

Maine's Future Housing Needs:

An MPR Interview with David Lakari

Since 1994, David Lakari has been director and chair of the Maine State Housing Authority.

The Maine State Housing Authority is an independent state agency and a \$1.5 billion financial institution. Its mission is to help Maine's low- and moderate-income citizens obtain and maintain decent, safe, and affordable housing and services suitable to their needs. 🐟 In this interview,

Lakari focuses on his concerns for the future; in particular, the need to find suitable housing options for one of Maine's fastest-growing demographic groups—the middle-income elderly.

While Maine has been doing a good job of building the capacity to house its wealthy and low-income elderly, without shifts in current development, middle-income “baby boomers” may find it difficult to obtain suitable housing as they age. Unfortunately, such projections come at a time when the federal government is reducing its commitment to affordable housing. Lakari discusses the implications of these factors and their potential effects on housing costs and homelessness.

🐟 Prior to joining the Maine State Housing Authority, Lakari was president of the Richmond Corporation of Portland from 1984-94, and from 1984-89 also served as vice-president of Dirigo Management Company Inc., a Portland-based firm providing property management, commercial brokerage and construction management services. He has been a member and officer on the boards of numerous non-profit social service and arts agencies, and currently serves as a chairman of the Board of Visitors of the Maine Youth Center, and as a member of the Board of the National Council of State Housing Agencies.

Maine Policy Review (MPR): What new or emerging housing policy issues are concerning you today?

DAVID LAKARI: One big issue I'm concerned about relates to our changing demographics: Maine's population is aging. Furthermore, people now expect to live longer, health care is improving, and people's hopes for independent living have increased. So housing—especially housing for the frail, middle-income elderly—is going to be a big problem, particularly for people in the “baby-boom” generation.

MPR: What types of housing options are available to the elderly today?

LAKARI: Working up the scale from least restrictive to most restrictive: people can remain living in their own home with or without additional supports; they can move to an apartment—which is likely to be less demanding than home ownership; they can also choose congregate housing, which is an apartment complex that offers some built-in supports, such as a meal service. For people who need help with the activities of daily living (i.e., cleaning, cooking), there are boarding homes where people have their own room but go to common areas for meals and other services. Another type of housing is called “assisted living,” a more restrictive option for people who need multiple supports. Finally, we have nursing homes and hospitals, which represent the most restrictive housing options for the elderly.

My concern is for Maine's middle-income elderly. Ten or twenty years from now this group may find it extremely difficult to obtain suitable, independent, assisted-housing options. The wealthy can afford to remain at home and bring in the supports they need, but middle-income retirees may not be able to afford the full freight of an assisted-living option. At the same time, this group is not Medicaid eligible. To an increasing extent, we have suitable housing options for the elderly poor: Medicaid and some other instate programs provide home healthcare for poorer people who are home owners and living at home. We also have a fairly large number of congregate housing options for the low-income elderly. The housing is federally supported and generally provides some level of services, such as meals. Unfortunately, the middle-income elderly will not be able to get into those apartments. As a result, I think we're going to see this middle group staying in their own homes perhaps longer than they should from a health perspective—although from a personal perspective many of them would prefer to be at home.



MPR: Can we do anything to prevent this housing gap in the middle?

LAKARI: I think we're doing what we can, but it's a long-term issue. We're building up the overall inventory of the state's current housing options, although most of what is being created is focused on lower-income people, or the wealthy. This is a partnership effort: Most of the housing we need will require support services, which are typically paid for through a combination of federal and state dollars. So the Maine State Housing Authority (MSHA) has been helping to pay for the capital costs of new facilities while the Department of Human Services has been getting commitments for the service costs. Their service-cost commitments are renewed biennium to biennium, which is the way the State budgets. But once in the budget they're more likely to be funded as a continuing part of the budget. So, the capital resources will be there in the new construction or renovation, and the operating money will be grown incrementally by increasing the number of funded slots for these various types of housing. These units will help low- to moderate-income elderly, but won't do much for the middle class, except by freeing up units that would then be available in the market.

