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President of the Senate

THE MAINE SENATE
132nd Legislature

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Testimony of Senate President Mattie Daughtry Introducing 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

Presented to the Joint Standing Committee on Appropriations and Financial Affairs

Senator Rotundo, Representative Gattine and members of the Joint Standing Committee on Appropriations and Financial Affairs, my name is Mattie Daughtry. I serve as President of the Maine Senate and proudly represent Senate District 23 in the Legislature, which includes Brunswick, Freeport, Harpswell, Pownal, Chebeague Island, and part of Yarmouth. I am here to introduce 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."

This bill is a direct response to the recommendations outlined in the Governor's Office of Policy Innovation and the Future report, which stemmed from the resolve initiated by LD 2169 during the 131st legislative session. The recent findings presented to the Housing and Economic Development Committee underscore the acute need for initiatives that support the development of affordable housing, including for households with incomes above 80% of the area median income. This is a crucial step, as we acknowledge that the housing crisis in Maine affects not only our low-income residents but also emerging middle-income households that are increasingly squeezed by rising housing costs.

LD 1424 proposes two significant measures:

1. It asks voters if they would like to invest \$10 million to build workforce housing in areas of the state designated as "Opportunity Zones", and
2. It directs MaineHousing to increase the income limit for the Affordable Homeownership Program to expand participation more broadly across the state, and not just in Southern Maine.

Recent data from Maine Housing's January 2025 Housing Outlook reveals a disconcerting trend: from 2020 to 2024, the median home price in Maine increased by more than 50%, while the wages of our workers rose by a mere 33.3%. This disparity highlights the urgent need to increase our affordable housing stock to provide a secure living environment for the workers who are essential to the growth of our economy.

Income Limit:

Currently, the Affordable Homeownership Program is intended to incentivize developers to create modestly sized and priced homes that will appeal to first-time homebuyers or other homebuyers who earn up to 120% of Area Median Income (AMI) and would be attracted to homes more appropriately sized and priced than many available today. The goal of MaineHousing's funding is to help lower the

costs for developers constructing homes in a single-family housing development by providing zero percent forgivable loans to reimburse developers for land acquisition costs, site development soft costs including construction loan interest, on-site infrastructure costs, and construction costs.

This bill would change income requirements to expand the number of Mainers who can benefit from the program. The language in this bill allows homebuyers to earn up to 150% of the area median income - up from 120% - in order to take advantage. In parts of Maine where incomes tend to be higher — specifically York, Cumberland and Sagadahoc Counties — the required AMI will remain at 120%.

Bond:

The proposed bond of \$10 million will specifically target the creation of affordable housing options within Maine's opportunity zones. These zones are defined by the Internal Revenue Service as economically distressed communities that are eligible for preferential tax treatment under certain conditions. Maine has 32 such opportunity zones, stretching from Madawaska in Aroostook County to Madison in Somerset County, and Calais in Washington County. By focusing our investment in these areas, we can stimulate significant economic growth while ensuring that the burden of financing this housing is equitably shared by both current and future beneficiaries.

LD 1424 is more than just a legislative initiative; it represents a strategic response to the pressing housing needs identified by GOPIF and the Housing and Economic Development Committee. Through targeted investments that support workforce development in areas that need it most, coupled with expanded access to affordable homeownership, we can effectively leverage private investments and address our state's immediate housing challenges. I ask that you support this critical legislation, as it will pave the way for scalable solutions that can empower our communities and foster sustainable economic growth in Maine.

Thank you and I would be happy to answer any questions you may have.

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NOTES:

List and map of Opportunity Zones: <https://www.maine.gov/decd/business-development/financial-incentives-resources/opportunity-zones>

Info from: <https://mainehousing.org/programs-services/housing-development/developmentdetails/affordable-homeownership-program>:

The Affordable Homeownership Program is intended to help lower the costs to developers building single-family subdivisions by providing zero percent interest, forgivable loans. This funding will help to offset the rising costs to developers for land acquisitions, labor, and materials.

Developers receiving Affordable Homeownership Program funding will be required to set aside homes in the subdivision as Affordable Homeownership Units. An Affordable Homeownership Unit is a lot with a new (never previously occupied), owner-occupied single-family home that will be sold to homebuyers who earn up to 120% of Area Median Income (AMI), and meets other criteria outlined in the program guide.

Proposals must meet the **following criteria to be eligible** for Affordable Homeownership Program financing:

- A minimum of five (5) single-family homes in a subdivision must be designated as Affordable Homeownership Units, unless previously approved by MaineHousing. An Affordable Homeownership Unit is a developable lot with a new (never previously occupied), owner-occupied single-family home that meets the criteria outlined in the program guide.
- The maximum forgivable loan amount is \$1,800,000 per affordable single-family housing development. The maximum forgivable loan amount per Affordable Homeownership Unit is \$90,000 in Cumberland, Sagadahoc or York counties, and \$80,000 in the remaining 13 counties of the State.
- Developers participating in the Subdivision Program will not be allowed to access additional subsidy from MaineHousing, however homebuyers may receive subsidy for down payment and closing costs.

Eligible expenses for forgivable loans under the Affordable Homeownership Program include:

- Reimbursement of land acquisition costs;
- Site development soft costs, including construction loan interest;
- On-site infrastructure costs such as installation of roads, water, electrical, sewer, storm drainage, retaining walls, retention ponds, sidewalks, and landscaping;
- Construction costs.
- Overhead, staffing, and other general operating costs are not eligible expenses under the Affordable Homeownership Program.