



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

In support of
**LD 1082 An Act to Invest in Maine's Families and Workforce by
Amending the Real Estate Transfer Tax**

Senator Grohoski, Representative Cloutier, and members of the Joint Standing Committee on Taxation, I am Daniel Brennan, Director of the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in cautious support of **LD 1082 An Act to Invest in Maine's Families and Workforce by Amending the Real Estate Transfer Tax**.

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 multifamily 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.

We are characterizing our support as cautious at this point because while we wholeheartedly support the concept of identifying a dedicated and continuing funding stream for housing production, it's just not 100% clear from the currently proposed distribution of proceeds outlined in the bill that the HOME fund would not be unintentionally harmed. We know this definitely is not the Speaker's intent.

To address our concerns, we would suggest the bill be amended to clarify that the funding for future housing production comes from the incremental increase in the Real Estate Transfer Tax this bill proposes, and otherwise leave the distribution of proceeds from the Real Estate Transfer Tax to the HOME Fund and its other current destinations unchanged.

We are in very strong support of the bill's proposal to remove the requirement that 25% of HOME Funds be used for housing production. This is a matter of principle and one we feel very strongly about. The HOME Fund was designed over 40 years ago by the Legislature to be a flexible tool for MaineHousing to address the housing needs of the day - any day - and any percentage requirement on the fund to be used in a specific way, no matter how noble the cause, is nonetheless a loss of that flexibility. What may be an urgent need today may not be an urgent need tomorrow, and we must remove this requirement to regain the full flexibility in the use of the fund that we once had before the requirement was introduced a few years ago.

We deploy the HOME Fund proceeds for a range of absolutely critical housing services for lower income Mainers beyond just production. This includes support for repairing Maine's existing housing stock, supporting our homeless navigation and diversion programs, supporting homeless shelter operations, keeping older Mainer's safe in their homes, and helping voucher holders navigate the rental housing market. Many of these areas have since experienced a decrease in funding from us due to the 25% requirement for production, during a time when we received more funds for production through other channels, both federal and state, than any time in our history.

This requirement came about as an unintended consequence of a good bill. A bill had been introduced in the 130th (LD 484) which proposed to transfer the full amount of the Real Estate Transfer Tax into the HOME Fund, with 25% going to housing production for the next 6 years, which had our support. During the final moments of the Appropriations Committee deliberations, the proposal to increase the amount into the HOME Fund was removed from that bill, but the corresponding 25% requirement for production was not removed.

Thanks to the Legislature and the administration, there has never been a period of time where state government has shown such support for housing. MaineHousing's production level in recent years has been at an all-time high as legislative investments have been turned into homes.

As extraordinary as those investments have been, most state resources used for this purpose are one-time funds, and by this fall we will have obligated all of them. We definitely need a new source of subsidy for affordable housing production as we work to alleviate the well-known shortage of homes in Maine.

It would appear that this bill will, with a little help, provide that ongoing support.