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MPR: Considering the federal government's commitment to affordable housing is on the decline, you've laid out an ambitious agenda. Can we achieve an adequate supply of assisted housing options for the elderly without a change in commitment at the federal level?

LAKARI: The withdrawal of the federal government from housing production is my second biggest concern in terms of new and emerging housing issues. MSHA developed five or six thousand housing units in the late 1970s and middle 1980s, primarily with assistance from the Section 8 program. [The Section 8 program provides housing for low-income people through federally assisted subsidies. The subsidy is attached to the housing project or unit. The renter pays no more than 30% of his or her income toward rent, and the federal government pays the difference between the actual rent and the portion paid by the renter.] However, the current climate in Washington is such that the federal government is reducing its commitments to the extent it possibly can. Nationally, two-thirds of the Section 8 portfolio is federally financed by the Department of Housing and Urban Development (HUD), and one-third is financed by others, primarily state housing finance agencies. HUD has indicated it will stop funding its subsidy payments to the Section 8 projects as soon as possible, even though it will take a financial hit by having to pay out on the mortgages of these properties. In the long term HUD saves money by discontinuing the subsidies. In terms of the state-financed portion of the portfolio, HUD will continue to help with rents—but only on a year-to-year basis. This places the owners at risk because HUD could decide next year to stop this funding as well.

Section 8 projects are very positive resources in the communities in which they're located. Yet the federal government is now saying to us, "we built them but we can't afford to continue subsidizing them." They were built on a "buy now/pay later" plan by the federal government. We borrowed money to build them based upon the cash flow the federal government promised to pay. While they aren't backing down on their contract commitments, they are backing down on renewing contracts as they come up for renewal. This presents

a huge challenge because many of the Section 8 projects serve very low-income people with an average annual income of roughly \$8,000. Clearly, these people can't afford market rents. Many of them are elderly, and as some of these projects get converted to market rent—which they probably will—the people who live in them are going to end up paying a larger portion of their income on rent, or they will have to move, to where I don't know.

In the long term, as the baby boomers age, I think the declining federal commitment to affordable housing will turn around. Baby boomers will realize there is a housing shortage facing them, and lobby for a turnaround in current policy. In the meantime, the best thing we can do is to continue to build capacity within the state by giving developers and owners and state agencies like ours enough resources to test various housing options, to figure out which ones work the best, cost the least and people like the most, and then to build toward that future when there will be federal money again. The turnaround in current policy is inevitable. It's cheaper to house people in apartments than it is to deal with them being homeless.

MPR: How can Maine maintain a path of investing in future housing options when there are less federal housing dollars flowing to the state?

LAKARI: I think there will be people who are displaced. Whether we'll be able to maintain stable communities in all cases I'm not sure. Even now there are people who can't rent an apartment that's affordable to them in Portland. Markets get out of equilibrium, which causes displacement among the people being served by that market. Ultimately, I'm a believer in supply and demand. If the demand is there people will develop the supply one way or the other. Either the market will respond or policymakers will, and they'll be playing off one another. Government will do what it has to do to support the people who are its responsibility and, in this case, the state may have to pick up the tab for a while.

MPR: So, our housing costs could rise in all likelihood.

LAKARI: Yes, I think housing cost could rise in Maine. Already, costs are fairly high compared to other parts of the country. For example, my brother lives in the mountains of North Carolina where his property taxes are \$300 per year for a two-bedroom house. He has a low heating bill, and the building costs were moderate because of simpler construction.

MPR: Are you saying it may become more difficult for low-income people to afford living in some parts of Maine. There seems to be anecdotal evidence of what you're saying along Maine's mid-coast...

LAKARI: That's right. We're a little worried about the mid-coast region. Property values are rising faster than incomes for residents in that area, so it's getting harder and harder for low-income people to find affordable housing.

MPR: Does the Housing Authority have a plan for dealing with the loss of affordable housing in that area?

