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Testimony of Representative Grayson Lookner introducing
**LD 1867, An Act to Establish the Community Housing and Rural
Development Authority**
Before the Joint Select Committee on Housing

Good morning Senator Pierce, Representative Gere, and honorable colleagues on the Joint Select Committee on Housing. My name is Grayson Lookner, and I represent House District 113 which includes part of Portland. I'm here today to present **LD 1867, An Act to Establish the Community Housing and Rural Development Authority.**

What does it mean that we are living in a housing crisis? For many of the people hardest hit by the lack of affordable, accessible, safe, and stable housing, it means that their circumstances dictate that they cannot get their voices heard in our state's governing process. Dealing with the day-to-day realities of having instability in one's living situation can make things such as showing up to testify at a public hearing seem distant and superfluous. Survival needs take precedence. This is not only for people with low or no incomes. Increasingly, as we all have heard frequently this session – housing instability is affecting people making moderate and even slightly above median incomes as well. I know this from experience.

For a number of years in the 2010s, I bounced from living situation to living situation, trying to find a balance of being able to afford my rent while earning wages I brought in while working with homeless youth and as an Emergency Medical Technician. For me during this time, I wanted to find meaning in work that I felt served my community. I found great value in these experiences, but unfortunately I could not make it work materially.

In the course of a few years I had very similar experiences at different places where I rented. The buildings went up for sale, and the new owners wanted to do renovations with the intention of increasing the rent, or of turning the units into Short Term Rentals. I was forced to move. It seemed to be a trend that followed me wherever I went. It was that experience that led me to get involved in local and state housing policy, and that experience was the inspiration for this bill that I am presenting today.

We all want to ensure everyone in the state of Maine has adequate shelter, and there are many ways of getting us closer to that goal. Since the crisis that we find ourselves in is so multi-faceted and complex, we need to be using every tool at our disposal as we approach it. The Community Housing and Rural Development Authority (“the Authority”) that I am proposing in this bill would be one such tool, one that doesn’t compete with other methods of creating affordable housing, such as the Low Income Housing Tax Credit (LIHTC).

“Simple, fast, and scalable,” are not words that we are used to hearing in this committee when talking about approaches to housing, but those are the words that the Housing Opportunities Commission of Montgomery County, Maryland (HOCMC) used in describing their recently created Housing Production Fund during their presentation to this committee in March. This bill is modeled off of what HOCMC has been doing for decades, and what some municipalities and states are in the process of implementing today. It is a model that has worked around the world for generations, in urban and rural settings. Mixed-income, permanently affordable, publicly financed, and resident controlled Community Housing.

The premise is simple - developments are funded using low interest bonds that the Authority issues. This process is described in Subchapter 3 of the bill. The authority buys land or buildings that need to be renovated, and completes the construction. The legislature can also transfer suitable state land or properties to the Authority for development if it votes to do so.

Construction costs are overall lower than projects funded with private equity, because there is no need for the Authority - which is also financing the development - to make money from the construction. Construction costs for these projects would be between 10 and 20% less than construction that uses private equity. Units in the building are set at affordable rates for a variety of incomes, from low-to-no-income, to middle-to-high income. Income ranges from 0% to 120%

of Area Median Income (AMI) as described in Subchapter 1 of the bill would be eligible to live in the developments.

This mix of incomes is a critical missing factor in our current milieu of affordable housing in Maine. Too often, developments are segregated by income, leading to a lack of overall cohesion in the social fabric of our cities and towns. The Authority could also create housing for the storied “missing middle” of income-earners, as this is not a type of housing that is usually funded by either tax credit deals or by market-rate development. People in this range of incomes perform vital roles in our communities, such as teachers, firefighters, social workers, and EMTs. They deserve to be able to afford to live in the communities where they serve.

The rents of the units are set at 30% of what a resident earns, so that even income-earners in the upper brackets are paying less than market rate rent. This means that the mix of incomes in a given development can be calibrated so that a percentage of units are “cross-subsidized,” so units are available for people making 0% to 50% AMI. For these groups of tenants, housing choice vouchers and other sources of subsidies can be utilized, but are not necessary for the development to work. Community housing could provide a crucial source of housing for both people who receive vouchers but cannot find a place to rent, and for people on the long and ever-expanding wait list for a section 8 voucher.

