

Testimony of

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Before The Joint Standing Committee on Appropriations and Financial Affairs

In Support of

LD 2212: The Governor's Supplemental Budget

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February 19, 2026

Senator Rotundo, Representative Gattine and distinguished members of the Appropriations Committee; Senator Curry, Representative Gere and honorable members of the Housing and Economic Development Committee. My name is Erik Jorgensen, Senior Director of Government Relations and Communications at MaineHousing. I am here today to speak in favor of the initiatives in the Governor's proposed supplemental budget that relate to MaineHousing. I am also joined by our agency Director Dan Brennan.

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 structured as an independent agency to utilize effective private methods of finance for public purposes, to be independent, and responsive.

In addition to issuing bonds to finance affordable housing, our agency is authorized to act for the state in administering several federal programs, including rental subsidies, weatherization and fuel assistance; two housing block grants; the low-income housing tax credit program, and homeless grant programs. We do receive some state general fund revenue for homeless programs, and we receive a dedicated portion of the real estate transfer tax, which provides the Housing Opportunities for Maine Fund (also known as the HOME Fund). In recent years we have also received several

one-time allocations of funding for different housing activities through biennial and supplemental budgets, including the programs that I am speaking to this afternoon.

We support MaineHousing's section in Part A of the proposed supplemental budget; also the proposals in Part T and part F. We also support Part YY, which appears in the Health and Human Services budget that you heard earlier.

Taking those in order, I will start with our Part A item, which appears on page A-78. It is (0661) SHELTER OPERATING SUBSIDY.

The Shelter operating subsidy is the state's share of the Emergency Shelter and Housing Assistance Program, which is how MaineHousing provides support to homeless shelters across the state. This program is comprised of federal and state resources that together form a funding source that is allocated to shelters within Maine that meet threshold requirements around access policies and professionalism. There are 37 ESHAP shelters located around the state.

Last year, the Legislature received a shelter cost study prepared by MaineHousing that showed that state support for shelters has lagged as costs have increased. The shelter operating subsidy has not increased in around a decade, and with all the pandemic and post-pandemic issues around homelessness, we've seen shelters close, we've seen shelters in crisis, and virtually none of them have funding equal to the demands of the work they do. The need for additional and predictable funding has been exhaustively documented. Last year the legislature provided a one-time bump in shelter funding, but that is temporary, and these critical entities continue to be in desperate need of a support stream that comes closer to meeting their demonstrated need.

This item provides \$1,250,000 in FY 26 and then \$1,500,000 in FY 27, which will be ongoing as a baseline increase. The funds are distributed through a formula that is based on size of the shelter in terms of its beds; the services that are provided; as well as a performance component, to ensure that shelter guests are successfully placed in more permanent housing. The subsidy is administered under MaineHousing's ESHAP rule and we wish to remind the committee that 100% of the state funding is allocated to shelters, with nothing removed for administration or overhead.

The next housing budget items appear in language section T and start on page 45. As detailed by the DAFS Commissioner, the supplemental proposes one-time language to change the use of the state's record high Budget Stabilization Fund (BSF) in order to fund certain affordability and emergency initiatives. The proposal, which encompasses all of Part T and the language Part T that begins on Page 40 of the language document, transfers a total of \$324.7 million.

MaineHousing's section of this begins on page 45. Sections T-15 and T-16 provide a total of \$69,000,000 to support a number of existing housing programs as well as some new initiatives.

The first initiative, which appears at the bottom of page 45, provides funding in the amount of \$37,500,000 for existing rental and ownership housing production programs, including the Rural Affordable Rental Housing Program, the federal Low-Income Housing Tax Credit Program, and the Affordable Homeownership program.

The Rural Affordable Rental Housing Program was originally established during the pandemic using Maine Jobs and Recovery Plan funding. It has been subsequently funded by the Legislature with the goal of developing multifamily affordable rental housing in areas where larger Low Income Housing tax credit properties might not be successful. To date the program has provided \$70,000,000 to assist developers in creating affordable, workforce, rental housing consisting of five to 18 units, where 100% of the units are leased to households making no more than 80% of Area Median Income. These units are, in turn, leased at not more than 80% Area Median Income rents. The program supports both new construction and adaptive re-use of existing structures.

