

Testimony of
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before
The Joint Standing Committees on Appropriations and Financial Affairs

In Support of

**LD 1424: An Act to Authorize a General Fund Bond Issue for Investment in Workforce
Housing and Raise Certain Income Eligibility Limits in the
Affordable Homeownership Program**

Senator Rotundo, Representatives Gattine and honorable Members of the Appropriations and Financial Affairs Committee, my name is Erik Jorgensen, Senior Director of Government Relations and Communications at MaineHousing. I am speaking today in support of LD 1424.

The Maine State Housing Authority is Maine's housing finance agency, created by the legislature in 1969 to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single-family and multi-family housing for Maine's low- and moderate-income citizens. These bonds carry the moral obligation of the state; they are repaid from mortgage payments, not the General Fund. We are not part of state government but are structured as an independent agency to utilize effective private methods of finance for public purposes, to be independent, and responsive.

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.

LD 1424 represents the third of the housing-related bonds that you have heard over the past couple of days, and like the others, it focuses on increasing production of affordable housing – in this case by funding and making modifications to the Affordable Homeownership Program at MaineHousing. This is a program that currently supports the construction of subdivisions or condominiums that are sold for prices affordable to households up to \$120% of area median income. So far, the program has produced 152 units, some complete and occupied, and the rest in some stage of underwriting or construction. There is a final competition currently being

scored to allocate the last of the funding. This will bring our ability to offer future funding to a close unless there is an infusion of new resources such as what LD 1424 proposes.

The Affordable Homeownership program was inspired by the idea of creating lower-price homeownership opportunities, such as were provided in family-oriented subdivisions following World War II. Subdivisions like those are still desirable and affordable places to live, but are in general no longer being produced, as the economics of development have led developers to focus on more lucrative larger homes at the expense of starter homes. This program is rather simple in concept – it provides a per-unit grant (technically a forgivable loan) to developers to allow them to create a minimum of five units that can be produced at a specific price point. The subsidy is currently \$90,000 per unit in York, Cumberland and Sagadahoc Counties, and \$80,000 in the remaining counties. In exchange for that, the sale price for the homes must not exceed \$378,000 in those southern three counties, and \$350,000 in the others. There is no other subsidy or developer fee in this program.

The other element is that the sale price has, up until now, been designed to be affordable to households at 120% of area median income (AMI). For illustrative purposes, this income level translates to a qualifying household income of between \$101,160 and \$137,760, depending on where in the state the house is located.

Under the terms of this bond issue, the homes being constructed and the sale price limits would remain the same – it's just that the allowable income for the buyer would go up to 150% AMI, and projects would have to be located in Maine's opportunity zones. Households at 150% AMI would not qualify for MaineHousing's first home loan program (the limits on that are set by the IRS at 120% AMI) but assuming they were able to get a conventional bank mortgage, buying the home should be straightforward, as households in that income bracket are able to support more debt.

We do have some concerns about limiting this program to Opportunity Zones, because these federally designated areas in Maine are fairly narrow as currently defined, and we are not clear as to whether this would have an effect on or bring benefits to the program. That said, we believe that we could amend the AHOP program to meet the requirements as outlined, were this proposal to advance. We would, however, encourage further analysis of these zones in Maine.

We would be happy to assist in ironing out the details if this goes forward.