



STATE OF MAINE
GOVERNOR'S OFFICE OF POLICY INNOVATION AND THE FUTURE
181 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0181

Testimony of Greg Payne

On behalf of the Governor's Office of Policy Innovation and the Future

Before the Joint Standing Committee on Appropriations and Financial Affairs and
the Joint Select Committee on Housing

In Support of Parts GG and HH of LD 2214, *An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2024 and June 30, 2025*

February 23, 2024

Senator Rotundo, Representative Sachs, members of the Joint Standing Committee on Appropriations and Financial Affairs and Senator Pierce, Representative Gere, and members of the Joint Select Committee on Housing, my name is Greg Payne. I serve as the Senior Advisor on Housing Policy in the Governor's Office of Policy Innovation and the Future. I am here to speak in support of, and offer additional information about, Parts GG and HH of the Governor's Supplemental Budget proposal.

Part GG: Affordable Homeownership Program

The Administration's highest priority in addressing our state's housing challenges continues to be the creation of additional supply. The national underproduction of housing units since the Great Recession, labor and supply chain challenges associated with the COVID-19 pandemic, and a rising interest rate environment have all played a large role in exacerbating the housing crisis that had already existed for far too many people across the country, including here in Maine. Additionally, we are fortunate that Maine is now an in-migration state, and recognize that that shift brings tremendous long-term opportunity to our economic future. We also recognize, however, that with needed population growth comes needed infrastructure growth, including our housing supply.

In light of these ongoing challenges, and in furtherance of historic housing investments that the Governor and Legislature have made over the past 5 years, we are proposing a \$10 million allocation to replenish funding for the Affordable Homeownership Program, administered by MaineHousing. This program successfully bridges the cost of developing owned homes at an affordable price with the real-world expenses associated with doing so. The first \$10 million tranche of funding for the Affordable Homeownership Program was approved by the Legislature as part the Maine Jobs & Recovery Plan, and has been since been deployed to build nearly 180 affordable homes in projects from Wells to Hampden.

Given the \$70 million affordable rental housing investments already in the biennial budget, and the need for additional homes both for purchase and for rent, we believe that a second tranche of funding for the Affordable Homeownership Program is critical. This investment will deliver desperately needed new supply at a price point far below current median sales prices in counties around Maine, and we ask for your support in moving it forward without delay.

Part HH: Emergency Housing Relief Fund

The Emergency Housing Relief Fund Program was created in April 2022 through the FY23 Supplemental Budget and provided with an initial allocation of \$22 million, to be administered by MaineHousing. The Fund was created to address growing homelessness challenges in many areas of Maine, relieve pressure on municipalities, provide needed resources following the end of federal pandemic supports, and avoid greater costs that would otherwise be incurred at the state and local levels. \$21 million was added to the Fund through the enactment of LD 3 in January 2023, and the current biennial budget recently signed into law added another \$12m.

The Governor's Supplemental Budget request includes \$16 million in additional support for the Emergency Housing Relief Fund, and there are several points we'd like to make in seeking your approval of this request.

1) The Emergency Housing Relief Fund is providing critical supports for people experiencing homelessness throughout Maine. Allocations from the Fund have been successfully deployed over the past year and a half to address homelessness in its different forms and conditions around the state:

- the creation of a network of about 350 winter warming shelter beds from Calais & Presque Isle, to Ellsworth & Bangor, to Augusta & Waterville, to Lewiston & Brunswick, to Portland & Alfred and more. Those shelters are keeping people safe from the elements during our harsh winter months and connecting vulnerable Mainers to services they desperately need...

...while at the same time, the Fund is being used to successfully help hundreds of asylum-seeking families into our workforce and independent housing. At the Asylum Seeker Transitional Housing Program in Saco, for example, our partners at Catholic Charities Maine and numerous other organizations have provided such assistance to 143 families, made up of more than 550 people, over the past 19 months. Already, about 100 participants in that program have secured employment and more than 250 have moved out of the program and into independent housing. Another 8 families will be transitioning out in the next two weeks, creating space for the next 8 families to leave the shelters they are in now and receive the supports they need to integrate into our communities – such as language acquisition, workforce supports, health clinics and legal assistance. The Saco model has been an enormous success and will pay dividends to our economy for many years to come.