Since the Authority only needs to generate enough revenue from the developments to cover upkeep costs and to pay down its debt obligations, it can charge substantially less than market rate for high-quality buildings. Once the debt obligations are paid off on the bonds, it can use the additional revenue it is bringing in to create more housing. This is the main purpose of the Authority.

The buildings created by the Authority will be governed by a board of residents that is elected by the residents of each building, who will oversee the day-to-day operations of the developments. They will be responsible for maintaining the buildings, mediating resident conflict, and providing for other community needs like organizing childcare and social events. The residents of the developments will also be able to elect the board of directors of the entire Authority, which will be comprised of residents of the developments themselves. The appointments and elections of the governance boards are detailed in subsections 5173 through 5182, and in subsections 5191 and 5192 of the bill.

In addition to being a direct way of providing stability for residents of the developments, this is a model of housing that is designed to be a “production solution” that will have the effect of reducing market pressures on housing costs all over the state on the private market. Other tangential benefits of Community Housing will be that it will assist the state in meeting its climate goals, by creating buildings constructed to high environmental standards. It will create walkable neighborhoods where use of public and active transportation can be encouraged. Other economic development will spur from these buildings, such as retail stores and other services.

In our system of government, it is hard to plan too far into the future, seeing as most of us in this legislature will be serving a maximum of four consecutive two-year terms. That doesn’t mean we shouldn’t try to look down the road at another benefit of this type of community housing – it will remain affordable in perpetuity. It is not a coincidence that we find ourselves in a housing crisis today when looking at the housing policies that were implemented federally 40 years ago. Low Income Housing Tax Credit (LIHTC) developments often only stay in affordability for 15-45 years. Federal public housing has been left to die a slow death by a thousand cuts since the 1980s. A generation after these policies were implemented, we find ourselves here today.

This brings me to my next point, that this “ain’t your grandpa’s public housing.” While the housing built and maintained by the Authority will remain in public ownership in perpetuity, this program avoids many of the pitfalls that undermined public housing nationally, such as income and racial segregation, systematic underfunding of projects, and lack of democratic governance. This is a model that has worked wonderfully in many countries around the world, and could work here just as well. It is worth noting that our state spends over \$200 million a year on Corrections, and in the Criminal Justice and Public Safety Committee, the lack of safe and affordable housing for people is often cited by Corrections and members of Law Enforcement as reasons for why people end up involved in the Justice system. We could be saving our State significant money by providing this type of housing, which will relieve pressure on state corrections, county jails, and municipal law enforcement agencies.

This program can create housing in rural areas as well, since the main difference between how this program operates, and how private and non-profit developers operate, is through the financing. Capital generated by bonding will come at a much lower interest rate than capital from private equity sources. Anywhere that a private developer can put together deals to build

housing, so will the Community Housing and Rural Development Authority.

The Authority could be a stand alone entity, or it could also work just as well within an existing state entity, such as the Redevelopment Land Bank that was established last session. You may have noticed that the version of this bill before you has indeed created this program within the Land Bank, and that I have distributed an amendment removing the land bank from the bill and making this Authority a stand-alone entity. I did this after discussing this bill with folks who are involved in the creation of the Land Bank who initially expressed great interest in being able to create and manage this type of housing. The Land Bank is only just now appointing its board of directors and getting started. At this juncture, the Land Bank is unable to take on this kind of development responsibility. In the near future, I still think this would be a good match for the Land Bank, and whether this committee decides to create a stand alone entity or create it within an existing state entity can be a matter we discuss in our deliberations at the work session. I am open to suggestions.

The Maine we all know and love is one made up of tight-knit communities, where we care for our neighbors and want to see them all in safe and stable homes. That is the Maine I grew up in, and the one I want to see preserved for generations into the future. Establishing the Community Housing and Rural Development Authority will provide one vital tool that does not currently exist in our State. Permanently affordable, mixed income, vibrant, livable, resident controlled community housing can be a reality in Maine.

Thank you all for listening to my testimony, and I look forward to working with this committee to pass this legislation.