This was designed to be a much simpler program than a tax credit approach, and it is aimed at parts of the state where tax credit projects tend not to be feasible. Every round of funding we have provided has been oversubscribed, and so far the program has been successful in creating new units across the state (shown in the accompanying handout). We are excited because so far this program has attracted a very different group of developers than those with whom we've worked on larger projects. This funding would allow the Rural Affordable program to reopen as soon as the resources become available. It would not require rulemaking or any new program design.

The Affordable Homeownership Program was also initially developed during the pandemic using funds from the Maine Jobs and Recovery Plan with additional funding provided subsequently in the state budget. The purpose of this program is to lower the costs of producing single-family homes that are affordable to homebuyers with incomes up to 120% of AMI. To illustrate what that means, for a family of 4 it's between \$102,000 and \$152,000 depending on where you live in Maine.

The idea behind this program was to produce basic houses affordable to everyday working families and first-time home buyers in much the same way that houses were being produced in towns across the country after World War II. Houses like those continue to be in great demand today, yet they are not being built in great numbers, simply because it's difficult for housing like this to pencil out.

The way this program works is that it provides zero interest forgivable loans of between \$80,000-\$90,000 per unit, depending on location. This funding pays for things like land acquisition, infrastructure such as roads, water, electrical, sewer, and construction costs. In other words, it's a

mechanism to reduce a developer's cost of creating units.

These projects must have, at a minimum, at least five affordable units in a subdivision (or in the form of a condominium), with minimum funding at \$400,000 with a maximum of up to \$1,800,000 per development. Pricing for the units has to fall within guidelines – up to \$378,000 per unit in York, Sagadahoc, and Cumberland Counties, and up to \$350,000 in other parts of Maine.

The funding you have provided has been successfully used. I am distributing a document that shows examples of what this program has done to date. There are 20 subdivisions that have been completed or which are currently under construction. The entire \$20,000,000 provided to date has been expended – nearly 300 newly built homes are complete or in the process of being built.

The third component of this part of the funding is to provide funds that will be used to match the federal 4% Low Income Housing Tax credit. The 4% credit is a critical resource that is generated by the sale of tax-exempt bonds. This federal credit is an affordable housing workhorse: it provides approximately 1/3 of the capital needed to create a new multiunit affordable housing project. It recently became even more valuable, as changes provided by the president's 2025 reconciliation bill (the "Big beautiful Bill") now allow MaineHousing's bonds to stretch further. The challenge with the 4% LIHTC, however, has been to find the subsidy needed to leverage the federal funds and complete these projects, where the amount of rent that can be charged is not enough to cover the financing costs. We can provide below market mortgages, we can generate the federal credit, but those two sources still leave a gap to be filled, and this funding is one of the tools that can help do just that. With the funding you have provided us to date, we have been able to finance 377 new multifamily rental units and leverage \$99,300,000 of federal tax credits and low interest loans to create this housing.

We have no doubt that an additional \$37,500,000 allocated to these production programs, as the Governor is proposing, would be used. Demand is steady for these programs, and if funding continues, we are confident that developers will respond.

Turning to Language Page 46, the next Part T initiative proposes \$10MM in the first year **for a pilot program to support the construction of new middle-income housing units.**

This would be a production program, designed to support the capital costs of creating rental housing available to households making up to 120% of area median income; and single-family or condominium ownership opportunities for households up to 150% of the area median income. While this would serve a higher income level than other MaineHousing programs, it is something we could do, assuming that the current language, which allows us the flexibility to model this program on MaineHousing's other successful programs, such as the Rural Affordable Rental Housing and

Affordable Homeownership programs, but with higher household income limits. In some parts of Maine it is very difficult for middle-income households to find housing they can afford. LD 916, currently before the HED Committee, provides the authorizing language we would need in our statute to serve these incomes.

