



11/28/2023

Support for LD 1505, An Act to Amend the Maine Cooperative
Affordable Housing Ownership Act

Senator Pierce, Representative Gere, and honorable members of the Housing Committee,

My name is Craig Saddlemire, and I am the Development Organizer for the Raise-Op Housing Cooperative in Lewiston, Maine. Founded in 2008, we are Maine's oldest, urban, multi-unit housing cooperative. Today, we own 5 apartment buildings, home to 33 different households, and 90 residents. My testimony today is in support of LD 1505, An Act to Amend the Maine Cooperative Affordable Housing Ownership Act.

Cooperative housing offers the opportunity for tenants to develop and control their own housing, without the cost barriers that likely preclude them from the option of single-family homeownership. It activates the human capital of tenants in a way that commercial rental housing typically does not. It brings together the autonomy of homeownership with the efficiency, flexibility, and economy of rentership. Residents of housing coops are both renters and homeowners.

When the Raise-Op began in 2008, it was founded by 4 friends who were mostly working in low-pay jobs through Americorp. We lived in rental housing where rent was increasing, management was scarce, and we had minimal opportunity to improve our own housing conditions. We had a desire to continue serving our community and living in the Tree Street neighborhood of downtown Lewiston. We did not have the means for single-family homeownership. We started the housing cooperative to meet our housing needs, and were able to realize housing costs that were below market rent at the time, and it has remained well below market since that time. Raise-Op's first building remains my home today, where my wife and I are raising our 2 year-old son.

Over the years, Raise-Op has grown and adapted to the changing needs of our community, and also to the changing laws and programs that impact housing. We have also promoted public education to policymakers and tenants alike, so that more people have the option of developing housing cooperatives if they find it is best for their housing needs.

When our organization and our residents have sought access to existing housing and utility programs, a basic problem we have encountered is that many programs distinguish applicants as either being renters or homeowners. Furthermore, these programs often consider renters and homeowners to be mutually exclusive categories. Without a policy that considers the existence of housing cooperatives, nor an allowance for the possibility that an applicant can possibly be both a renter AND a homeowner, applications from housing cooperatives can hit an administrative wall. This wall is sometimes overcome after a lot of effort on the part of the applicant and administrator, or in other cases the application is never fully processed or is declined by default.



Examples of programs that have been easier to work with have included Section 8 and General Assistance, in part because both programs do not exclude homeowners from accessing housing assistance. Section 8 even has explicit guidance on the use of housing choice vouchers in housing cooperatives, where they are used in the same manner as a commercial rental, where the housing cooperative is treated as the landlord for the purpose of the program (see CFR-24-B-IX §982.619 at <https://www.ecfr.gov/current/title-24/section-982.619>).

Some examples where barriers arose due to our status as a housing cooperative include the following:

- 1) In 2009, after our first year of operation, some of our low-income residents sought assistance through LiHeap, and the application was stalled for many months due to the question of how to process an application from a housing cooperative. Ultimately, the applicants gave up on the LiHeap application.
- 2) When the Raise-Op sought HOME financing from the City of Lewiston for renovation of a 9-unit apartment building, the HUD representative to the participating jurisdiction wanted confirmation as to whether the state of Maine considered cooperative housing to be “homeownership” or “rental,” as the terms of the financing were slightly different depending on that factor. The financing was available for both rental and homeownership, and coops were not excluded, but without a state statute defining cooperative housing more clearly on these terms, the project was stalled for 6 months. Ultimately, the project was classified as “rental” in the absence of it being clearly defined by the state, and we were able to proceed. If the content of LD1505 were in place, that determination could have been made much more efficiently.
- 3) When MaineHousing’s Emergency Rental Assistance program became available through local CAP agencies during the pandemic, there was no public guidance on whether residents of a housing cooperative were eligible. Some of our residents who lost employment or experienced other economic hardships applied for rental assistance to help pay their monthly housing charges. One household of the Raise-Op that was extremely low-income applied for emergency rental assistance. We provided the program administrator evidence of a lease for the unit, and all other information that was asked of us. The household initially received the emergency rental assistance, and was able to remain in their home. As the pandemic continued, and upon re-application for rental assistance, a new program administrator was unsure as to whether the resident was eligible for assistance due to the fact that the housing was owned by a cooperative. They sent the question to their supervisor, and we waited 5 months for a response. During that time, the Raise-Op was floating the cost to house the applicant in question. After Raise-Op staff reached out to executives of the administrative agency, who then ran the question up to the highest legal counsel at MaineHousing, a determination was made that because the Emergency Rental Assistance Program was intended for renters, the household in question was not eligible. This determination was finally made after 6



