



Maine Real Estate &
Development Association

Supporting Responsible Development

In Support

LD 1926, An Act to Require Increased Housing Density or Lower Minimum Lot Sizes for Workforce Housing

May 9, 2025

Chair Curry, Chair Gere, and members of the Housing and Economic Development Committee;

On behalf of the Maine Real Estate and Development Association (MEREDA), please accept the following testimony in support of LD 1926, An Act to Require Increased Housing Density or Lower Minimum Lot Sizes for Workforce Housing. This bill, which proposes a zero-cost solution for workforce affordable housing, often referred to as the “missing middle,” is something MEREDA considers a pillar to success for solving Maine’s housing shortage.

As an initial matter, and to explain our use of this term throughout this testimony, we would advise the committee that it was our intent for this bill to be entitled the Workforce Infill Neighborhoods (WIN) Act, and we would request that if the committee is interested in moving forward with this bill, that the title be corrected. For today’s purposes, we’ll refer to it as the WIN Act, because we feel it is accurate.

What the WIN Act Seeks to Solve

The key to this bill is that is a no-subsidy solution to helping workforce affordable projects “pencil.” Penciling a project refers to the balancing of income/expenses when determining whether a project will be financially feasible. Today, projects for workforce populations simply don’t pencil. They are too expensive to build, and therefore too expensive to afford for much of Maine’s workforce. This workforce population, which makes too much to afford subsidized housing, but makes too little to afford the high cost of market rate housing today, consists of our teachers, nurses, firefighters, and municipal employees. Many financial tools exist today to help build affordable housing at below 80% of AMI – tax credits, TIFs, and even grants. No such tools exist for the construction of units above 80% of AMI, even though few Mainers can afford housing – even if they make up to 220% of AMI. When the average home cost is roughly half a million dollars for much of Maine, it is easy to understand why even those making a higher salary could not afford to live where they work. While high-earners can afford the cost of today’s market-rate housing, there is nothing being built for everyone in between – they are the missing middle.

How the WIN Act Would Help Missing Middle Projects Pencil

Unit Density Bonuses, Alternative Minimum Lot Size.

LD 1926 would help projects pencil and get units built for the missing middle by providing density bonuses for workforce housing units for sale or rent at between 80-220% of AMI. Alternatively, the bill would permit a reduced minimum lot size for those areas where the minimum lot size is more problematic than the density restrictions – such as in rural areas. To set the appropriate bonus density, this proposal would create multiple AMI brackets with density higher density bonuses at the lower AMI scale and lower density bonuses at the higher AMI scale. A workforce housing creator could use a blended percentage if they seek to create units within multiple income brackets.

MEREDA would initially suggest the following bonuses as right sized to address the financing issues that arise when insufficient density exists to support the lower cost construction of workforce affordable units. We are open to discussion of these initial proposed density bonuses.

Density Bonus by Workforce Affordable Income Bracket

	Density Bonus	Reduced Min. Lot Size
<80%, less than 100%	75%	90%
>100%, less than 120%	60%	75%
>120%, less than 160%	45%	65%
>160%, less than 220%	30%	50%

Eligibility for Density Bonus

To take advantage of these bonuses, a housing creator would need to build at least 5 units of housing, at least 50% of which must be workforce affordable defined as affordable to individuals making between 80% and 220% of AMI. The housing creator would be required to place a restrictive covenant on the property to restrict those units as workforce affordable for 30 years.

Income Verification. The landlord or seller would be responsible for income verification upon consideration of the transfer of property. Most density bonus or inclusionary zoning programs use landlord certification. These workforce affordable units are part of privately financed projects using density bonus incentives, not public funds. Because no direct public subsidy is provided, municipalities often do not have the same oversight obligations as they do with subsidized or publicly funded housing. It is industry standard for landlords or property managers

to verify tenant income in non-subsidized affordable units. By way of example, Portland's inclusionary zoning ordinance relies on a landlord or seller verification process. LD 1926 would function similarly.

Applicability of Proposal

We also recognize that the committee may want to see these bonus densities applied only in areas that are within a growth zone or connected to public sewer and water. MEREDA supports that in concept but urges this committee to consider the importance of penciling projects in all regions of the state, so that workforce affordable units are readily available for our Maine workers. Restricting the implementation of these density bonuses will restrict where workforce units are built, because without this type of non-monetary subsidy, these units are unaffordable to produce. This legislation would enable the housing creator to choose the most efficient, and typically affordable, path for workforce housing creation. It would also encourage workforce affordable housing in rural areas with currently too-high minimum lot size requirements. However, MEREDA is open to discussing appropriate limitations to ensure responsible growth for all Maine communities. To that end, we would want to restrict the Shoreland Zone from these bonuses – there may be similarly restricted land areas that are similarly deserving of an exemption.

Why the WIN Act is Needed Now for the Missing Middle

According to the *HR&A Roadmap to Housing*, it costs around \$40 million to construct 150 units, requiring a rental revenue of at least \$425k per month. (pg. 52) Density bonuses like those in the WIN Act can be used to increase revenue by allowing the developer to build more homes, generating surplus revenue that can reduce rents. (*Id.*) With the proper density incentives, developers can afford to build, and workers can afford to live in housing - generating workforce affordable housing.

