



Joint Land Use Study Implementation – Phase III – Housing Needs Assessment

Southern Maine Planning & Development Commission

November 2023



Joint Land Use Study Implementation Phase III

Housing Needs Assessment



November 2023

Prepared by

AECOM Technical Services, Inc. and Levine Planning Strategies, LLC

Cover Picture: Housing in Kittery, Maine.

Source: AECOM

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Table of Contents

Executive Summary	vii
1. Introduction.....	1-1
1.1 Study Area Geography and How it was Chosen.....	1-1
1.2 Other Joint Land Use Studies and Housing.....	1-2
1.3 Regional Context.....	1-2
1.3.1 Portsmouth, New Hampshire Housing Market Study.....	1-2
1.3.2 ULI Technical Assistance Berwick/Kittery.....	1-3
1.3.2 York County Target Market Analysis.....	1-3
1.3.3 Strafford Regional Planning Commission (SRPC): 2023 Regional Housing Needs Assessment.....	1-4
1.3.4 Rockingham County, New Hampshire: 2023 Regional Housing Needs Assessment.....	1-5
2. Demographic, Housing, and Zoning Characteristics of the Study Area	2-1
2.1 Demographics by Municipality	2-1
2.1.1 Population	2-1
2.1.2 Age.....	2-1
2.1.3 Households.....	2-2
2.1.4 Housing Affordability.....	2-4
2.2 Housing Characteristics of the Study Area	2-5
2.2.1 Housing Units.....	2-5
2.2.2 Seasonal Units/Vacant Units	2-6
2.2.3 Housing Unit Type	2-6
2.2.4 Housing Unit Sizes.....	2-7
2.2.5 Age of Housing.....	2-7
2.2.6 Sales Patterns (Single Family, Condo, and Multifamily)	2-8
2.2.7 Rents.....	2-10
2.2.8 Short Term Rentals	2-10
2.3 Zoning Characteristics of the Study Area	2-13
2.3.1 Local Land Use Ordinances	2-13
2.3.2 Multifamily Housing.....	2-14
2.3.3 Accessory Dwelling Units.....	2-14
3. Trends over Time	3-1
3.1 Population Projections	3-1
3.2 PNS and Other Large Employers.....	3-2
4. Profile of Housing Needs of PNS Worker Pool.....	4-1
4.1 Shipyard Structure and Workers	4-1
4.2 NAVSEA Worker Residences by Study Area Community	4-2
4.3 Housing Preferences	4-3
4.4 NAVSEA Worker Incomes.....	4-3
5. Needs Assessment.....	5-1
5.1 Existing Housing Characteristics v. Housing Needs.....	5-3
5.2 Housing Needs of an Expanding PNS Workforce.....	5-3
5.3 State of Maine Housing Needs Production Study	5-4
6. Local Housing Actions	6-1
6.1 Comprehensive Plans and Housing	6-1
6.2 Common Themes.....	6-1
6.3 Limits to Development	6-3

6.4	Developer Perspectives	6-3
7.	State and Federal Housing Actions.....	7-1
7.1	LD2003	7-1
7.2	Housing Opportunities Program	7-6
7.3	Federal Actions	7-6
8.	Action Recommendations	8-1
8.1	Recommendation #1: Make it easier to build in the region	8-1
8.2	Recommendation #2: Provide support for housing production.....	8-2
8.3	Short Term Actions	8-4

Tables

Table 2-1.	Total Households and Average Household Size by Study Area Municipality	2-2
Table 2-2.	Vehicles Available by Household.....	2-3
Table 2-3.	Renters vs. Owners.....	2-4
Table 2-4.	Median Household Income and the Affordability of Buying a Home by Study Area Municipality.....	2-4
Table 2-5.	Median Renter Household Income and the Affordability of Renting a Home in York County, Maine.....	2-5
Table 2-6.	Total Housing Units and Total Occupied Housing Units	2-5
Table 2-7.	Vacant Units/ Seasonal Units.....	2-6
Table 2-8.	Unit Sizes (# of Bedrooms)	2-7
Table 2-9.	2021 Median Rent.....	2-10
Table 2-10.	Multifamily Housing Zoning Regulations in Study Area Communities	2-14
Table 2-11.	Accessory Dwelling Unit Zoning Regulations in Study Area Communities.....	2-15
Table 3-1.	Other Large Employers	3-2
Table 4-1.	PNS NAVSEA Employees by Age Range	4-2
Table 5-1.	Households in the Study Area by Percent of Income Spent on Housing.....	5-1
Table 5-2.	Expected Places of Residence of Projected New PNS Workers by Income	5-4

Figures

Figure 1-1.	Study Area Overview	1-1
Figure 2-1.	Study Area Population by Municipality.....	2-1
Figure 2-2.	Age of Study Area Residents by Municipality.....	2-2
Figure 2-3.	Income Distribution by Study Area Municipality	2-3
Figure 2-4.	Housing Unit Types	2-7
Figure 2-5.	Age of Housing.....	2-8
Figure 2-6.	Average Single Family and Condo Home Sale Price	2-9
Figure 2-7.	Average Multifamily Sale Price.....	2-9
Figure 2-8.	Active Short-Term Rentals (2023 by location listed in AirDNA)	2-11
Figure 2-9.	Short-Term Rentals by Average Daily Rent Collected.....	2-12
Figure 2-10.	Short-Term Rentals Occupancy Rate by High and Low Seasons	2-13
Figure 3-1.	Study Area Population Projections (2018-2038)	3-1
Figure 3-2.	State of Maine Population: 2018-2038.....	3-1
Figure 4-1.	Number of PNS (NAVSEA) Employees in the study area.....	4-2

Figure 4-2. JLUS Implementation Plan Housing Survey Question: If you were to move closer to the Shipyard, what type of housing would you prefer?	4-3
Figure 4-3. Annual Expected Salaries of NAVSEA Employees in the Study Area	4-4
Figure 4-4. Shipyard Worker Income Distribution by Community	4-5
Figure 5-1. Percentage of Income Spent on Housing – Rental Units	5-1
Figure 5-2. Percentage of Income Spent on Housing – Ownership Units	5-2
Figure 5-3. Housing Under Construction in Southern Maine (2021).....	5-3
Figure 6-1. 2022 Future Land Use Map (York, Maine)	6-1
Figure 6-2. Housing in Southern Maine (2021).....	6-4
Figure 7-1. Overview of LD2003.....	7-1
Figure 7-2. Overview of LD2003 Accessory Dwelling Unit Lot Size Provisions	7-3
Figure 7-3. Overview of LD2003 Accessory Dwelling Unit Parking Provisions	7-4
Figure 7-4. Overview of LD2003 Options for Building on Empty Lots and Lots with Existing Homes	7-5