LAKARI: That's an emerging issue we're not actively working on right now. Next year we're embarking on a major study of housing needs, and then following that with a strategic planning effort. I expect we'll come out of that process with a direction in terms of addressing the need for affordable housing in the various communities. In the past, we've shied away from regional issues because we have a statewide mission. We're limited in terms of our capacity to deal with a large multiplicity of programs, so we've tried to stay away from creating special niches. However, we do tinker with our statewide programs—like our homeownership program—in order to advantage the disadvantaged parts of the state. Whether we get to the point of targeting the mid-coast region with a specific program is something we'll certainly talk about. That would be a challenge.

MPR: We've talked about the aging of Maine's population and the impact of the federal government's declining commitment to affordable housing. What else concerns you?

LAKARI: I fear we'll have an increase or at least a continuing problem with homelessness. We can't avoid the challenges of dealing with this problem. With the shifts in population and resources that are occurring, I think there are going to be more people falling off the track who are unable to pick themselves up. Kids continue to be one of the largest groups among the homeless and that includes both kids individually and families. For obvious reasons, this is very troubling. Homelessness is no way to get off on the right foot in life.

MPR: Why are kids so often homeless?

LAKARI: There are really two groups of homeless in Maine—individual adults who cycle in and out of homelessness on a more-or-less permanent basis, and those who are victims of some catastrophic event, such as loss of a job, that forces them into temporary homelessness. It appears to be the latter group that is growing. The working poor are living closer to the edge; their incomes are lower compared to their expenses (minimum wage is not enough to support a family), and their family situations are more tenuous—there is an increasing number of single moms, and there are other, even less attractive situations going on. Moreover, there are fewer and fewer support mechanisms for folks. So, we're seeing a growth in the number of children entering homeless shelters with their parents and individually.

MPR: How can we reverse this trend?

LAKARI: In a simplistic way you could say that the answer to homeless problems is housing. But we've found that people's needs are more complex than that. Just giving money to MSHA to help create housing—because that's what we do—is not going to solve the problem, even though it's an important part of the equation. However, the other part of the equation is making sure there are services available—like education, job placement and training, and basic life skills—and then making sure these services are available at the time when the homeless person or family most needs them. This is very hard to do because we have so many different systems working at the same time. But it is very important. We are working to create transitional housing options for folks seeking funds, and working in partnership with other agencies to provide funding for services to go with those transitional housing options. In the past the shelters have been run on such a shoestring; they haven't been

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able to fund the kinds of services they knew were needed and which they would have liked to provide. Historically, they have been able to offer minimal services. So, by getting increased funding to the shelters we're able to at least allow them to address some of the homeless population's immediate needs.

MPR: You've identified some important issues that should concern us all. Yet housing policy doesn't seem to garner much sustained attention from the media or in political campaigns. How did housing policy issues become so far removed from the public eye?

LAKARI: For one thing, we've been very successful in our housing policies: Maine has given people what they want—homeownership. The vast majority of people view homeownership as a primary goal in their lives. When you ask people what they want to accomplish in their lives, one of the first things they say is, "I want to own my own home." This wasn't always the case in the United States, and it's certainly not the case in all parts of the world today. In the United States we've developed a system of delivering mortgage financing that is geared toward individual consumers. It's an efficient system at very low cost to the customer; you can borrow money to buy a home at better rates than you can borrow money for almost anything else. So, we've been very successful, and it's the anomalous person—from a broad societal perspective—that's having a housing problem. It's people who are not "fitting in," who are not as well enfranchised. People who are home-owners are more likely to vote, to be involved in community affairs, to pay attention to all of the various policy issues that are facing society, and they're more likely to be vocal. But they also have satisfied their housing needs. They don't see housing as a big problem because they've solved that problem for themselves or had it solved for them over time. As a result, there's just not the unmet need among those who can make public policy noise. I think we've done almost too good a job. The people who have housing problems are the ones who are most powerless in our

society; they are the very poor. They are the underserved for whom the policy isn't there. The mortgage interest deduction is a classic case: By far the mortgage interest deduction is the federal government's biggest housing subsidy. This makes home-owners very happy. Now if the federal government were to change that policy, there would be some noise.

