



Testimony of

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Before

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In support of

LD 1500: An Act to Establish the Maine Community Development Financial Institution Fund to Support Small Businesses, Rural Economic Development and Affordable Housing

Senator Curry, Representative Gere, and members of the Joint Standing Committee on Housing and Economic Development, 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 1500: An Act to Establish the Maine Community Development Financial Institution Fund to Support Small Businesses, Rural Economic Development and Affordable Housing*.

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.

Community Development Financial Institutions (CDFI's) play a unique role in Maine's financial community. There are ten of these organizations in Maine – split between loan funds and credit unions. While MaineHousing has not partnered with all of them, we have worked with Genesis, Four Directions, CEI, and others, and we would be hard pressed to find other organizations that are better partners in the enterprise of affordable housing.

CDFIs are not regulated like banks, but are certified by the CDFI Fund, a program at the U.S. Treasury Department. LD 1500 proposes to create a Maine CDFI Fund, modeled on the federal CDFI Fund at Treasury that provides loans and capital grants to help CDFIs grow their balance sheets to address community needs. Grants from the State CDFI Fund would serve as matching

funds for federal CDFI awards and would also allow Maine CDFIs to leverage new invested capital. The bill also authorizes Maine's Treasurer to invest up to \$10 million in funds each year from the state's cash pool into Maine CDFIs at below market rates, adding another source of invested capital to finance projects. These would not be grants or giveaways, but investments that provide a measurable and predictable financial return for the state.

To provide some illustration, I would like to touch on work that MaineHousing has done with one CDFI, the Genesis Fund. When the Legislature established the Affordable Homeownership and Rural Rental development programs, they (you) also expressed a desire that MaineHousing should make those programs accessible to communities that have not had affordable housing before, and also to reach new developers. So, for the past two years, a "swat team" of Genesis housing experts operating under a MaineHousing contract has attended countless community meetings, answered questions, and provided needed advice that brought scores of new projects, many by new developers, successfully across the finish line. MaineHousing could not have done that by itself.

Our technical assistance contract with Genesis is just one example of a CDFI partnership with a Housing Finance Agency. Another comes with their leadership and assistance in preserving USDA Rural Development Projects around Maine. These older rental properties are a critical part of Maine's affordable housing infrastructure, but they come with unique and serious needs. Genesis has been recognized in and beyond Maine for their expertise in making sure those projects continue to serve low-income Mainers.

Beyond these technical partnerships, MaineHousing and Genesis often partner to finance projects, as well. Blueberry Fields cooperative, the owner-purchased mobile home community in Brunswick is a recent and well-publicized example where Genesis funding (and coordination) made a critical difference. In that case, not only did a Genesis loan constitute a substantial portion of the financing, this CDFI had a leadership role in the whole process of shepherding that very complicated deal through a complex process, coordinating with the town, with MaineHousing, and the Community Development Institute. A lot of people in our office and at Genesis spent some late nights figuring out that package. That's just one. Over the past five years, Genesis and MaineHousing have jointly financed 28 housing projects, resulting in 1,152 units of affordable housing created or preserved.

Those are just examples drawn from our work with one CDFI, but they are emblematic of how these innovative organizations work. I'm the wrong person to ask about the technical aspects of this fund, but I simply want to underscore that these are special entities that play a crucial role in meeting various community needs, including housing. Strengthening these organizations so they can do even more will benefit everyone.