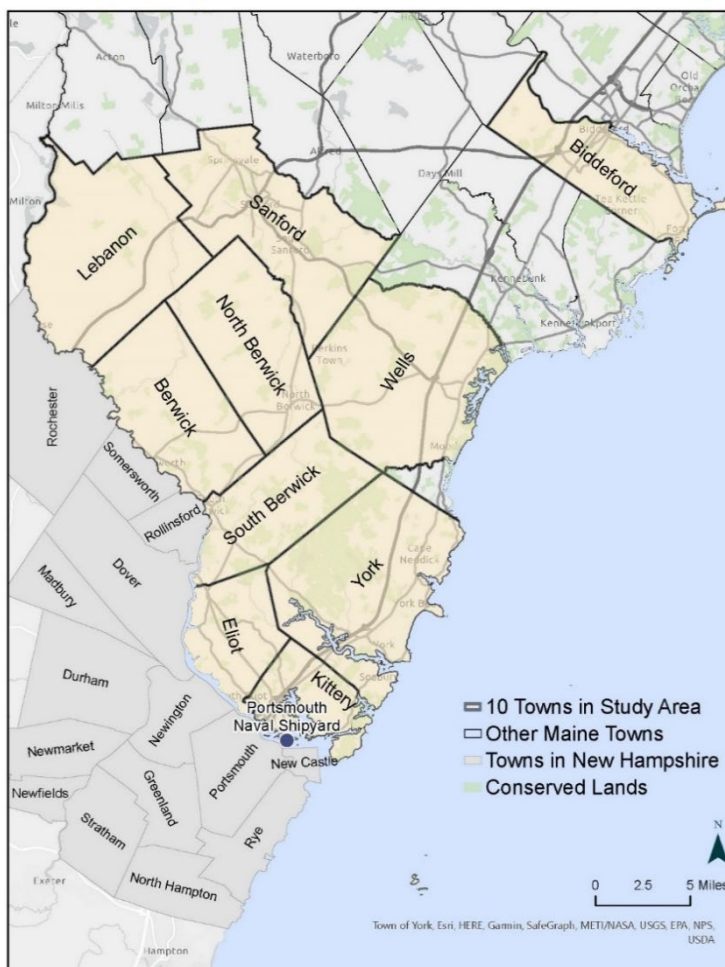
Acronyms and Abbreviations

AMI	Affordable Housing Incentive
HOP	Housing Opportunities Program
JLUS	Joint Land Use Study
PNS	Portsmouth Naval Shipyard
SMPDC	Southern Maine Planning & Development Commission
STR	Short Term Rental

Executive Summary

This Housing Needs Assessment stems from a Joint Land Use Study (JLUS) that the Town of Kittery, Portsmouth Naval Shipyard (PNS) and the Southern Maine Planning & Development Commission (SMPDC) initiated in 2019. A JLUS is a collaborative effort that helps communities and adjacent military installations to plan for compatible development and identify and address issues that are problematic for one or both parties. The initial JLUS Final Report was completed in January 2020. The Final Report documents that the lack of affordable housing options available close to the Shipyard for PNS workers is a major challenge. Not only do workers have a difficult time finding housing, but they often must live far from work and endure long commutes. Their commutes are further extended by the intense traffic around the beginning and end of the most popular shift time.¹

In the subsequent Implementation Plan, completed in 2022, the study team recommended developing a housing needs assessment for a defined geographic area near PNS. This report—part of JLUS Implementation Program—serves to document existing demographic characteristics and housing, as well as the housing needs of PNS workers—both existing and future. It also describes the current regulatory environment in the municipalities that are in the study area as well as newly passed Maine state law that seeks to address the need for more housing. Finally, it offers recommendations that seek to close the housing gap and next steps for study area communities, SMPDC, and PNS on how to help build more housing that is affordable to PNS workers and others.



Housing Needs Assessment Study Area Communities

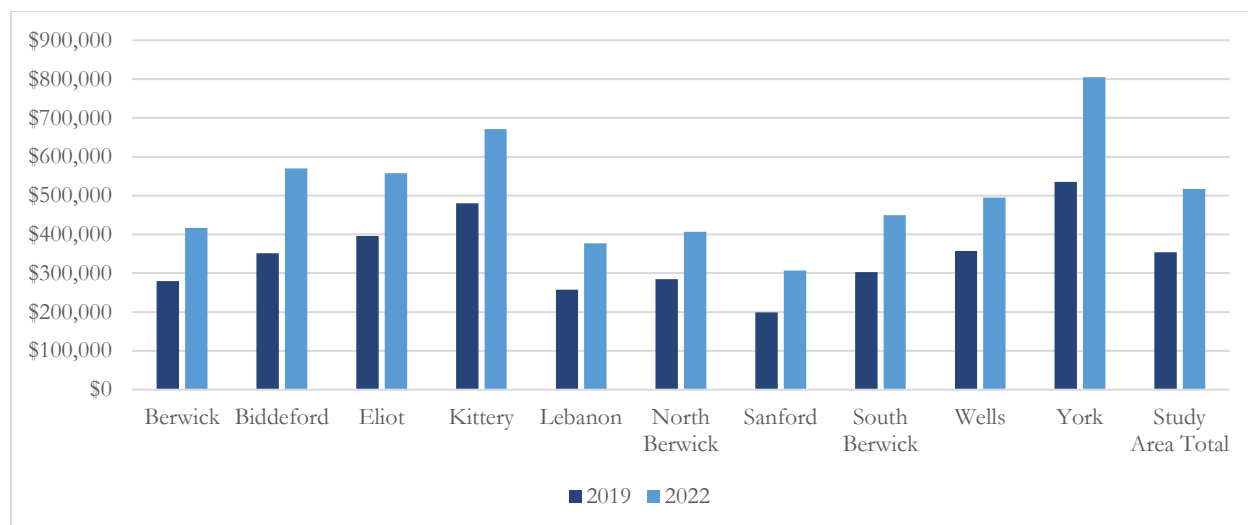
Housing Need

What is ‘Housing Affordability’?

