

# Maine Town & City

The magazine of the Maine Municipal Association

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## COVID-19 Detectives

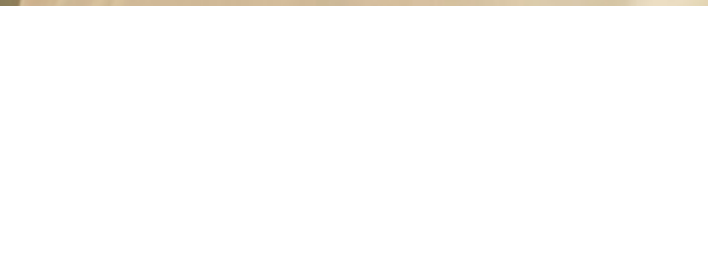
Water quality specialists  
work to detect virus

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2021 Technology/New Energy Program



# New housing playbook should be considered for Maine towns

*The authors note that out of state residents are moving here to escape urban congestion and pollution. As remote work gains acceptance, this trend will continue.*

**By John Egan, chief lending and program officer, Genesis Community Loan Fund, and Kara Wilbur, real estate developer and chair, Build Maine**

With new access to remote work, more people are choosing where they want to live based on ideas about lifestyle, making Maine an attractive and more viable place to relocate. At the same time, an increasing number of people are struggling to maintain a living wage, keep a roof over their heads, and feed their families.

With the onset of COVID, intensified interest in Maine is ushering in a new wave of land and housing speculation, driving up prices. These combined forces, paired with real challenges in building housing, underpin the current housing crisis. There is a real risk that as more people move to Maine, many Maine people will be priced out, find themselves unable to gain access to better quality housing, and left with fewer choices for how and where they want to live.

The past 50 years of low-density, far-flung housing has failed to contribute to a strong economic picture and has cost towns potential tax revenue, social capital and contiguous lands for farming, forestry, or recreation. In southern Maine, residential subdivisions have carved up woods and farms, changing the face of those communities. In other areas of Maine, population has stagnated or declined, with city and town centers, struggling to overcome years of disinvestment, while low-density housing and commercial development have steadily chipped away at the edges – a slow and almost imperceptible dispersion of people across a landscape that was once dominated by working fields and forest.

Towns can play a bigger role in directing new energy into rebuilding their towns and economies, and how central housing is to that effort. Building attractive housing in places close

to services, whether it's a village center or a downtown, is a proven economic and community development strategy. People will spend their income there, build community relationships, and create the kind of energy that attracts more people and activity.

Our villages and downtowns are places where we have made major public investments in infrastructure, and where it makes financial sense to direct more housing development. Transportation for individuals and families can also be less costly, and provide opportunities for people to walk, bike, snowmobile or drive a utility vehicle to a local business, potentially bumping into a friend or neighbor along the way. There is a strong and growing desire for closer proximity to community life. Even our rural villages and crossroads have the infrastructure and community assets in place to build on, and opportunities to fill in the gaps where we have lost buildings over the last 80 years.

Building housing that is affordable to middle income Mainers is a challenge in the best of circumstances. Site construction and predevelopment costs are the same for affordable as for market rate, and building housing in town centers is more complicated and expensive than in undeveloped areas. There are a number of factors we can't control – cost of materials, national appraisal practice, bank financing programs – but there are many aspects of development that we can influence locally.

Luckily, towns have a lot of power when it comes to attracting and building new housing in the right places and the community wealth that comes with it. Below are a number of actions already happening in Maine that can

remove the barriers that stand in the way of building housing:

## **Prioritize small local builders and developers committed to your town.**

People who live locally care deeply about their communities and can become the small-scale developers who make the needed, incremental investments in the regular buildings that make up the fabric of our communities. Towns and cities can help incentivize locally grown developers by removing barriers that inadvertently discourage local small investors in favor of bigger outside developers.

## **Reinvest property taxes into critical projects.**

Local governments can help overcome extraordinary costs on infill projects by reinvesting a portion of increased taxes back into the project. This tax re-investment can cover the significant gap between project costs and rents that exist in most of Maine, effectively bumping up the value of the project and increasing access to additional financing. Providing tax assistance for projects involving underperforming buildings or vacant lots can unlock difficult infill projects that would otherwise not happen and begin to grow taxable value across a neighborhood. Additional tax revenue generated from new housing can also be used to support local revolving loan programs that can fund additional housing projects. This tool, made available through Tax Increment Financing enabling rules, can be difficult to use in communities with a town meeting form of government.

## **Eliminate parking requirements.**

Many zoning codes mandate off-street parking based on math imported from studies of suburban communities in other states. These parking rules can erode the affordability, walkability,

and sustainability of our villages and downtowns. Parking requirements shrink the size of buildings, reduce the number of housing units, increase the cost of projects, or simply make a project unbuildable. The Town of Newcastle eliminated parking requirements completely throughout town, regulating only parking location. Portland passed new rules to eliminate parking mandates within ¼ mile of any bus stop. Lewiston will now waive parking requirements for any project located within 500 feet of a public parking facility.

