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Testimony in Support of LD 1276: An Act to Create and Sustain Jobs and Affordable Housing through the Development of Cooperatives and Employee-owned Businesses

To Senator Grohoski, Representative Perry, and honorable members of the Taxation Committee,

I am writing today in **support** of LD 1276. By promoting cooperatives of all kinds, LD 1276 creates more pathways for people like me to access good, stable jobs and affordable housing that we can rely on to support our families and communities.

I am a social worker specializing in housing navigation services. I help those experiencing homelessness connect with rental housing in communities across the state of Maine. I hold extensive knowledge of rental housing systems and various Federal and State housing programs as a result of my 10 years of doing this work. I can speak from personal experience as a social worker working in the housing sector that the impacts of this bill will be felt throughout our state.

Cooperatives are enterprises jointly owned and controlled by the people who use, live, or work in that enterprise. Profits of the cooperative are returned to its members, therefore cooperative housing and businesses keep money local and help sustain and grow the local economy.

LD 1276 incentivizes the development of *more* cooperatives in Maine by removing barriers for rental property owners to transition their rental properties to cooperative ownership. The incentives written into this bill will benefit rental property owners looking to retire or sell their properties, and it will benefit Maine renters looking to build their lives and families here.

In today's housing markets, the transaction(s) of rental property often results in lost housing affordability. Ownership, more specifically, who owns rental housing, plays a vital role in whether housing affordability is preserved, or lost.

In a speculative, highly demanded rental housing market, where real estate values have experienced considerable appreciation in value, when a rental property is sold to a new third-party owner, the fate of rental costs lies in the decisions the new third party owner makes.

New owners often do not reside in the housing they purchase, and the owner's decisions of what to do with the property are more often than not rooted in what benefits them financially. There are many owners that see the purchase of a property as a means of securing strong financial

returns, with little regard for the significant human and community harm they could do with this as the major goal. The form this often takes is raising the rental costs of their tenants.

All this said, there are many existing and new property owners out there that want the best for their tenants, and work hard to keep rents as affordable as they can for them. These are not the owners I am referring to. Nor are they the owners this bill is targeting. However, even these owners will decide to sell their property at some point in the future, what happens then? There are no structural alternatives in place to avoid this outcome in this situation. And it leaves a lot of Maine people in a state of housing insecurity and precarity. It is too big of a gamble for us to continue to take as a State.

I have seen countless good tenants displaced from their rental housing at no fault of their own, because they can no longer afford the increased rent levels that a new third-party owner is imposing and requiring. I have seen this cause many to enter homelessness. I see this mostly among households who have no one to turn to for support at a time when they find themselves no longer able to afford their housing. We are often talking about seniors and those with disabilities in our communities. These are the people who enter my doors in a state of crisis every day. It doesn't have to be this way.

It has long been documented that people entering homelessness creates a ripple effect of strain on their surrounding communities, from the individuals experiencing it firsthand, to taxpayers, to the counties and municipalities people become homeless in. Suddenly, a vast amount of community resources need to be spent on "managing" the problem of increased homelessness in the community.

By creating an attractive alternative to business-as-usual rental property transactions, it helps fundamentally change who and how decisions about rental property are made following a transaction. With tenants owning buildings cooperatively, decisions are now rooted in the motive to keep rental costs as affordable as possible, for as long as possible. After all, who would increase their own rent if they didn't have to? Without this alternative, third party owners are much more likely to make decisions that meet their own financial needs, often resulting in rising rents.

We have seen this same issue with the transactions of manufactured home parks across Maine. However, with the skilled assistance of the Cooperative Development Institute, and other partners across the state, there are many manufactured home parks who have avoided the fate of displacement and rising lot rents by forming cooperatives and owning the land underneath their homes cooperatively. Without them, many of these parks would have been bought up by third parties with specific financial interests, and much more of this key pool of affordable housing across our State would have been lost.

This bill would also further expand the education and support services needed to provide the support and technical assistance to help residents form and operate their cooperatives.

This bill hits this issue effectively at all angles from where I stand. I urge you to support the passage of this bill for the tremendous positive impact I know it will bring to many Maine renters

and their communities. **An investment in cooperatives is an investment in the future of Maine's economy.**

Thank you for your time and service to our state.

Sincerely,
Robert Marcroft