To be considered affordable, housing must cost no more than 30% of a household’s annual income.

Housing, especially housing that is affordable to lower and middle-income workers, is in high need in Southern Maine. In fact over the last few years, the cost of housing in study area communities has increased dramatically. In 2019, the average single family/condo sale price was \$354,000, but by 2022, it had increased to \$517,000—an increase of over 46% increase over just three years (see data by study area municipality on the next page).

¹ This traffic congestion and a possible ways to address it are discussed in the Microtransit Pilot Plan, another JLUS Phase II deliverable.



Study Area Communities – Single Family and Condo Home Sale Average Price (2019 v. 2022)

Given that the median household income in these communities is \$79,000, many homes are out of reach for many in the region—including many PNS workers.

New Maine Housing Law – LD2003

In 2022, the state passed a series of amendments to state law designed to increase housing opportunities by changing the ways in which municipalities can restrict housing development through zoning. The overview of what this means is that communities must do the following where housing is allowed:

In the study area, 30% of households are in housing that is not considered affordable.

- Allow multifamily
- Allow accessory dwelling units (also known as in-law units)
- Provide affordable housing incentives in growth areas

Housing Needs Assessment Recommendations

To address the need for additional housing for PNS workers and others, this report offers the following recommendations:

1. It should be easier to build housing in the study area.

Municipalities, regional agencies, and the state should work together to make the provision of new housing at various price points less risky by reducing and even eliminating some current barriers to production. The requirements of LD2003 are a good starting point for these actions. However, communities may have to go further than simply meeting the minimum requirements of LD2003 in order to address this challenge.

Specifically, the following changes should be considered in local zoning requirements:

Housing Density

- Municipalities should allow multifamily housing (two to four units) in all residential zones.
- Municipalities should avoid increasing dimensional requirements for multifamily housing, such as requiring larger lots for additional units and requiring significant additional off-street parking.

Accessory Dwelling Units

- Municipalities should allow ADUs by right and without onerous additional dimensional requirements.
- Municipalities should eliminate requirements for owner occupancy & occupancy by relatives for ADUs. These restrictions significantly reduce the quantity of ADUs constructed.

- Municipalities should remove maximum ADU size requirements and allow ADUs to be as large as primary units on a parcel when possible.

Regulatory Changes and Information

- Municipalities should assist development—especially by homeowners and small-scale developers—by simplifying codes, and providing public information on their regulatory processes, to ensure that homeowners and small buildings can take advantage of opportunities to produce housing.
- In order to protect sensitive areas and aquifers, housing production should be limited by public health and environmental limits based on science. These protections should be in shoreland zoning and public health ordinances when applicable.

2. Public agencies and others should provide financial support for more housing production

Municipalities, regional agencies, federal agencies, and the state should work together to create new ways to directly promote new housing production. Existing financing tools are a start, but there are more steps that can be taken to fund and provide land for housing in the study area.

Specifically, the following steps should be taken:

Housing Finance

- Federal agencies such as the U.S. Department of Housing & Urban Development, and U.S. Department of the Treasury, should work with local lenders to create financial sources for gap financing for housing production intended for federal workers. This approach could be modelled on the “soft second mortgage” or First Time Homebuyer programs offered by some state housing finance agencies. These agencies work with local banks to develop mortgage products at lower interest rates and/or to require smaller down payments. “Soft seconds” are second mortgages that provide funding beyond what a buyer could otherwise qualify for in the form of a second mortgage on the property. First Time Homebuyer Programs offer lower interest rates and other favorable conditions for new buyers. In both cases, the risk to the bank is reduced by some level through a public guarantee, as well as in some cases the willingness of the bank to provide such products as part of their Community Reinvestment Act programs.
- Municipalities and regional agencies such as SMPDC should explore creation of Housing Trust Funds to provide local sources for affordable and workforce housing
- Municipalities should use Affordable Housing Tax Increment Financing as a tool to reduce operating costs for developers of below-market rate housing in their communities. Doing so will also have the benefit of potentially giving housing created additional prioritization for Low Income Housing Tax Credits through MaineHousing
- There are a number of proposals in the state legislature to fund housing development. Any of these proposals, if approved, should be utilized as much as possible in York County to serve the needs of the PNS workforce.

Land to Build On

- Federal land should be surveyed and, if appropriate, offered to developers for housing production for federal workers. The model of Acadia National Park directly producing housing for seasonal workers should be studied and replicated for year-round PNS worker housing.
- Local governments should inventory available land and offer surplus land for workforce housing
- Municipalities and regional agencies should explore creation of Land Banks to expedite redevelopment of underutilized properties for housing development by Community Land Trusts or other housing developers
- Municipalities should leverage sources to fund cleanup of contaminated sites—also known as “brownfields”—to help fund affordable and workforce housing development
- Local governments should inventory available land and offer surplus land for workforce housing. The City of Portland, Maine conducted this exercise in recent years and identified parcels that it then offered

up to affordable housing developers, including a surplus parking lot downtown and part of a piece of land that also included areas to remain undeveloped for watershed protection purposes.

- A model where federal agencies help directly support housing production should be studied for year-round PNS worker housing.

These recommendations can start with the following short-term actions:

- The **Southern Maine Planning & Development Commission** should explore how best to advance the Housing Trust and Lank Bank concepts in their service area. This may involve technical assistance and grant writing for municipalities that wish to create their own trusts, or development and capitalization of a regional Housing Trust.
- The **Southern Maine Planning & Development Commission** should work with municipalities to increase the amount of land available in the region that is served by water and sewer systems.
- **Municipalities in the study area**, in particular Kittery, Wells, and York, should implement zoning ordinance amendments that loosen restrictions on multifamily development and ADUs and address code-related challenges to housing production.
- **Federal Agencies such as the U.S Department of Housing & Urban Development, and U.S. Department of the Treasury**, working with the Portsmouth Naval Shipyard and regional partners, should work on behalf of PNS with local banks and MaineHousing to develop financing tools that will assist workers in renting or buying homes in the region. These may include low-interest loans or grants for security deposits and last month's rent, as well as developing mortgage products that help close financing gaps through subsidizing interest costs, eliminating Mortgage Insurance requirements, and providing security for lenders who may not otherwise qualify for mortgages.