**Allow housing by right.** Don't require special permission to build housing. A developer or builder needs to know what is allowed on a given property before they purchase a property. Any additional process adds confusion, delays, risk, and expense. Municipalities can work with local developers to understand and remove barriers to development and also set up clear direction through zoning about local expectations related to project scale, size, design and other goals.

**Understand how development math works.** Understanding the basics

of a development pro forma can put municipal officials in a strong position to work proactively with developers to navigate and solve issues that hinder projects. In many parts of the state, projects simply don't pencil without financial assistance (in addition to bank financing) to cover "the gap," or the difference between the cost of the project and the revenue from rents. Lewiston has been working closely with developers to pull investment into the residential downtown and has attracted over \$21 million in private investment, including affordable, workforce, cooperative, and market rate housing. North Yarmouth is working with land owners and builders to identify ways to increase value through more compact mixed-use development, which has led to close to \$2 million dollars in additional taxable value from one project alone.

**Take advantage of land banking tools.** Land banking is a practice that allows towns to clear title on blighted or abandoned properties and move the property back into productive reuse. Land banking can reverse neighborhood decline and facilitate rein-

vestment. Sanford, Rumford and many other communities in Maine have land banking programs that can serve as models for other resourced communities. Legislation is also in progress that would make land bank tools accessible to more municipalities and provide technical support and new funding opportunities for rural communities in particular.

**Put more buildings on the National Register of Historic Places either through individual listings or districts.** This federal designation allows developers to gain access to Federal and State historic tax credits, which provide a cash infusion of up to 45% of the project cost. This program is one of the most powerful ways to jump start reinvestment in our communities. Many Maine towns and cities have done the leg work required to get districts and buildings listed on the register, opening the door to reinvestment in the civic and economic hearts of their communities.

**Update zoning to remove barriers.** Towns and cities can take a strong, proactive step forward by removing barriers to housing embedded in zoning.



## Meet Our Attorneys

### Jonathan A. Pottle

Jon provides legal services to both public and private sector clients in the areas of environmental law, land use law, municipal law, utilities law, economic development, project development and finance, renewable energy, real estate, timberlands, and natural resources law. Jon's practice in these areas helps clients with their strategic and tactical planning, day-to-day operations and troubleshooting, project development and financing, real estate and business transactions, municipal and utility district governance, and resolution of related legal disputes, including representation before Maine and Federal Courts as well as Local and State administrative boards and agencies.

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Some towns are opting for wholesale replacement of 1970s and '80s zoning, and other towns are focusing on quick fixes. There are a number of relatively easy and critical zoning changes that towns can make to remove barriers, including:

- **Eliminate single-family only zoning.** Allow all residentially zoned parcels to have at least four dwelling units by right, or allow three ADUs per lot. Making this change continues to allow single-family houses, but provides more flexibility for homeowners and increased opportunities for housing. Portland recently passed new zoning that allows for any lot to have two accessory dwelling units. Newcastle's new code also allows three units per lot.
- **Eliminate minimum square foot requirements per dwelling unit.** This blunt tool can stop downtown projects in their tracks, preventing building rehabilitation and new construction that matches the scale of existing, loved buildings. These requirements can be eliminated completely or replaced with more flexible and locally calibrated side setbacks and building height maximums. Yarmouth removed lot size per unit requirements in several areas of town, unlocking a more walkable devel-

opment pattern along its Route 1 corridor.

- **Eliminate minimum lot area requirements.** Oversized lot requirements are cumbersome, unnecessary, and can prevent good, small scale incremental projects from happening. Bangor just made a sweeping change, reducing minimum lot sizes from 10,000 sf to 5,000 sf, the size of a typical 50 ft by 100 ft downtown lot. Newcastle eliminated minimum lot area, opting to regulate lot width and allow for a diverse range of building types.
- **Waive connection and impact fees for projects within downtown or village areas.** Projects located in a downtown or village center are already more difficult and more expensive than building in a new location. Impact fees are just one more cost that can further contribute to an investor's decision to look elsewhere to do a project. Towns can waive impact fees for projects in the places that meet local financial, social, and environmental goals.

**Embrace all types and sizes of housing.** We are in the midst of cultural shift, with more people reconsidering how and where they live. There is a growing interest in living both within walking distance of a corner store and

coffee shop, while also having access to natural, open lands. In Maine, we can offer the best of both worlds in almost all of our communities. There are also more people looking to downsize because they must. Tiny houses on piers, foundations, or wheels will continue to grow in market share, and towns willing to allow these kinds of small, affordable, flexible, and even moveable housing options will attract new residents.

Unless Maine towns take proactive steps, and particularly smaller rural communities, expensive new apartments will be filled by climate and congestion refugees from big cities to the south of us, and Maine people may be priced out or forced to live in substandard, inefficient homes. Unless we take steps to focus growth and provide more options in our downtowns and community centers, one of Maine's greatest assets, our access to open natural spaces, could be threatened by low-density housing. As an alternative, our towns can craft strategies to re-envision downtowns and villages for local Maine residents, with local people central to the process of building and investing in our communities. ■



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**The Maine Municipal Association (MMA)** is a voluntary membership organization offering an array of professional services to municipalities and other local governmental entities in Maine.

MMA's services include advocacy, education and information, professional legal and personnel advisory services, and group insurance self-funded programs.

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