In terms of gaining public policy clout, the visibility of homelessness as well as the move to de-institutionalize people with disabilities has helped. As a result, Maine has some pretty good supports in place relative to other states. We've had a couple of bond issues pass, which have helped finance housing projects for low-income people with disabilities, and last year the legislature more than doubled the amount of money it puts into supporting the state's homeless shelters. Given the level of satisfaction most people have with their housing situations, this may be as good as it's going to get. Back in the 1920s and 1930s housing was much worse than it is today for most people and it became a major national policy issue. But times are different now; we're not seeing large numbers of people visibly crowded into woefully inadequate and unsafe, unsanitary housing. That was the case in big cities at one time and there are still cases like that, but it's not a common sight—certainly not here in Maine.

MPR: There's also been a lot of discussion about sprawl—the phenomenon of people moving out of cities to live in adjacent rural areas. Do the state's housing policies contribute to this trend?

LAKARI: Well, certainly housing policy has encouraged sprawl in the past, and continues to do so to some extent today. For example, the housing financed by many federal programs is for lower-income people; there are limits on both the purchase price of the home and the income of those who can take advantage of the program. Inevitably, the effect of these limits drives people to buy lower-cost homes, which is appropriate because we are trying to spread a resource over a large group to make sure everybody who needs help gets it. Whereas the cost of the home is fixed, land gets cheaper the further away you move

from civilization—from central cities. The cost of commuting is higher, which is not usually factored by lenders into what people can pay. But the more outlying communities tend to have less regulation and, therefore, it costs less to develop a house lot in those communities. You can buy a single lot from a rural landowner or you can build in a cheaper subdivision, which tend to be further away from town. So, there's no question that these programs do contribute to sprawl. I regret that because I believe that communities are an integral part of the quality of life here in Maine. At the same time, I don't want to deny as many people as possible their opportunity to fulfill the great American dream of homeownership. It's one of those situations where it seems you can't reach one goal without hurting the other, preserving downtowns and closer communities without cutting some people off from the option of homeownership. We try to provide some incentive to stay in town by supporting initiatives that help downtowns or help improve the existing housing stock. One of the biggest programs we participate in is called the "Fix Me Program," which is a home improvement program for low-income homeowners. We help about one thousand families per year maintain their homes, which—in many cases—allows them to continue living in the home. We also provide an incentive through the "First Time Home Buyer Program"; this is an option where people can finance up to \$15,000 worth of improvements to their home and include that cost in the purchase price. Therefore, rather than building a new house, people can buy an older one. Each year, roughly 300 to 400 of our 2,000 first-time home-owners take advantage of this option. Finally, we have some smaller programs that we're experimenting with in Portland, Lewiston, and Bangor to attract home-owners to the inner cities by offering lower interest rates and requiring, literally, no down payment. We're making this option available within certain core neighborhoods in each of these cities.

MPR: One of the things the Housing Authority has been pushing is the creation of community-based housing options for people with disabilities or mental illnesses. Yet there has been some backlash within neighborhoods and communities...

LAKARI: Right. There has been some conflict, even in a few instances when we've tried to put in rental housing or low-income homeownership housing. The roots of the conflict go back to what I said earlier: most Mainers are relatively complacent about housing

issues because they've solved their housing problem. Seventy-five percent of us live in our own home. Most of us are happy with our home and community, and we don't want to see either change. Change can be a threatening thing in any life context, especially when we know our situation, we're comfortable with it, and we know how to manage the problems that we have within that situation. So when we start changing the uses of housing, it threatens people. I think it is human nature for people to be concerned, and to want to know more, and to want to ask a lot of questions about the kinds of housing options we are creating for folks in the community.

MSHA has been working with other state agencies to provide housing that is both suitable and affordable to folks with disabilities or mental illnesses. But, there are people who are worried about the safety and security of their neighborhood, and there are people who just don't want to see a piece of vacant land built on. Our role is to help answer their questions, and to make sure that our local partners are as helpful and as supportive as they can be. However, at the same time, we want the community to understand our mission, which is to help another group of people achieve their dream of a decent place to live. 🐟