1. Introduction

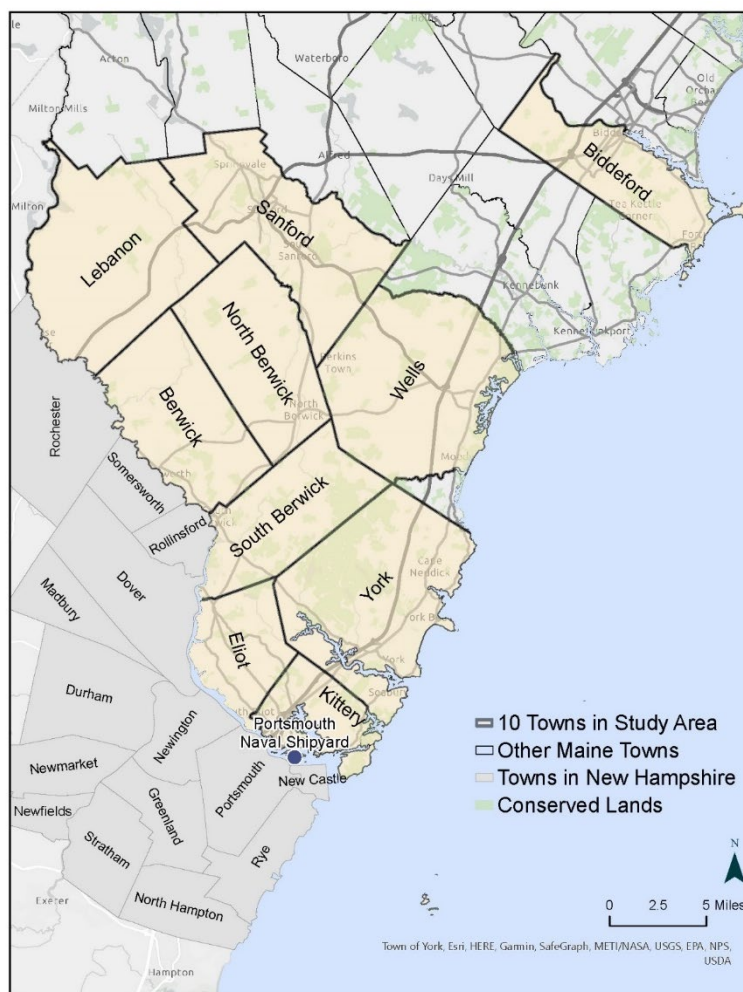
This housing needs assessment evaluates and compares the housing demands of employees at the Portsmouth Naval Shipyard (PNS) and other significant regional employers and forecasts potential discrepancies between housing needs and projected housing supply. It is informed by regulatory frameworks, transit options, the impact of recent legislation such as LD 2003, and the potential of the newly introduced Housing Opportunities Program in promoting new housing supply. By leveraging localized insights and regional/state data, housing gaps and proactive measures to address them are identified.

1.1 Study Area Geography and How it was Chosen

The Study Area encompasses the ten municipalities within the York County, Southern Maine region that currently have the highest numbers of PNS workers residing in them. The Study Area municipalities are: Berwick, Biddeford, Eliot, Kittery, Lebanon, North Berwick, Sanford, South Berwick, Wells, and York (Figure 1-1). These municipalities are situated in proximity to PNS, ranging from the municipality of Kittery, which one must go through to access the Shipyard to Biddeford which is 35 miles away and a 40-minute drive. Consequently, they serve as suitable locations for employee housing. The study area represents the top 10 towns where PNS workers live, in Maine. Fewer workers live in Kennebunk and Kennebunkport and Ogunquit. York County, located in the southernmost region of Maine, was first settled in 1636 and is the oldest and second most populous county in Maine. The area is characterized by a mix of coastal communities, rural farmland, and forested areas.

Understanding the housing context within these municipalities is crucial as they are likely to be directly impacted by any expansion of activities at the Shipyard. As such, these municipalities constitute an important subset of communities where assessing housing availability, affordability, and overall suitability is most pertinent. The assessment will help us anticipate and effectively address potential housing challenges tied to the Portsmouth Naval Shipyard's activities, contributing to better urban planning and housing policies that ensure the well-being of the Shipyard's workforce and the wider community.

Figure 1-1. Study Area Overview



Source: State of Maine Geolibrary, 2023

1.2 Other Joint Land Use Studies and Housing

Several other Joint Land Use Studies have been completed at military facilities in recent years. While most did not have a great deal of information on housing needs, the SUBBASE New London Joint Land Use Study Implementation Project from October 2019 sought to develop a regional plan for housing and transportation associated with the expansion of submarine shipbuilding in the region. It included recommendations for housing actions including:

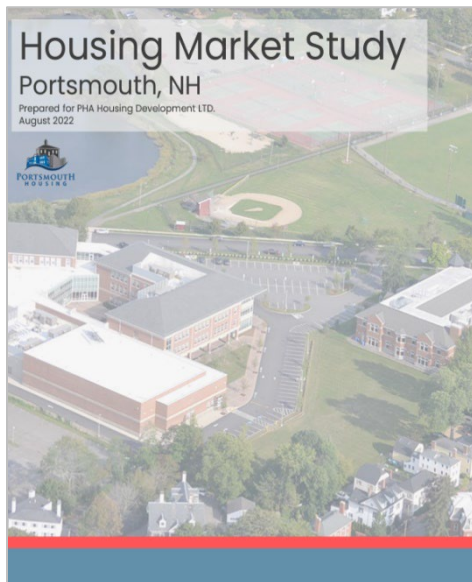
- Continue to encourage development as desired by municipalities.
- Consider a variety of affordability levels, especially for both single family and rental units.
- Explore municipally based first-time buyer programs.
- Explore homeowner rehabilitation programs to help seniors.

It also noted a preference for single-family homes among base workers, which could create challenges for affordability given that multifamily units tend to be more affordable.

1.3 Regional Context

Local communities both inside the Study Area as well as those that neighbor it have completed housing studies in recent years. This section provides an overview of this work.

