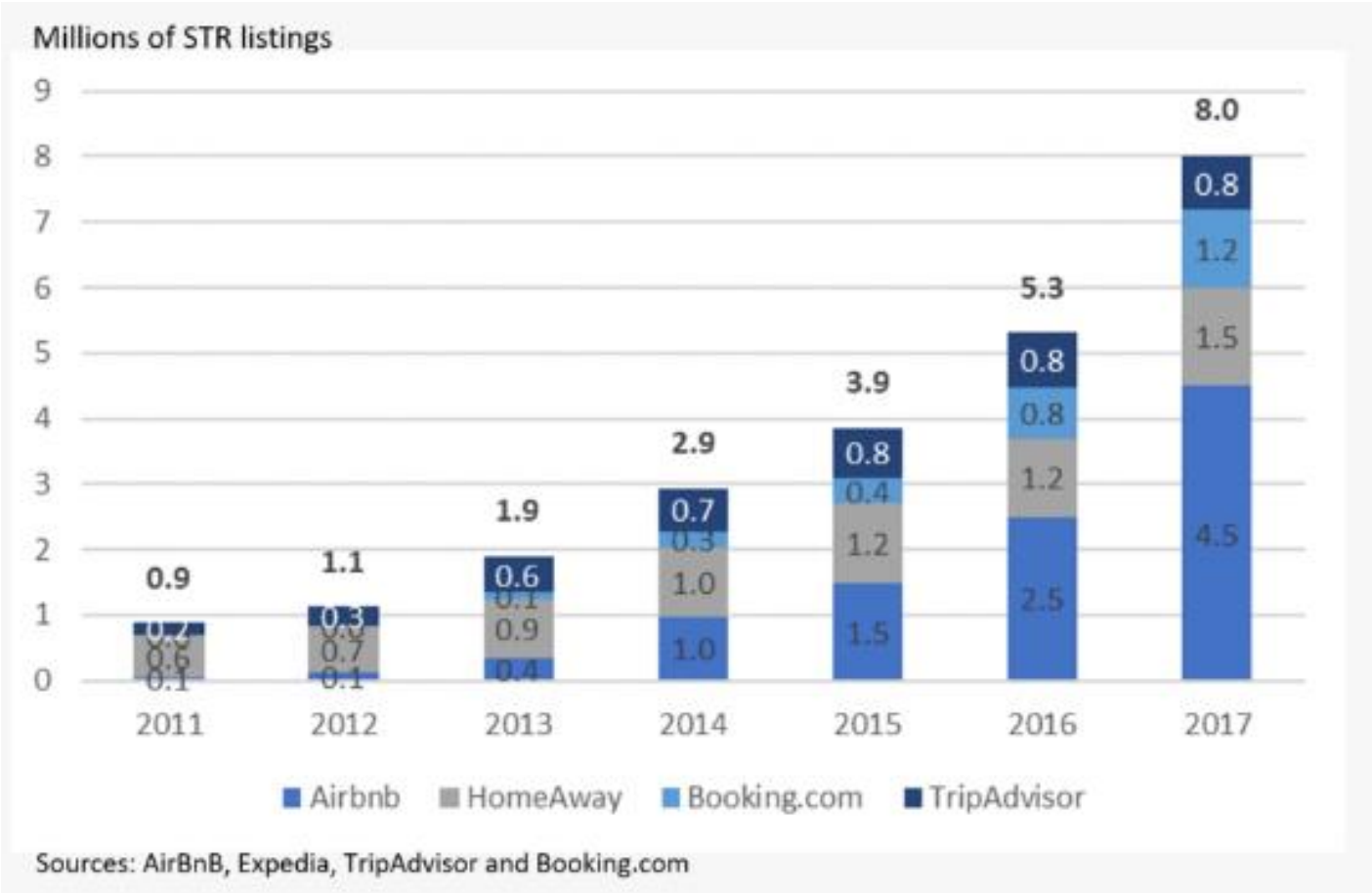
- Over 300 homes on VRBO. Only lists entire homes, condos or apartments customers will have to themselves.

The screenshot displays the VRBO website interface. At the top, the VRBO logo is on the left, and navigation links for 'Get the app', 'Trip Boards', 'Log in', 'Sign up', 'Help', 'Feedback', 'USD (\$)', and 'EN' are on the right. Below the logo is a search bar with 'Where: Maine, United States of America'. To the right of the search bar are input fields for 'Check-in', 'Check-out', and 'Guests'. Below the search bar are filter options: 'Filters', 'Popular', 'Price', and 'Rooms & spaces'. The main content area shows a grid of property listings. Each listing includes a photo, a 'Premier Host' badge, a title, a description, a rating, and a price per night. The listings are:

- Cottage:** 'NEW! 'Hidden Gem Cottage' Near Blue Hill Peninsula'. Sleeps 3 - 1 bedroom - 2 beds. 5.0 (1 review). \$210 avg/night. Free cancellation up to 14 days before check-in.
- Studio:** 'Quaint Condo 5 Min.Walk To Perkins Cove'. Sleeps 2 - 1 bed. 4.8 (115 reviews). \$112 avg/night. Free cancellation up to 30 days before check-in.
- Condo:** 'Sleek & newly-renovated third-floor condo w/ amazing water views - walk to bay'. Sleeps 4 - 2 bedrooms - 2 beds. 4.5/5. Excellent! 4.5/5. Free cancellation up to 30 days before check-in.

