



Testimony of
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Before
The Joint Select Committee on Housing

Neither For Nor Against
LD 1540: An Act to Create the Stable Home Fund Program

Senator Pierce, Representative Gere, and members of the Joint Select Committee on Housing, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony Neither for Nor Against **LD 1540: An Act to Create the Stable Home Fund Program**

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

There is no question that this bill seeks to address a serious and real problem, and that is the unaffordability of apartments in our state. We do have some serious concerns, however, and are basing our comments solely on our read of the bill text, without having had the benefit of hearing from the sponsor before today. The bill proposes to provide \$300.00 per month in rental assistance for up to 2 years to the landlords of renters at or below 60% Area Median Income. This rental assistance would terminate after 24 months, or when the tenant receives a voucher or becomes eligible to move in to a subsidized housing unit.

As written, the bill is essentially an entitlement program serving anyone fitting the income guidelines: if you are rent burdened you can apply and get the subsidy. This bill does not provide any tools other than income determination as criteria to establish who is really in an emergency and needs the benefit, or more importantly, how an administrator might limit the program. Maine has around 155,000 renter households. 97,000 of which would be income eligible for this program; and if you

were to remove around 50,000 who already have vouchers or live in subsidized housing, you are left with about 47,000 households. If just ¼ of those households, or around 12,000, applied for this program, you would be looking at a cost of \$352,500 per month, or \$4,230,000 per year before any administrative costs are factored in. And after all of this, the program would only be providing \$300.00 per unit per month toward the cost of rent. Based on our experience with a pre-ERA state pandemic rental assistance program, we don't think \$300 is enough in most cases to prevent an eviction.

But the cost of the program versus the benefit is just one consideration. We also worry that this program would come with very high administrative overhead. In any income-limited program, it is very difficult and laborious to determine need. Need determination is the bottleneck in all benefit programs, and even when there is categorical eligibility, it's still a process that requires income verification. MaineHousing does not have any staff capacity to provide this, and though the bill suggests that the work could be delegated to a "municipal housing authority," it is theoretically possible --but unlikely-- that a local PHA would be able or willing to take on a statewide program, as these entities are creatures of local government, have small staffs and do not have statewide missions. In addition, programs like ERA, HEAP, the Homeowner Assistance Fund and Housing Choice vouchers (in other words, all of the benefit programs we touch) all require significant distributed customized software to operate. These aid programs together pay millions of dollars per year to develop and operate the systems that manage these benefits across multiple vendors and in different parts of the state. Probably instead of working with a local PHA, the best approach would be to work with Maine's Community Action agency network.

Finally, the bill states that the program cannot require either rental payment standards or unit inspections. This means that state taxpayer funds would in some cases be used to subsidize slum units or, they equally could be used to subsidize overpriced or inflated rents. We saw both of these things happen in the federal ERA program. Habitability and rental standards do add bureaucratic elements to a program like this, but not having them simply invites rent inflation and/or unsafe conditions.

We are always concerned about the difficulty of starting a major new program of this magnitude, especially using one-time funding. There might be more efficient approaches, such as modifying an existing housing program with an established resource distribution system, such as General Assistance, so it can provide more robust support.