1.3.1 Portsmouth, New Hampshire Housing Market Study



Source: Portsmouth Housing, August 2022

In 2021, PHA Housing Development LTD. conducted a comprehensive [housing market study](#) for the City of Portsmouth, New Hampshire.² The study revolved around housing demand and the exploration of potential avenues for new developments. The research encompassed an evaluation of existing housing conditions, demographic and household characteristics, as well as housing preferences. Their key findings highlighted a significant demographic shift over the past two decades, with millennials emerging as the largest population segment. The study also found that most ownership units were constructed before 1960, meaning they may not be equipped with accessibility features that older adults are looking for today. The average age and household size is increasing in Portsmouth, underscoring the importance of addressing this challenge with new housing supply.

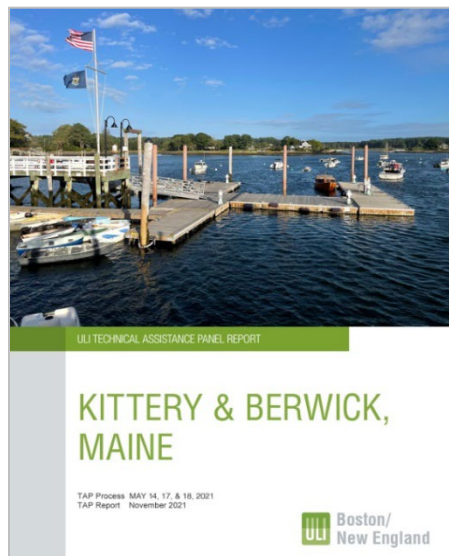
Portsmouth has been attracting new residents from across the region, from Essex and Middlesex County Massachusetts, to Hillsborough and Stafford County New Hampshire. The city's attractiveness and consequent high demand have fostered population growth, which is hindered by a restricted housing

supply. According to the Portsmouth housing market study, 36% of renters and 23% of owners were categorized as cost burdened. Since 2010, the median home value in Portsmouth has increased by 43.5% to a median home value of \$456,000 in 2020. The study also found that cost burden is most acutely affecting the downtown workforce. Survey respondents indicated that increasing housing costs were the number one cause for relocating out of the city. The findings underscore a critical need for more affordable workforce and family-sized housing units. From 2000- 2015, Portsmouth primarily built single family homes and condominiums. However, since 2016, development trends have shifted from primarily single family homes to multifamily and mixed-use development.

² Portsmouth Market Analysis 09.09.2022.Pdf

Key priorities of the strategic plan include addressing the shortage of units priced for households at or below 50% of the Area Median Income (AMI), increasing the number of workforce housing units, retrofitting existing homes for improved accessibility, and preserving federally subsidized units. While Portsmouth has robust employment opportunities, local amenities, and high demand, it also grapples with challenges like limited housing inventory, scarce developable land, and inadequate public transit. 33% of survey respondents indicated that they would move back to Portsmouth if there was affordable housing options that met their needs.

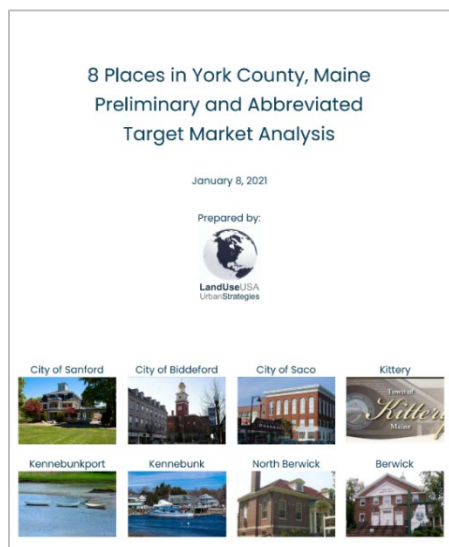
1.3.2 ULI Technical Assistance Berwick/Kittery



Source: Boston/New England ULI, 2021

The purpose of the Technical Assistance Panel (TAP) was to provide guidance to Kittery and Berwick to develop strategies for the Southern Maine Seacoast region to address the lack of affordable workforce housing needed to support the Portsmouth Naval Shipyard (PNS) and other employers throughout the region. The Urban Land Institute's (ULI) [Technical Assistance Panel Report](#)³ provided insights regarding both site specific and general opportunities in Berwick and Kittery that can help address community challenges like housing affordability and reducing car dependency. Some of their recommendations include advocating for mixed-use development and progressive zoning practices. The panel also underscored the significance of collaboration between public and private stakeholders, along with considering both immediate and future transportation needs. In order to attract investment in workforce housing development, they recommend aligning zoning with infrastructure support such as water and sewer improvements, utilizing floor area ratio requirements to encourage reasonably sized homes, and examining the potential for inclusionary zoning as market dynamics evolve. Additionally, the recommendations encompass traffic issues, high parking requirements, the viability of retail, and the necessity for long-term strategic planning.

1.3.3 York County Target Market Analysis



Source: LandUseUSA, Urban Strategies, 2021

In 2021, LandUseUSA Urban Strategies conducted a "Preliminary and Abbreviated Target Market Analysis⁴" for eight municipalities within York County: Sanford, Biddeford, Saco, Kittery, Kennebunk, Kennebunkport, North Berwick, and Berwick. The report provides comprehensive data across various parameters, including demographic breakdown by geography, in-migration patterns of renters across target markets, and detailed renter target market profiles, among others. The report predominantly comprises maps, charts, and data tables, offering a visual and quantitative representation of the current housing market dynamics across these municipalities. It provides an analytical perspective on these markets, valuable for stakeholders involved in planning and development within these communities.

