



Testimony of
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Before
The Joint Standing Committee on Taxation (132nd) in support of

LD 554: An Act to Encourage Resident-owned Communities and Cooperatives and Preserve Affordable Housing Through Tax Credits

Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in support of *LD 554: An Act to Encourage Resident-owned Communities and Cooperatives and Preserve Affordable Housing Through Tax Credits*.

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.

This is a bill that is aimed at the emerging issue of investor purchases of Maine mobile home parks. Residents of these communities are often extremely low-income households, who, while they own their homes, do not own the land on which those homes sit. This makes them especially vulnerable when an investor purchases a park. One proven way to address this problem is for the residents to organize co-ops in order to purchase their communities.

Thanks to the Legislature's Mobile Home Park Preservation initiative, funded in the last legislature, MaineHousing has helped to finance two mobile home community sales to resident owned co-ops, which together have preserved long-term affordability for more than 400 homes in Brunswick and Bangor.

This fund provides a modest subsidy to help keep pad rents affordable in these parks. To be clear, the parks still sell, the residents still experience a rent increase, and they are still required to pay rent,

whether the park is owned by a co-op or an investor. This is not a give-away. What is different about a co-op is that future cost increases are in the hands of a board of residents and not dictated by investors, who often are based out of state or in some cases out of the country. Decision making is kept at a local level, and residents share in the ownership of the land on which their homes sit, providing an additional level of financial security for them.

Although this year's two purchases were structured quite differently (one was financed primarily by MaineHousing, while the other was mostly financed through a commercial bank), what they proved was that this is an effective tool for helping to preserve park affordability during a time of inflated real estate values. These parks face a precarious situation: the owners have a choice between an easy sale to an investor or a sale that might be more complicated, to a co-op. We have seen a number of examples where owners chose to sell to investors over other types of sales, so the question becomes, how best to motivate sellers to choose the option with greater public purpose?

This is a simple bill that would reduce the realized gain of a park sale by up to \$750,000, and provide an income tax exclusion on that portion of the realized gains. While the mechanics and specific fiscal implications of such a transaction are outside of my expertise, the concept behind this bill makes a great deal of sense. The state's mobile home preservation funding can help the buyers, while this legislation will help the sellers, both in the interest of preserving this critical source of naturally occurring affordable housing.

Thank you for listening to my testimony.