months from the time of application, and a lot of work on both sides to find an answer to the question. Ironically, the household's membership in the Raise-Op was terminated due to non-payment, making them a tenant-at-will, at which point they were eligible for emergency rental assistance, because they were technically tenants and not owners of the housing cooperative. However, the circumstances of that household had declined to a point where they could not recover. At the time that we received the eligibility determination, we were also informed of a different housing assistance program for homeowners, for which members of housing cooperatives were generally eligible. Upon researching that program, the potential financial benefits were much greater, but the design of the program was more oriented towards homeowners who were deferring mortgage payments, and did not address the circumstances of our low-income residents who have no mortgage and only pay monthly housing charges, very much like tenants. From that point on, other struggling residents in the cooperative were also unable to apply for Emergency Rental Assistance, despite their otherwise high level of need and income eligibility.

The purpose of these examples is not to blame any party or program administrator involved in the application process. Rather, it is to illustrate that it consumes far too much energy from both the applicant and administrator to answer a very basic question about whether their "housing type" is program-eligible.

LD 1505 will solve this problem by amending state statute to provide more guidance on this issue, and also deferring to an organization's existing policy on housing cooperatives, if such policies exist. This includes recognizing federal terms that dictate any state or locally administered programs. LD1505 does not create special funds for housing cooperatives, it simply allows reasonable access for applicants to apply, and makes the basis for denial or approval on "housing type" more clear. LD1505 also does not override other program eligibility criteria, nor guarantee approval of an application, simply due to living in a housing cooperative. For example, if a high-income resident of a housing cooperative applies to a housing assistance program for low-income households, their application can be denied for reasons of being "over-income."

In order to more accurately address the needs of residents of various housing cooperatives in Maine, LD1505 recognizes 3 categories of housing cooperative:

- 1) Market Rate - In which coop members can make a return on their investment in the coop according to what the market will pay, without limit. In these instances, more capital is likely to be raised from member investment, and members may take out home mortgages against the value of their share. This model best serves middle and high-income households, who have access to capital that they can invest.
- 2) Limited Equity - In which cooperative members have restrictions on the resale value of their share of stock, to reduce the chances of windfall profit or share inflation beyond the average rate of consumer inflation, and to preserve future affordability. These residents



are likely moderate or middle-income, and while residents do make personal investments and earn some equity, more of the start-up capital is likely raised through loans made directly to the cooperative, rather than to residents.

- 3) Group Equity - In which coop members cannot earn any profit from their membership in the coop, and also cannot invest as a substantial means to raise capital for the organization. This means nearly all capital is raised through loans, grants, and donations directly to the coop. This model primarily serves low-income residents, who do not earn equity, and primarily gain through financial savings of operating the coop at below-market rates.

Based upon these 3 categories of housing cooperative, LD1505 then provides a statutory baseline that Market Rate and Limited Equity housing cooperatives should be treated as "homeownership," and Group Equity housing cooperatives should be treated as "commercial rental." A flowchart has been provided to illustrate how a program administrator can determine the eligibility of an applicant for a given program.

While housing cooperatives have become critical to addressing community housing needs in other places, they have only recently become an option in Maine. In order to allow housing cooperatives a reasonable chance at developing and operating homes successfully, they need reasonable access to housing and utility programs that other housing owners and renters are able to access. For these reasons, I sincerely request that you move LD 1505, "Ought to pass".

Sincerely,

A handwritten signature in black ink that reads "Craig Saddleire". The signature is written in a cursive, slightly slanted style.

Craig Saddleire
Cooperative Development Organizer
Raise-Op Housing Cooperative
145 Pierce Street, Office 102
Lewiston, ME 04240