³ ULI-KitteryBerwick-TechnicalAssistancePanel-Presentation2021.Pdf

⁴ PreliminaryTargetMarketAnalysis,LandUseUSAUrbanStrategies,2021

1.3.4 Strafford Regional Planning Commission (SRPC): 2023 Regional Housing Needs Assessment



Source: SRPC, 2023

The [2023 Regional Housing Needs Assessment](#) (RHNA)⁵ developed by the [Strafford Regional Planning Commission \(SRPC\)](#) provides a comprehensive analysis of the housing landscape for the Strafford region. This region is comprised of 18 municipalities, including all 13 municipalities of Strafford County, 2 communities in Carroll County, and 3 communities in Rockingham County. The Strafford region is in southeastern New Hampshire, with Maine to the northeast and Portsmouth and Rockingham Region to the south. The Strafford region is known for its natural beauty, thriving downtowns, and growing diversity, is witnessing an increased demand for diverse housing options. This demand spans from rural hideaways to walkable, vehicle-free arrangements in downtown areas, a trend that has been accelerated by the pandemic and the shift towards remote work. The urban fabric of the SRPC region is characterized by Rochester, Somersworth, and Dover (the Tri-Cities), all with revitalizing downtowns – as well as Durham, the home of the

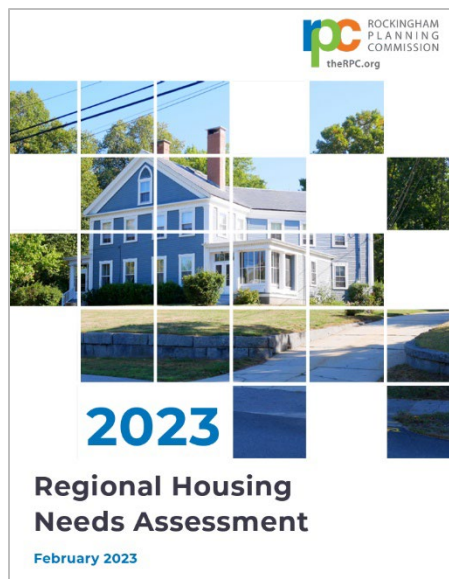
University of New Hampshire, and Newmarket, another historic mill town.

The region's population has been steadily growing, surpassing 156,000 residents as per the 2020 Census, and is projected to reach 175,000 shortly after 2040. In 2020, the communities with the largest population were Dover (32,741) followed by Rochester (32,492), while Brookfield had the smallest population (755). Concurrently, the population is aging, and the average household size is decreasing, indicating a shift in housing needs towards smaller homes in age-friendly communities with easy access to support services. Importantly, it is estimated that nearly half of all housing production should be affordable to households with incomes at or below the NH workforce housing income standards, highlighting the critical need for affordable housing in the region.

According to the report, employers can encourage access and availability to housing through the many different Employer Assisted Housing programs available. Employment in the region has been growing steadily, with 55,169 jobs in 2019. The top industries in the region are education, healthcare, retail, and manufacturing, with each exceeding 5,000 jobs. Positive job growth is projected in all 18 municipalities of the Strafford region. The mean travel time to work in the SRPC region was 27.5 minutes in 2020, but residents in more rural communities are more likely to have a longer commute. A wide range of recommendations for increasing affordable housing production are provided, from encouraging accessory dwelling units (ADU) and infill development to mechanisms such as form based codes and tax increment financing (TIF). When considering the most appropriate tools to utilize, the report underscores the importance of considering regional differences in planning and policymaking to support adequate and affordable housing for all residents.

⁵ [StraffordRegionalHousingNeedsAssessment_2023.Pdf](#)

1.3.5 Rockingham County, New Hampshire: 2023 Regional Housing Needs Assessment



Source: RPC, 2023

The Rockingham Planning Commission (RPC) has published the [2023 Regional Housing Needs Assessment](#)⁶, offering an in-depth analysis of both current and future housing trends, projections, and the strategies required to meet regional housing needs. The RPC serves in an advisory role to 27 municipalities within Rockingham County, to promote coordinated planning, orderly growth, efficient land use, transportation access and environmental protection. Salem and Portsmouth are the two largest municipalities in the RPC region. This report thoroughly explores issues of affordability, equity, and fair housing, ensuring a comprehensive understanding of the region's housing ecosystem. The Rockingham County region is the most expensive housing market in New Hampshire. Between 2010 and 2022, the RPC region's median gross rent jumped 47% and the median sale price increased 99%. The housing stock in the region is also aging, with about 14% of structures built prior to the 1940s, leading to increased maintenance costs. Regional total housing units increased from 83,892 in 2010 to 88,586 in 2020. In a balanced housing market, rental vacancy rates are around 5%. The RPC Region's rental vacancy rate in 2022 was 0.06%, indicating an extremely tight rental market with very limited available units. In the

RPC region, the median gross rent increased 17% between 2017 and 2022.

In terms of demographic trends, the population in the region is generally aging and household size is shrinking. There is an increasing need for affordable housing that meets the needs of a wide range of ages and accessibility levels. While the majority of municipalities in the region have a no vehicle household rate of less than 1.3%, some census block groups in Exeter, Hampton, Portsmouth, and Salem have high concentrations of no vehicle households ranging between 11.81% and 21.5%. This speaks to the importance of exploring mixed use transit oriented development and investing in public transportation in key areas.

Rockingham County is also being affected by climate change, with about 14% of all properties at a 26% or greater chance of being severely affected by flooding over the next 30 years. Nevertheless, based on projected population growth and employment growth, the RPC Region is predicted to need an additional 14,563 housing units by 2040 to fulfill the projected demand and achieve a balanced housing market. A diversity of unit types is needed to fulfill the needs of the region's aging population while also supporting young adults and families interested in locating within the region and contribute to the workforce and labor market. The average age for the region is 47. Rye and New Castle have the oldest populations, while Raymond, Sandown, Danville, Brentwood and Portsmouth have the youngest.

As a part of the report, several appendices are included which provide a glossary of terms, enabling clear understanding of technical terms, a summary detailing the outreach process, and a selection of quantitative data to bolster the report's findings and conclusions.

