



MAINE AFFORDABLE HOUSING COALITION

WHY MAINE NEEDS A STATE AFFORDABLE HOUSING TAX CREDIT AND HOW IT WOULD WORK

Maine is experiencing a fundamental mismatch between the housing it has and the housing it needs, and that mismatch is creating enormous problems for both our families and our state's economic well-being. At its root is a growing gap between the incomes of Maine households with low and moderate incomes, and the cost of safe, decent homes across the state.

The results of this mismatch are overwhelming and unacceptable: the aggregate waiting list for affordable housing managed by members of the state's largest apartment association has risen to more than 32,000 households; over 18,100 Maine households are on waiting lists for federal rental assistance, often for 5-10 or more years; and over 4,000 households applied for an affordable home at the state's largest nonprofit housing agency in 2018, but only 373 received help. More than 35,000 renter households, spread throughout all areas of Maine, are severely rent burdened – that is, paying more than half of their incomes for rent and utilities.

At the same time that Maine is experiencing this widespread, unmet need for affordable homes, the annual rate of production of new affordable housing units is only about 250 statewide.

To increase the rate of production of affordable homes and reduce the number of Maine households on housing wait lists, the Maine Affordable Housing Coalition and our partners in the aging, community development, construction and engineering sectors propose a solution that received strong bipartisan support in the 128th Maine Legislature and which over a dozen other states (including Vermont, Massachusetts and Connecticut) have utilized to great success: a state affordable housing tax credit. This credit would leverage federal resources currently inaccessible to Maine and double the state's annual production of affordable housing.

Modeled on Maine's successful and highly efficient state historic rehabilitation tax credit, this proposal would utilize \$80 million in state tax credits over 8 years to leverage an equal amount of federal low income housing tax credits – dollars which would not flow to Maine without state resources as proposed here. It would also set aside funds to preserve some of the nearly 2,500 affordable homes located in rural communities throughout Maine, which were originally financed 40 years ago by USDA Rural Development but are now at risk of losing their affordability restrictions.

The proposed program would allow individuals or corporations to invest in the development or preservation of affordable housing, in return for a refundable credit to apply to their state income tax obligations. The credits would be administered through MaineHousing.

The investment dollars provided to a project would fund about 30% of the overall construction cost and allow the project to access an equal amount of federal low income housing tax credits. Adding these two resources to the modest loans and grants already available to housing stakeholders would allow more than 1,000 affordable homes to get built or preserved in Maine over 8 years – critical activity that would otherwise not occur.

Supporters of this initiative include Associated General Contractors of Maine, Maine Real Estate & Development Association, Maine Real Estate Managers Association, Maine Association of Public Housing Directors, Maine Chapter of the American Council of Engineering Companies, Maine Council on Aging, Maine Mayors' Coalition, Maine Community Action Association, Portland Regional Chamber of Commerce, the Maine State Chamber of Commerce and the Maine Chapter of the American Institute of Architects.

LD 1645: An Act to Create Affordable Workforce and Senior Housing and Preserve Affordable Rural Housing

Lead Sponsor: House Assistant Majority Leader Ryan Fecteau

Lead Co-Sponsor: Senator Matt Pouliot

Additional Cosponsors: Senate President Troy Jackson, House Speaker Sara Gideon, Sen. Catherine Breen, Sen. Marianne Moore, House Assistant Minority Leader Trey Stewart, Rep. Bruce Bickford, Rep. Kristen Cloutier, Rep. Sawin Millett

Problem: Maine's housing supply does not meet our housing needs

- Over 35,000 renter households in Maine pay *more than half* of their incomes toward housing costs
- Tens of thousands of Mainers are on years-long wait lists for affordable homes throughout Maine
- 2,500 currently affordable homes in rural Maine are at risk of losing their affordability restrictions
- In the face of widespread need, Maine is only producing 250 new affordable homes each year

Solution: The Maine Affordable Housing Tax Credit Program

- Creates over 1,000 new affordable homes over eight years
- At least 30% of credits targeted to housing for older Mainers
- At least 20% of credits targeted to Maine's rural communities
- Preserves some of rural Maine's most at-risk affordable housing
- Creates jobs and critical economic activity statewide in the construction, engineering and design sectors

Why it will work:

- Leverages an equal amount of federal tax credits that would otherwise not flow to Maine
- Structured similarly to Maine's highly successful and efficient Historic Rehabilitation Tax Credit
- Follows best practices used in over a dozen other states, including VT, MA & CT

How it will work:

- Taxpayers receive a refundable credit on their state income taxes in exchange for investment
- Credits capped at \$10 million per year for eight years
- Tax credit allocations administered by MaineHousing
- New housing units will have minimum 45-year affordability covenants

Supporters include:

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