- Similarly, the Emergency Housing Relief Fund has been used to support the Rapid ReHousing Program in six areas of the state, successfully housing hundreds of Mainers from York County to the Midcoast to Aroostook County...
... while at the same time, it has been used to provide temporary rental assistance to 127 families seeking asylum, along with the supports they need to quickly enter the workforce – which is what exactly what they want, too.
- Similarly, the Fund is making possible the construction of Maine’s 4th Housing First project, which this summer will welcome 41 chronically homeless people in Bangor into permanent supportive housing...
- ... while at the same time expanding the reach of legal services organizations to assist asylum-seeking households file high-quality applications for asylum, because we know that the more involved those legal experts are, the greater the likelihood that those applications will ultimately be granted.

In sum, the Emergency Housing Relief Fund is providing critical supports to both long-time citizens and New Mainers. No group is being prioritized over another, and no group is being excluded from our care and support. We will not turn our backs on anyone experiencing homelessness in our state.

2) The Emergency Housing Relief Fund has led to highly successful outcomes. For example, \$5.2 million was allocated to the Center for Regional Prosperity to create in 179-bed shelter in Portland and pay three years of its operating costs. What is not obvious from that line in the allocation spreadsheet is that it was a key element of a partnership between the State, the City of Portland and numerous nonprofit organizations to resolve the mass encampments in Portland that had become so problematic for everyone involved, including those living in them. That resolution didn’t happen on its own – it happened as a result of a purposeful approach that would not have been possible without the Emergency Housing Relief Fund.

Similarly, the resources made available through the Fund have play an enormous role in reducing municipally contracted hotels down to *one* statewide. You may recall that a year ago there were a large number of hotels in use in many Maine towns. When federal supports went away, those hotels were relying in large part on General Assistance. The Fund is successfully reducing the burden on GA, benefitting both state and municipal budgets. In South Portland alone, it is the Emergency Housing Relief Fund that prevented the mass eviction of 367 people – including 165 children - from six local hotels. Seven months later, our partners there have only 50 remaining people to help transition into the workforce and independent housing.

3) We have more work to do. Homelessness remains a stubborn problem in many areas of our state, as it does in states throughout the nation. It is the most extreme and painful outgrowth of a lack of housing at price points affordable to all Maine people. The Administration proposes an allocation of \$16 million to the Emergency Housing Relief Fund, anticipating that it will be needed to address at least five particular needs:

- the provision of needed operating supports for Maine's privately-operated low-barrier shelters, to make sure they aren't forced to close their doors and take any of their 230+ emergency shelter beds off-line;
- the extension of the transitional housing initiative in Saco for 9 additional months, to help more families secure jobs and independent housing;
- the continuation of the winter warming shelter program next winter, so that Maine people throughout our state have a safe place to be and ongoing connections to other needed services;
- the decommissioning of the last hotel in Maine being used as a shelter through the General Assistance program. We would use the Fund as we have in South Portland, to guide people out of the hotel and into the workforce and independent housing. No new entrances, only exits, as we use better and more cost-efficient approaches to the way people are assisted; and
- the creation of additional emergency shelter space, if needed. You will be covering this issue in more detail on Monday with my colleagues at DHHS, but the Administration is proposing, as part of more general shift away from the long-term use of hotels for emergency shelter, to eliminate state GA reimbursements for claims that exceed the maximum levels of assistance for more than 30 days. In other words, while hotels could still be used for short-term emergency housing, if their utilization goes beyond 30 days and the cost exceeds the GA payment standard, the state's monthly reimbursement to that municipality will not exceed 70% of the program's maximum payment standard.

If this proposed change to the GA program creates an unmet need for emergency housing, we will meet that need with Emergency Housing Relief funds to expand the emergency shelter network. Doing so would save a great deal of taxpayer dollars, engage local organizations and volunteers, and better serve those in need.

4) The Emergency Housing Relief Fund should be seen through the wider lens of the historic and unprecedented investments that the Administration and the Legislature have made to address our housing crisis. The state has authorized about \$285 million towards our highest priority, as described above: increasing the supply of affordable homes for all Maine people. These investments, including those made to the Affordable Homeownership Program, have resulted in the largest pipeline in MaineHousing's history. While those new housing units move through the pipeline to construction and occupancy, and zoning and land use reforms such as those made through LD 2003 in the 130th Legislature create additional housing opportunities through the private sector, we know that emergency housing relief is necessary and imperative. So while this \$16 million budget request is for the Emergency Housing Relief Fund, we see it as one part of nearly \$350 million in investments over the past five years to respond to Maine's unprecedented housing challenges. We hope you will continue to support the Fund and those across the state in need of the successful initiatives it will facilitate.

Thank you for your consideration, and I would be happy to answer any questions.