⁶ RockinghamRegionalHousingNeedsAssessment2023.Pdf

2. Demographic, Housing, and Zoning Characteristics of the Study Area

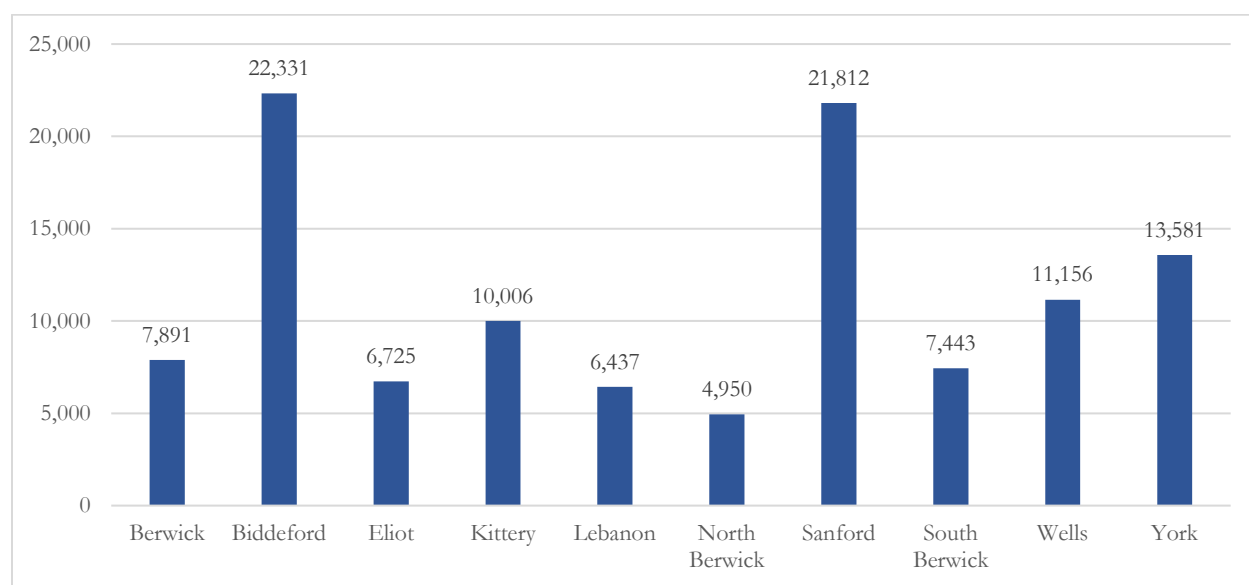
To effectively address the housing demands of employees at the Portsmouth Naval Shipyard (PNS) and other regional employers, it is important to understand the existing housing and demographic landscape. This section delves into the demographic, housing, and zoning characteristics of each of the 10 municipalities in our study area. It offers insights into the current population, age groups, household structures, vehicle accessibility, housing tenure, affordability, and income levels. This baseline overview allows for better anticipation of the housing needs of the expanding workforce in the region.

2.1 Demographics by Municipality

Demographic data was collected and analyzed for the 10 municipalities in the study area as well as for York County as a whole using 2021 American Community Survey. The population of York County was 210,486 in 2021, with over half (53%) of residents living in the study area, or 112,332 people. Figure 2-1 shows the total population by municipality in the study area. As is true for Maine and New Hampshire generally, the majority of study area municipalities have limited racial diversity. Eliot has the highest non-white population at 12%.

2.1.1 Population

Figure 2-1. Study Area Population by Municipality

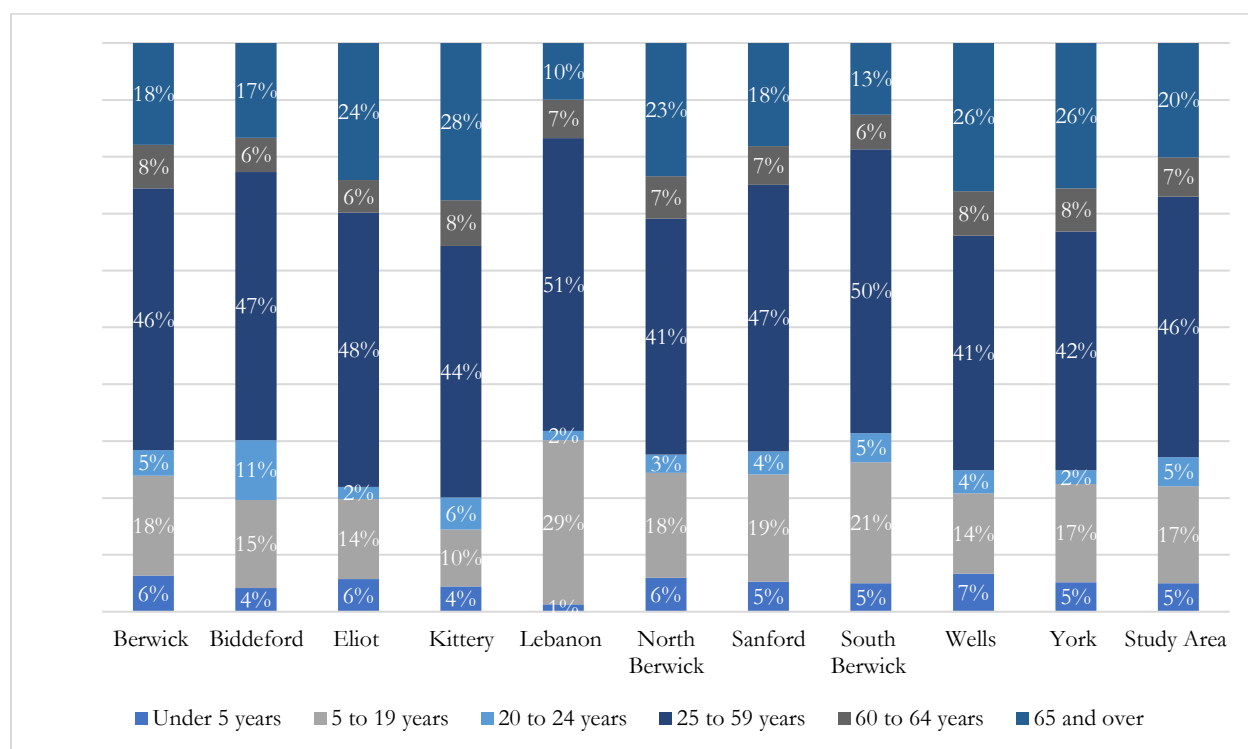


Source: ACS 2017-2021 5 year estimates (DP05 County Subdivision Tables)

2.1.2 Age

The municipality of Kittery has the highest median age among the study area with 27.6% of its population above 65 years and a median age of 51 years of age. On the other hand, the municipality of Biddeford has a younger population with 16.7% of its population above 65 years and a median age of 36 years of age. See Figure 2-2 for the age composition of each study area municipality.

Figure 2-2. Age of Study Area Residents by Municipality



Source: ACS 2017- 2021 5 year estimates (S0101 County Subdivision Tables)

2.1.3 Households

Households in the study area vary by age of householder and size- a mix that impacts housing preferences. Kittery sees smaller household sizes, suggesting prevalence of younger, single workers and senior couples. Lebanon and South Berwick have a higher proportion of residents under 19 and the highest average household size indicating family households.