Finally, we wish to draw the committees' attention to the blippies for all of the production programs, which refer to incentives being added to promote heat pumps, modular construction and wood fiber insulation. While the 130th legislature already added language that requires all-electric heating in our buildings, and this would cover the heat pumps, we would encourage the legislature to include language allowing for a degree of flexibility around materials sourcing. We agree fully with the proven usefulness of quality modular construction and also with the promise of wood fiber insulation. That said, we would want to be certain that infrastructure for modular housing and wood insulation is robust enough to accommodate demand that these production programs could generate.

The next initiative, also on page 46, provides funding for a \$7,500,000 pilot program to support **expansion of mobile home parks through infill, expansion, or new development with restrictive covenants on the new units to assure affordability.**

Mobile homes are among the most affordable and effective solutions for a household seeking a single family option. This initiative is rooted in the fact that many mobile home parks in Maine have unused land or undeveloped lots that could be activated as affordable housing, but for the cost of developing those lots. Creating new pads and infrastructure is not especially difficult; when compared to many other types of housing development – but the nature of these projects can make obtaining a construction loan from a commercial bank difficult. This is a sort of development where the product is often a road with electrical and sewer infrastructure, and a series of concrete pads on which a different owner places a home. This type of infrastructure is a non-traditional asset with difficult to determine values, making it riskier and therefore costlier from a borrowing perspective.

It would require a relatively small amount of subsidy per unit to accomplish this sort of a project, and we have estimated that as many as 500 homes could be created for this \$7.5mm appropriation. By increasing the number of residents in a park, that park's expenses can be spread across a larger number of households thereby maintaining affordability while increasing housing opportunity. This was a central recommendation that came out of the report from last fall's LD 1765 task force that looked at ways to increase affordability and stability in manufactured housing communities.

Continuing, with page 46, the next initiatives provide support for the Community Aging in Place Program, as well as continued funding for the Emergency Housing Relief fund in the

amount of \$2 Million and \$12 Million respectively. This is one-time funding that appears in the first year.

Community Aging in Place is an existing program that is delivered by nonprofits around the state on the understanding that safe, stable housing is critical to the health and wellness of a community. MaineHousing's Community Aging in Place Grant began in 2017 to support the replication of Bath Housing's aging in place initiative. The inaugural funding year provided support for five Public Housing Authorities (PHA) and expanded to six PHAs in 2018. Now in its seventh year the program has expanded to 11 partner agencies: three public housing authorities, five Community Action Agencies and three Habitat for Humanity Agencies.

The Community Aging in Place Grant Program offers no-cost home safety checks, minor maintenance repairs, and accessibility modifications for eligible low-income elderly and disabled homeowners. These services enable recipients to continue living safely and comfortably at home. This program created a progressive solution for aging homeowners by establishing a model to address the housing and wellness issues of a growing segment of Maine residents.

Examples of the sorts of things these grants do include accessibility modifications like grab bars and shower seats; Minor repairs like storm doors, gutter work and cabinet height adjustments; as well as safety checks for all participants.

This is a program that was funded through the HOME Fund, but which had to be significantly reduced this year as the result of the \$10MM HOME Fund budget reduction included in the biennial budget. This new funding will allow this program to continue at around the current level for two years until those HOME fund cuts expire.

The next initiative is shown on Page 47, and is the Emergency Housing Relief Fund.

Governor Mills and the Maine State Legislature have provided funding to MaineHousing to establish the Emergency Housing Relief Fund, which is a pandemic era program that has continued with four different tranches of funding provided by the legislature in 2022 and 2023.

EHRF 1 --	\$22,000,000	Funded by the 130 th Legislature in May 2022
EHRF 2 –	\$21,000,000	Funded through LD 3, January of 2023
EHRF 3 --	\$12,000,000	Funded through Biennial Budget, October of 2023
EHRF 4 --	\$13,500,000	Funded through the Supplemental Budget in 2024

The fund has supported more than 90 initiatives. These can be broadly divided among emergency shelter; transitional housing; permanent housing; and services to support housing.

