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Testimony of Rep. Julie McCabe introducing

LD 1167, Resolve, to Create a Pilot Program to Assist Nonprofit Housing Developers in Rehabilitating Existing Aging Housing Stock for First-time Home Buyers

Before the Joint Standing Housing and Economic Development Committee

Good afternoon, Senator Curry, Representative Gere and distinguished members of the Housing and Economic Development Committee. My name is Julie McCabe and I represent District 93, which is a part of Lewiston.

I am pleased to present to you **LD 1167, Resolve, to Create a Pilot Program to Assist Nonprofit Housing Developers in Rehabilitating Existing Aging Housing Stock for First-time Home Buyers**. The purpose of this bill is simple; to help more Mainers become homeowners by rehabilitating Maine's aging housing stock.

It will not surprise you that the American Dream of homeownership is out of reach for most Mainers earning an average income today. Despite the tremendous work of previous legislatures supporting first-time homeowners, the need persists, in no small part due to low inventory levels. LD 1167 presents a creative solution to this inventory issue and unlike most pilot programs, it is a proven model which Lewiston resident Amy Smith has already brought to life through her Healthy Homeworks organization. Amy will be presenting shortly to share this work with you.

This legislation would provide grants to nonprofits to renovate existing housing stock and make these homes available to purchase to first-time homebuyers. Critically, it includes an equity-sharing provision such that new homebuyers have gradual access, over a three period, to the equity that accrues from market appreciation. Finally, this bill is targeted in scope and homes would be available to individuals earning 120% of the area median income.

Again as you know, Maine has among the oldest housing stock in the country. The farmhouses that adorn Maine's rural areas and the triple-deckers that populate Maine's larger mill cities are beacons of our heritage, but they are also falling apart. All of the buildings that I have called home myself in Lewiston were built before the turn of the century. The city of Lewiston alone estimates that it razes 2-4 homes each year due to neglect. This bill seeks to give new life to those too easily overlooked, often under-resourced properties.

Forced onto the margins of the housing market, many first time homebuyers look to fixer uppers to get their foot in the door. However, due to lack of time, money, expertise or loan constraints, they are unable to purchase homes that require serious renovations. With the permission of Beth Ames, one of the new owners of Healthy Homeworks's units in Lewiston, I would like to share a bit of her experience navigating the housing market:

"My husband and I were given 30 days' notice to vacate our rental apartment in 2018 when our landlord sold our building. The only residences affordable to us...needed significantly more work than we were able to accommodate, and we could not afford a newer build...We were ready to call a pause on the search when we toured our unit at 51 Howard. The building has been fully rehabbed, and the work we would have needed to do in any other place we had been looking at (updating the electrical and heating, general cosmetic repairs) had already been completed. The price was more than reasonable given these improvements". Beth's experience demonstrates that by empowering nonprofits with rehab-focused funds, the State of Maine can breathe new life into aging properties while supporting new homeowners.

This bill takes the hard work of being a general contractor out of the equation for a new homeowner and circumvents the roadblock of being denied a loan because the property may be in too dire of a state from the bank's risk perspective. Maine Housing already recognizes that our state's older properties are financially challenging to maintain. Last year, they provided \$3.57 million through the Home Accessibility and Repair program; offering grants for emergency repairs (up to \$15,000), energy upgrades and structural repairs (up to \$30,000), and accessibility modifications (up to \$15,000).

LD 1167 works similarly to this existing program, but instead of directing money to existing homeowners, this bill directs funds to nonprofits, who are willing and qualified to shoulder the substantial risk of rehabbing aging housing. We cannot forget that today it can range from \$300,000 to \$400,000 to build a new housing unit. By investing in existing housing stock, we can potentially save tens of thousands of dollars and achieve the same goal of homeownership.

This issue is especially important to me because the high school program, Next Step, where I teach resides in Lewiston's "Tree Streets" neighborhood as do many of our students. Lewiston's homeownership rate is already 25% below the state average of 75%. But the homeownership rate in the Tree Streets of downtown Lewiston is a staggering 4%. To that end, nearly one in ten multi-family buildings in Lewiston is owned by someone living out of the state.

Pilot programs like this one combat these conditions of housing fragility and promote stability. It can tip the scale back towards a more balanced mix of renters and homeowners because it helps renters become homeowners. In addition, LD 1167 can help families build intergenerational wealth that will strengthen them and hopefully with this bill's passage, the entire state, for decades to come.

The State of Maine has demonstrated its commitment to first-time homeownership through a range of programs. By voting "ought to pass" on this proven housing model, we can continue to make smart investments supporting Mainers in their journey to become homeowners.