On the right side of the page, there is a map of Maine with numerous blue location pins indicating the distribution of these vacation rental properties across the state, primarily concentrated in the coastal and central regions.

STR Rental Impact Growth



• <https://granicus.com/blog/are-short-term-vacation-rentals-contributing-to-the-housing-crisis/>

STR Academic Research

- Supports concerns about the impact of short-term rentals on housing affordability. *1
- Three peer reviewed studies from US cities and overall show an **increase in STR units correlates with an increase in rental and homeownership costs.** *2
- Shifts units from residential to commercial hotel supply. *2
- Changes neighborhood nature and don't abide with normal zoning. Guests would otherwise stay in a hotel permitted and sited in a commercial zone. *2
- Residential housing is zoned and built through a wholly different process. *2
- Unlike with a shortage of, say, shoes or oranges, neither the market nor the public sector can swiftly replace the housing units that are removed from the marketplace. *2
- Total supply of housing is not affected by the entry of STR listings....they **decrease the supply of long-term rental units** *3
- In some small towns in Maine that lack lodging, STRs are adding to the housing market and creating a positive mixture of offerings


*1: <https://granicus.com/blog/are-short-term-vacation-rentals-contributing-to-the-housing-crisis/> *2: https://harvardlpr.com/wp-content/uploads/sites/20/2016/02/10.1_10_Lee.pdf

*3: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3006832

Cities Taking the Lead on STRs

- These laws are very local in nature and vary from state to state, even town to town.

- Source: <https://www.2ndaddress.com/research/short-term-rental-laws/>



City	Summary	Take Effect	Fine	STR License Fee	Additional Cost
New York	<ol style="list-style-type: none"> 1. Can't rent out entire apartment (hosts must be present) 2. Can't advertise an apartment 3. Up to 2 paying guests 	May 2011	\$1,000 - \$7,500 (illegal advertising of apartments)	N/A	<ol style="list-style-type: none"> 1. Sales and use tax 2. Hotel room occupancy tax
San Francisco	<ol style="list-style-type: none"> 1. Must register as a business and as a short-term rental 2. Hosts must be permanent residents 3. Up to 90 nights a year without hosts 4. No income-restricted affordable housing 	Feb. 2015	≥ \$484 (per day)	\$250	<ol style="list-style-type: none"> 1. Transient occupancy tax 2. Business personal property tax
Los Angeles	<ol style="list-style-type: none"> 1. Must obtain licenses 2. Must be primary residence 3. Up to 120 days a year 	July 2019	≥ \$500 (per day)	\$89	Transient occupancy tax
Washington DC	<ol style="list-style-type: none"> 1. Must obtain license, additional "vacation rental" endorsement for renting out an entire unit 2. Must be primary residence 3. Up to 90 nights a year without hosts 	Oct 2019	\$500 - \$6,000 (per violation)	TBD	Transient lodging tax
Chicago	<ol style="list-style-type: none"> 1. Short-term rental platforms must obtain license 2. Hosts with 1 home-share unit register through the rental platform 3. Hosts with ≥ 1 home-share unit must obtain license from city of Chicago 4. Vacation rental must obtain license 	March 2017 (host registration)	\$1,500 - \$3,000 (per day)	\$0 - \$250	Hotel accommodation tax
Boston	<ol style="list-style-type: none"> 1. Must obtain license 2. Must be primary residence or an secondary unit at their primary residence 3. No income-restricted units 	Jan. 2019	\$100 - \$300 (per day)	\$25 - \$200	Same tax as hotel
Seattle	<ol style="list-style-type: none"> 1. Short-term rental platforms must obtain license 2. Hosts must register as a business and as a short-term rental 	Sep. 2019	\$500 - \$1,000	\$75	<ol style="list-style-type: none"> 1. Retail sales tax 2. Lodging tax 3. Business and

STR Management Examples

- Ban year-round listings of units on STR sites – 75 day limit. Hosts of less than two weeks a year don't pay additional STR fees.
- Occupancy tax on any unit that is listed on STR sites for greater than the ~75 day cap
- Have a one-year cool down periods before any formerly subsidized or rent-controlled home can be listed on STR sites.
- Cap the number of units that any individual or business can list on STR sites in a year.
- Cap the number of units in a building that owners/managers can list on STR sites.
- Incentivize developers to build affordable and market-rent housing, by allowing newly-developed building managers and owners to set aside a greater number of units for STRs.
- Grant additional exemptions for developers who set aside newly-constructed units for low-income residents.
- https://harvardlpr.com/wp-content/uploads/sites/20/2016/02/10.1_10_Lee.pdf
- Licenses for units rented for less than 30 consecutive days in Clark County Nevada are for \$300/year and STR tax is on top of that
- <https://www.alltherooms.com/analytics/airbnb-regulations/>