Contracts for **winter warming shelters** have been awarded in the winters of 2022-23, 23-24, 24-25, and 25-26. The current winter, we are supporting 13 of these programs, which provide seasonal overnight shelter beds in facilities around the State, from Presque Isle to Sanford. These shelters are temporary in nature and designed to help people who might otherwise be unsheltered during the coldest months of the year. We do not have additional funding to support winter warming shelters for next year.

The fund has also supported long-term shelters and has provided for permanent capacity increases at existing shelters around the state. These serve individuals and, in some cases, families and special populations. In the last round, the largest of these projects included primary funding to develop the first ever permanent low-barrier shelter in Lewiston. The other large EHRF projects included development of the new 179-bed homeless shelter in Portland, which freed up more than 150 beds at the Portland Homeless Services Center, where outreach efforts have led to the sheltering of the vast majority of those who had been camping on city property. On the smaller end of these projects, a Gorham church used EHRF funds to create four units of family shelter space in one of their buildings that will be available now and into the future.

During the ERA program, hotels had become a large component of emergency housing, which is no longer the case. The Legislature specified that more recent EHRF funding could not be used for hotel rooms by the night, and so this has been phased out in favor of longer-term less costly arrangements.

The **Permanent Housing** category has supported shelter-based rapid rehousing programs, which are aimed at getting people out of shelters into long-term apartments. In the most recent round of funding, it provided capital funding for projects for supportive housing units in Bangor, and permanent housing in Ellsworth, Machias and Augusta.

Finally, the **Services to Support Housing** category includes navigation, case management, mental health, and day shelter programs for people experiencing homelessness. Earlier versions of EHRF did generate a lot of attention for work done on behalf of asylum seekers. As the number of new arrivals into Maine has waned in recent years, this area of focus has decreased substantially, most notably as large-scale transitional housing programs in Saco and South Portland were successfully concluded.

I will conclude by saying that if the legislature chooses to provide additional funding to the EHRF as the Governor has proposed, the nature of the need makes it so we can't say exactly how all of it would be used, though I would look to the past three years as something of a template. The core use will continue to be support for shelters.

Additional Language Items:

There are two other language parts that should be acknowledged. The first of these is **Part F section 2**, and can be found on page 10 of the language section. Section F-2 relates to administration of the federal LIHEAP grant. This was prompted by the recent federal shutdown when we experienced a delay in receipt of our LIHEAP funds. F-2 authorizes the Governor, during a declared state of emergency, to distribute up to \$1,500,000 from the budget stabilization fund as a short term no-interest loan to allow HEAP providers to keep taking applications. We saw this almost happen last fall. If application-taking were to stop due to a shutdown, it could be catastrophic for the program. Program staff at community action agencies would likely be laid off and might not be available once the program re-opened. We were able to avoid this this year by temporarily repurposing some other funds in the LIHEAP grant. But the shutdown provided an illustration of potential problems that could have happened had the budget impasse extended further. This measure is something of an insurance policy, a tool to keep that from happening in the future. MaineHousing would reimburse the state once the federal money became available.

Part YY, which can be found on language page 68, repeals a 2017 action by the legislature that designated a portion of TANF funding to support additional HEAP payments to TANF participants. Our understanding is that the Department of Health and Human Services wants to repurpose those funds within the TANF program. Federal law still requires that we prioritize families with young children and older adults, so we feel that they will be covered, and we feel that having this supplemental amount remain within the core TANF program is good policy.

Thank you for listening. That concludes my testimony and I would be pleased to take questions.

