

131st Legislature
Joint Standing Committee on Appropriations and Financial Affairs and the Joint Select Committee on Housing
Testimony of Sarah J. Sturtevant, February 23, 2024
in favor of the Supplemental Budget LD2214

Good afternoon, Senator Rotundo, Representative Sachs, and 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 Sarah J. Sturtevant, Research Consultant for MAHC and member of the Housing Production Goals working group. I was a Shaw Innovation Fellow in 2022/23 working on affordable workforce housing in Maine, while studying Public Policy Analysis at the Muskie School at USM.

The research I am undertaking for MAHC is to explore “why is it so expensive to build affordable housing in Maine” through a case study approach. I also independently work on increasing the infrastructure for modular construction in Maine. I am hoping to positively impact the modular infrastructure, in order for Maine to achieve the national savings between site-built construction and factory-built.

Thank you for this opportunity to speak to you in support of the Supplemental Budget lines Part GG that allocates \$10,000,000 to Maine Housing for Affordable Homeownership, and Part HH that allocates \$16,000,000 to Maine Housing for the Emergency Housing Relief Fund program.

I’m asking for you to consider allocating an additional \$20 million in housing split between Maine Housing’s Low Income Housing Tax Credit Program and the Rural Affordable Rental Housing program. This allocation would come from the \$100 million unallocated portion of the Supplemental Budget.

We appreciate Maine’s historic investments in housing over the last four years. However, Maine is in a devastating housing crisis, and Maine is decades behind in investing in housing.

You have read, and heard, of the size and impact of Maine’s housing crisis. One aspect, that I would like to highlight is that without state intervention, the labor shortage which is directly linked to lack of housing, will likely continue to worsen. Many have seen the impact of worker shortages – from finding bus drivers and snow-plow operators, postal workers, to health care workers (reducing walk-in clinic hours in Penobscot county), finding teachers, first-responders, and the very people who build houses – the state needs to attract and train new workers as the pace of retirements has risen since COVID.

However, the gap between salaries for those occupations, and what it costs to construct a new basic unit, are completely unhinged. In most counties, it costs 2x to build a small basic home, vs what is an affordable level. Regardless of whether it is multi-family or single family – the construction costs are similar in the \$300-400K/unit range in many places – while what is affordable is in the \$100-\$200K range. For example, in Rumford a small household of 1-2 people, at 80% AMI (using HUD’s AMI calculation), has an affordable housing budget of ~\$1000-1200/month. That’s equivalent to a low \$100,000 construction cost. Yet, it costs as much to construct new housing in Rumford as it does in other parts of the state.

Maine needs all types of new housing for every income range except for the top 5-10% of incomes.

Unless we want to beget continued inflation – where a living wage is more like \$50/hour in order to afford the \$400K newly constructed housing – and which is fully loaded w. FICA, workers comp and unemployment insurance – to be more like \$70+/hour Unless we act to financially support new construction, we are looking at wage pressure to those levels for even the most basic jobs in my assessment. **Maine can’t wait for the affordable-housing-construction market to right itself. It has been unbalanced for decades and continues to worsen without government intervention.**

As legislators you likely want to solve Maine’s greatest problems with evidence-based strategies that stand the test of time, make an immediate impact, and garner long-term dividends in helping Maine people. Investing in housing only requires a one-time commitment of funds. With the current capacity of developers, Maine Housing has been able to distribute the funding it has received and proposed developments are getting left on the table unfunded. That means there

are projects ready to get built in communities throughout Maine that just need a little state investment to become homes for Maine people.

We understand there are competing demands during the budget process. Housing is the foundation for addressing these other needs. It's equivalent to **"put your oxygen mask on first" on an airplane. We can't attract more nurses, or teachers, or plumbers – if they don't have a place to live.** Housing is foundational and means health and economic opportunity for residents. Not having housing creates far greater and costly demands on our state. Now more than ever, Maine must align around prioritizing affordable housing.

This new investment can quickly be put to use building affordable homes. There are affordable housing projects across Maine that are ready to begin construction, if this funding is made available.

Thank you for your time, attention and consideration of this opportunity for you to leave a legacy of providing homes for all people in Maine.