

Testimony in support of LD 654

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Good afternoon, chairpersons Gere and Pierce, and all members of the Housing Committee. My name is Josie Phillips, and I am representing Maine Center for Economic Policy. I am testifying in favor of LD 654, a “Resolve, Directing the Finance Authority of Maine to Establish a Pilot Program to Encourage the Development of Accessory Dwelling Units.” By making accessory dwelling unit-related loans more accessible, LD 654 would put our state on a better path to meet housing production goals and extend equitable opportunities to build wealth and financial security to more Mainers.

Accessory dwelling units, or ADUs, are a win-win for their owners and the broader economy. Owners benefit from receiving an additional source of income, helping them to meet their immediate needs or build savings that make them more resilient to sudden losses of income. The economy benefits from the increased stock of housing, in particular affordable housing, as ADUs are more likely to be rented at rates affordable to households earning below the area median income.ⁱ Increasing the stock of affordable housing would extend housing security to more Mainers and relieve some of the pressure renters experience in Maine’s particularly tight rental housing market.ⁱⁱ This security forms the bedrock of our economy, as people experiencing housing *insecurity* are substantially more likely to lose their jobs.ⁱⁱⁱ Greater access to housing would also incentivize more people to move to Maine, as they are more likely to find the housing they need near their workplaces.

A substantial barrier to ADUs’ ability to provide these benefits to individual households and the broader economy is that financing for accessory dwelling units is frequently insufficient to meet the needs of households with low or moderate incomes.^{iv} If someone wishing to add an ADU onto their property does not have cash on hand or significant equity in their property, they frequently have to rely on home renovation loans. Renovation loans typically have higher interest rates, greater chances of denial, and add difficulty to finding contractors to work on the unit. This likely contributes to the fact that ADUs tend to be built in higher-income and more predominantly white neighborhoods.^v If the barriers to financing were removed — such as by providing low-cost loans — then more Mainers would be likely to construct ADUs, and the benefits of their construction would be more equitably distributed.

LD 654 would explore the possibility of removing these barriers by providing below market rate loans to finance ADU development. While the program would be modest at first — covering only 100 loans — it could potentially be scaled up if the pilot is found to be successful. If the program is successful, it could very well prove to be a cost-effective way to improve the financial security of Mainers and meet the state’s housing production goals. Because of the significant potential that incentivizing ADU development has in addressing the shortage of affordable housing while improving economic equity and stability in Maine, I encourage this committee to vote yes on LD 654.

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ⁱ U.C. Berkeley Turner Center for Housing Innovation, "ADU Construction Financing: Opportunities to expand access for homeowners." <https://turnercenter.berkeley.edu/wp-content/uploads/2022/07/ADU-Paper-FINAL-July-7th.pdf>

ⁱⁱ U.S. Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS)."

<https://www.census.gov/housing/hvs/data/rates.html>

ⁱⁱⁱ Desmond, Matthew and Gershenson, Carl, "Housing and Employment Insecurity among the Working Poor."

<https://scholar.harvard.edu/files/mdesmond/files/desmondgershenson.sp2016.pdf>

^{iv} Urban Institute, "To Unleash Housing Supply, Allow and Finance Accessory Dwelling Units."

<https://www.urban.org/urban-wire/unleash-housing-supply-allow-and-finance-accessory-dwelling-units>

^v U.C. Berkeley Turner Center for Housing Innovation, "ADU Construction Financing: Opportunities to expand access for homeowners." <https://turnercenter.berkeley.edu/wp-content/uploads/2022/07/ADU-Paper-FINAL-July-7th.pdf>