Potential Maine Solutions To Address the Housing Crisis

Drive Revenue to Meet the Demand

- 1. Short term rental tax and licensing fees**
- 2. Vacancy fees or taxes for vacation homes**
 - Motivate owners to develop vacant areas of the parcels, and to either sell or rent unoccupied housing units, while also increasing revenue.
- 3. Housing infrastructure bond**
 - Housing is infrastructure vital for the growth of Maine businesses and our workforce. Maine can't thrive without critical housing infrastructure. Housing is vital to people from all walks of life today, housing is critical infrastructure today.
- 4. Expand the real estate transfer tax/fees for the HOME Fund**
 - Make sure that the HOME Fund is protected and the full 45% goes to the HOME Fund.
- 5. Apply a supplemental real estate document recording fee in towns that do not have a minimum percentage of affordable homes**
 - For decades, exclusionary communities have been successful in thwarting the development of affordable homes. Imposing an additional recording fee in such communities will both incentivize these jurisdictions to permit new affordable homes and raise money to construct the homes.
- 6. Incentivize ADU development with new loan products**
- 7. Make the state historic tax credit permanent**
 - Increase cap on limits for state historic tax credits. Expand it for individuals to use to redevelop residential properties.

Invest in Our Values

1. **Provide state match for towns that will incentivize towns to create Community Land and Housing Trusts.**
2. **Offer a new** version of statewide “Land for Maine’s future” with land being assigned for affordable housing development. Add of conservation set asides and prioritize smart growth principles in reuse.
3. **Community tool kit (with funding incentive)** – Identify Housing Champion Communities. Encourage municipalities to promote the development of workforce housing and “other types of housing necessary for the economic development of the state.” Towns and cities that receive the certification would get preferential access to state resources including discretionary state infrastructure funds. Municipalities would need to adopt policies that promote affordable housing.
4. **Long term statewide planning resources to support housing goal production strategy development and implementation of plans to meet goals and support towns overall**

Reimagine Land Use

1) Residential in commercial zones

- Allow new apartment and condominium developments to be built in commercial and mixed-use zones, ideally with at least 20% of the homes affordable to low-income households. Access to appropriately zoned sites is a prerequisite to the development of affordable homes. Because local governments see revenue potential from sales tax growth, they often overzone for commercial uses at the expense of housing. Moreover, e-commerce and the pandemic are changing shopping and office habits forever. Allowing housing in commercial zones opens up appropriate sites for housing and ensures vibrant and productive uses of these properties. The affordable housing requirement ensures that the public captures the increased value of the land associated with allowing residential uses.

2) State Appeals Board for Local Affordable Housing Decisions

- Reduces discretion. Legal process is expensive and uncertain. Proven effective in other states including New Hampshire. Further State regulation that supports consistency of development process and a clear path for development of affordable housing in all communities is also needed. **Create clear, consistent development process across towns.** Lots of desire and capital to produce housing. Developers don't have a clear path to take to make it work. Pre development path is a lot of money, and challenging. Will alleviate some lack of planning resources and help volunteer planning/zoning boards.

3) Increase density in high opportunity areas in Maine to fill the missing middle of housing in targeted areas by town centers, commercial strips, transit hubs, or services.

4) Assign state/public land that is already developed for affordable housing development Remove zoning barriers to housing production

- End exclusionary discriminatory zoning by allowing increases in building height and density for mixed-income and affordable housing developments in service center communities. Up zoning should occur in areas whose characteristics are associated with positive outcomes for families and children, and where employment and commuting patterns suggest more housing could shorten commutes.

5) Address the Growth Management Act

- Take a broader look at the GMA to streamline its requirements and allow communities to focus on affordable housing.

6) Review State Subdivision Laws

- Maine is unusual in that state law generally views creation of multifamily housing as a subdivision. In most states, only the actual subdivision of land is considered a "subdivision" and subject to the requirements of subdivision law. In 2019, legislation exempted developments that are subject to "municipal site plan review" from subdivision review. However, additional changes may be needed to ensure that subdivision law does what it is supposed to – provide access and site planning for actual division of land – but does not unnecessarily impede housing development.

LD2003 Is Paving the Way for Housing Across the State. *What people are saying...*

- *....many of the initiatives we already allowed in our town and have been working to delicately navigate growth in the community without overburdening it.*
- *...in small towns in Maine, the passion to support housing is there, but the first hurdle is zoning. There is a lack of capacity to make the needed changes.*