MAINEHOUSING
PROJECTS FUNDED TO DATE WITH STATE APPROPRIATED FUNDS
February 19, 2026

AFFORDABLE HOMEOWNERHIP PROGRAM	Municipality	Total Units	Subsidy Request
2024			
Butler Road	Boothbay	8	\$ 550,400
Dougherty Commons III	Portland	20	\$ 1,565,000
Front Street III	Portland	6	\$ 468,747
Grandview Ave	Bangor	14	\$ 973,280
Compass Point	Rockport	10	\$ 556,800
Hillcrest Estates	Monmouth	9	\$ 691,200
Island Avenue Subdivision	Sanford	5	\$ 400,000
Landon Woods	Kennebunkport	6	\$ 469,260
Linnell Homeownership Project	Rumford	16	\$ 1,164,800
Nasson 4	Springvale	20	\$ 880,000
Newman Meadows	Waterville	13	\$ 899,600
Scittery Woods	Falmouth	<u>20</u>	<u>\$ 1,564,200</u>
	Total	147	\$ 10,183,287
2023			
19 Bodwell Street	Sanford	8	\$ 480,000
Alexander Way	Boothbay Harbor	7	\$ 420,000
Beals Avenue Workforce Housing	Ellsworth	23	\$ 1,380,000
Clarks Bridge Road	Waterboro	9	\$ 630,000
Dougherty Commons	Portland	20	\$ 1,400,000
Fletcher Farms	Lebanon	7	\$ 490,000
Highpines Village Condominium	Wells	20	\$ 1,400,000
Stearns Farm	Hampden	23	\$ 1,380,000
Wildlands Subdivision	Standish	12	\$ 840,000
Wilbur's Woods	Brunswick	<u>20</u>	<u>\$ 1,400,000</u>
	Total	149	\$ 9,820,000

**RURAL AFFORDABLE
RENTAL HOUSING
PROGRAM**

City

**Total
Units**

Subsidy Request

2024

36 Cleaves Street	Yarmouth	18	\$	2,874,945
55 Weston Avenue II	Madison	18	\$	2,878,668
Asher's Village Apartments	Winslow	18	\$	3,448,623
Clark Street	Thomaston	16	\$	2,560,000
J. Palmer Merrill Block	Skowhegan	5	\$	749,965
Poland Elderly Housing Dev	Poland	18	\$	2,880,000
Rangeley Workforce Housing	Rangeley	18	\$	3,430,243
Project Greenhouse	Rockland	12	\$	2,304,000
Rosa's Place	Brunswick	<u>14</u>	\$	<u>2,332,922</u>
	Total	137	\$	23,459,366

2023

6 Madelyn Lane	Rockport	18	\$	3,600,000
16 Mills Road, Newcastle	Newcastle	16	\$	3,023,577
165 Main Street - Waterville	Waterville	18	\$	2,767,500
986 Prospect Avenue, Rumford	Rumford	18	\$	3,521,957
Central Park Residences	Sanford	18	\$	3,600,000
Tree Tops Apartments	Hallowell	<u>17</u>	\$	<u>3,394,906</u>
	Total	105	\$	19,907,940

2022

East Town Rentals	Presque Isle	18	\$	1,500,000
115 Congress St. Bldg. A	Belfast	12	\$	2,220,000
380 Main St.	Norway	13	\$	2,405,000
404/408 Main St.	Rockland	9	\$	1,665,000
500-520 Centre St	Bath	18	\$	3,330,000
2Cent Lofts	Waterville	18	\$	3,330,000
Madelyn Lane	Rockport	18	\$	2,784,250
165 Talbot Ave	Rockland	10	\$	1,850,000
55 Weston Ave	Madison	18	\$	3,229,067
5-7 Mechanic St	Houlton	18	\$	3,330,000
232 Main St	Fort Fairfield	<u>10</u>	\$	<u>1,000,000</u>
	Total	162	\$	26,643,317

4% LIHTC PROGRAM		City	Total Units	Subsidy Request
2025				
Martel 2	Lewiston	44	\$	5,400,000
Soleil Apts I	Lewiston	44	\$	5,400,000
Time and Temp	Portland	<u>41</u>	\$	<u>2,593,908</u>
	Total	129	\$	13,393,908
2024				
Martel School Apts	Lewiston	44	\$	5,400,000
King Street Apartments	Waterville	37	\$	4,725,000
Iron Heights	Gardiner	32	\$	4,088,750
Malta Street Senior	Augusta	34	\$	4,828,000
3iHome at The Downs	Scarborough	51	\$	5,400,000
Sunset Avenue	Bangor	<u>50</u>	\$	<u>6,000,000</u>
	Total	248	\$	30,441,750