Many Maine towns and cities are working to revise their zoning to encourage housing. Unfortunately, they have neither the tools nor the time to move quickly and overcome local entrenchment to make the changes necessary to create the housing we need today. Individualized town policies on density do not encourage - in fact they discourage - workforce affordable housing creation. A statewide density overlay will give developers predictability and provide the incentive necessary to generate workforce affordable housing in Maine.

This bill is designed to be a no-cost WIN for all Mainers. A WIN for Mainers – more mixed-affordable income units available for workforce families. A WIN for the State – the burden of income verification falls to the landlord or seller. A WIN to the housing creator – a flexible tool to make workforce affordable projects pencil.

Maine cannot afford to wait longer for planning and construction of workforce affordable housing units – we need to build them now. This bill can help unlock projects by allowing developers to add a couple more units, or reduce lot size, to ensure that the finances work to provide needed housing to the missing middle.

Thank you for your thoughtful consideration of this important policy initiative, and for all you do for the State of Maine.

Elizabeth Frazier

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A WIN for Workforce Affordable Housing

The Workforce Infill Neighborhood (WIN) Act (Rep. Holly Stover).

Overview

The Workforce Infill Neighborhood (WIN) Act, sponsored by Rep. Holly Stover, would accelerate Maine workforce housing creation by providing density bonuses for workforce housing units for sale or rent at between 80-220% of Area Median Income (AMI). Alternatively, the WIN Act would permit a reduced minimum lot size.

To set the appropriate bonus density, this proposal would create multiple AMI brackets with density higher density bonuses at the lower AMI scale and lower density bonuses at the higher AMI scale. A workforce housing creator could use a blended percentage if they seek to create units within multiple income brackets.

To take advantage of these bonuses, a housing creator would need to build at least 5 units of housing, at least 50% of which must be workforce affordable defined as affordable to individuals making between 80% and 220% of AMI. The housing creator would be required to place a restrictive covenant on the property to restrict those units as workforce affordable for 30 years. The landlord or seller would be responsible for income verification upon consideration of the transfer of property.

This legislation would enable the housing creator to choose the most efficient, and typically affordable, path for workforce housing creation. It would also encourage workforce housing development in rural areas with high minimum lot size requirements.

Date

Mar 20, 2025

Key Information

The following workforce housing bonuses would apply:

Qualification for bonus:

- 5 or more housing units (for rent or for sale);
- at least 50% of which are workforce affordable at between 80-220% of AMI.

Density bonus:

- >80%, less than 100% of AMI: 75%
- >100%, less than 120% of AMI: 60%
- >120%, less than 180% of AMI: 45%
- >180%, less than 220% of AMI: 30%

Alternative Reduced Minimum Lot Size:

- >80%, less than 100% of AMI: 90%
- >100%, less than 120% of AMI: 75%
- >120%, less than 180% of AMI: 65%
- >180%, less than 220% of AMI: 50%

Blended Bonus Can Be Applied

- Housing creator can take a blended version of the bonus percentages above for the creation of units at more than one of the AMI brackets listed above.

Landlord/Seller Income Verification

- Qualification to purchase or rent a unit based on income within the above-listed AMI brackets would be determined by the seller or landlord at the time of property transfer.

Thirty Year Restriction on Affordability

- A workforce housing project created under the WIN program would be subject to a thirty-year restrictive covenant to ensure the affordability of the units.

Workforce Housing is Too Expensive to Build in Maine

According to the [HR&A Roadmap to Housing](#), it costs around \$40 million to construct 150 units, requiring a rental revenue of at least \$425k per month. (pg. 52) Density bonuses like those in the WIN Act can be used to increase revenue by

Key Rationale

allowing the developer to build more homes, generating surplus revenue that can reduce rents. (*Id.*) With the proper density incentives, developers can afford to build, and workers can afford to live in housing - generating workforce affordable housing.

These incentives help create efficiencies in all aspects of housing creation: land purchase, design, construction, and permitting. Generally, the more units built together, the cheaper to build. This legislation creates more affordable housing simply by easing up land restrictions.

A Statewide Density Overlay is Necessary to Expedite Housing Creation

Many Maine towns and cities are working to revise their zoning to encourage housing. Unfortunately, they have neither the tools nor the time to move quickly and overcome local entrenchment to make the changes necessary to create the housing we need today. Individualized town policies on density do not encourage - in fact they discourage - workforce affordable housing creation. A statewide density overlay will give developers predictability and provide the incentive necessary to generate workforce affordable housing in Maine.

In Rural Maine, Minimum Lot Sizes Restrict Affordability

Rural Maine towns have minimum lot sizes as high as five acres per unit. The amount of land, planning and permitting time, and construction resources necessary to construct 10 workforce affordable units across that much physical space result in unaffordable properties. By enabling developers to take a lower alternative minimum lot size, we would encourage efficiencies and promote workforce affordable housing creation.

The WIN Act Doesn't Cost Money

Like some other affordable housing programs, the WIN Act would require the recipient of the density bonus to self-certify that at least 50% of the units are affordable as workforce affordable housing.