

Good afternoon, chairpersons Rotundo and Sachs, Gere and Pierce, and the rest of the esteemed members of the committees on Appropriations and Financial Affairs and Housing:

My name is Josie Phillips, and I am a budget and tax policy fellow with Maine Center for Economic Policy. Maine Center for Economic Policy is testifying neither in favor nor against the proposed \$30 million investment in affordable housing. While public investment is necessary to alleviate Maine's affordable housing crisis, \$30 million is insufficient to address the shortage of affordable housing.

Until sufficiently addressed, Maine's affordable housing crisis will remain a serious threat to public health, safety, and prosperity in both rural and urban areas across the state. Housing insecurity and homelessness — driven by high costs of housing — have been repeatedly shown to endanger personal health, educational outcomes, and financial security.<sup>1</sup> Maine's State Economist has also identified a lack of affordable housing to be one of the most significant challenges facing the state economy, particularly as it deters younger adults from migrating into the state and offsetting the aging population and declining labor force.<sup>2</sup>

Maine's housing affordability crisis is driven by the fact that there is not enough housing available to meet the needs of low- and middle-income Mainers. Recent estimates place the magnitude of the shortage at around 20 to 25,000 housing units across the state.<sup>3</sup> This shortfall of available units has increased the cost of housing to the point where in every county in the state, the median home price is unaffordable for a household earning the median income.<sup>4</sup> The situation is even more dire for renters, more than 40 percent of whom are considered cost-burdened by rent<sup>5</sup> and whose average income is approximately half that of homeowners.<sup>6</sup>

Significant public investment is necessary to alleviate Maine's affordable housing crisis. Funding should be focused on bolstering Maine's construction workforce, preserving currently existing affordable housing, and developing new housing that will remain affordable to Mainers with low and middle incomes. However, the proposed \$30 million is inadequate to meet the need for affordable housing

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<sup>1</sup> Health Affairs, "Housing And Health: An Overview Of The Literature."

<https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/>

<sup>2</sup> Courier Gazette, "State Economist sees challenges from inflation, housing crisis, workforce shortage."

<https://knox.villagesoup.com/2022/11/04/state-economist-sees-challenges-from-inflation-housing-crisis-workforce-shortage/>

<sup>3</sup> News Center Maine, "Affordable Housing Units Open in Heart of Portland."

<https://www.newscentermaine.com/article/news/local/avesta-housing-mainehousing-affordable-housing-units-open-at-heart-of-portland/97-f9c175be-9748-4a03-b0ef-116482d95a9a>

<sup>4</sup> Maine Public Radio, "Agency: Median-priced homes unaffordable for median-income earners in every Maine County." <https://www.mainepublic.org/business-and-economy/2023-01-19/agency-median-priced-homes-unaffordable-for-median-income-earners-in-every-maine-county>

<sup>5</sup> Joint Center for Housing Studies of Harvard University, "Renters were particularly burdened in the first year of the pandemic." <https://www.jchs.harvard.edu/son-2022-cost-burdens>

<sup>6</sup> Maine Housing, "Report to the Maine Legislature on HOME Fund uses 2019-2020."

[https://www.mainehousing.org/docs/default-source/policy-research/policy/maine-home-fund-2019-2020.pdf?sfvrsn=344c8915\\_4](https://www.mainehousing.org/docs/default-source/policy-research/policy/maine-home-fund-2019-2020.pdf?sfvrsn=344c8915_4)

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development and falls significantly short of the \$60 million recommended by the Commission to Increase Housing Opportunities in Maine by Studying Land Use Regulations and Short-term Rentals.<sup>7</sup>

Any investment in affordable housing would be an investment in our communities' collective wellbeing, as well as the lives of Mainers with low and middle income. The considerable benefits of increasing the stock of affordable housing should be reflected in the funding the state legislature dedicates to this purpose. As such, Maine Center for Economic Policy supports dedicating no less than the recommended \$60 million to develop affordable housing across the state.

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<sup>7</sup> Report of the Commission to Increase Housing Opportunities in Maine by Studying Land Use Regulations and Short-term Rentals. <https://legislature.maine.gov/doc/9239>