Table 2-1. Total Households and Average Household Size by Study Area Municipality

Study Area Town	Total Households		Average Household Size
	Percent	Number	Number
Berwick	7%	3,398	2.32
Biddeford	20%	9,198	2.29
Eliot	6%	2,680	2.5
Kittery	11%	4,962	1.98
Lebanon	5%	2,277	2.83
North Berwick	4%	1,954	2.5
Sanford	19%	9,034	2.38
South Berwick	6%	2,772	2.68
Wells	10%	4,9045	2.27
York	12%	5,571	2.43
Study area total	100%	46,750	2.42

Source: 2017- 2021 ACS 5-year Estimate (S1101 County Subdivision Level tables)

2.1.3.1 Vehicles Available by Household

Most municipalities in the study area have a low percentage of households without access to a vehicle and match the study area average of 6%. Notably, about 14% of households in Kittery do not have a vehicle.

Table 2-2. Vehicles Available by Household

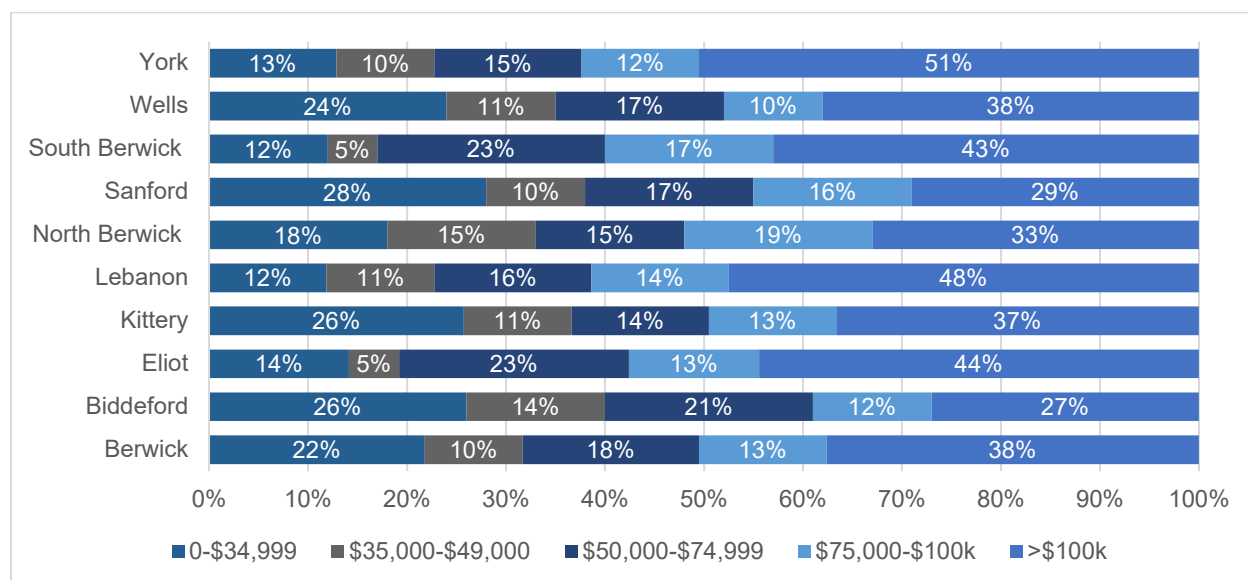
Study Area Municipalities	No Vehicle		1+ Vehicles	
	Percent	Number	Percent	Number
Berwick	6%	218	94%	3,180
Biddeford	6%	554	94%	8,644
Eliot	2%	50	98%	2,630
Kittery	14%	690	86%	4,272
Lebanon	4%	91	96%	2,186
North Berwick	2%	36	98%	1,918
Sanford	6%	584	94%	8,450
South Berwick	3%	81	97%	2,691
Wells	2%	115	98%	4,789
York	5%	285	95%	5,286
Study Area	6%	2,704	94%	44,046

Source: 2017 - 2021 ACS 5-year Estimate (S2504 County Subdivision Level Tables)

2.1.3.2 Income

There is a clear income stratification across the study area (Figure 2-3). While places like York have a large concentration of high earners, municipalities like Biddeford, Sanford, Kittery, and Wells have a notable presence of households at the lower end of the income spectrum. This pronounced income disparity across municipalities emphasizes the necessity for a diverse range of housing solutions. A one-size-fits-all approach would not address the varied needs of these communities. Given the significant percentage of households in several municipalities earning less than \$34,999 annually, there is a clear need to prioritize affordable housing solutions in these areas.

Figure 2-3. Income Distribution by Study Area Municipality



Source: ACS 2017 – 2021 5 year estimates S1901 County Subdivision Level tables

2.1.3.3 Tenure (Renter v. Owner Occupied)

In all of the municipalities in the study area- except for Lebanon and Biddeford- the majority of housing units are owner-occupied. The municipalities of Lebanon and Biddeford have the highest proportion of renter-occupied housing units, at over 50%. Conversely, in Eliot, Berwick, South Berwick, and Wells, over 80% of housing units are owner-occupied.

Table 2-3. Renters vs. Owners

Municipality	Owner-occupied housing units	Renter-occupied housing units
	Percent	Percent
Berwick	84%	16%
Biddeford	48%	52%
Eliot	85%	15%
Kittery	73%	27%
Lebanon	41%	59%
North Berwick	65%	35%
Sanford	54%	46%
South Berwick	84%	16%
Wells	81%	20%
York	65%	36%
Study area average	67%	32%

Source: 2017- 2021 ACS 5-year Estimate (\$1101 County Subdivision Level tables)

2.1.4 Housing Affordability

To be considered affordable, housing must cost no more than 30% of a household's annual income. This section characterizes study area and county-level median household income data and compares it to home prices and the cost of rent.

2.1.4.1 Buying a home

A key factor in determining housing affordability is median household income. Median household incomes vary among the municipalities in the study area as shown in Table 2-4. According to Maine Housing, all counties in Maine are unaffordable. The median income required to buy a home in York County is \$136,513. Actual median incomes in York County are only 55% of the estimated needed median income to afford a home at the median housing price. Over the last three years, the average cost of single family homes and condos has increased 46%. About 80% of households in York County are unable to afford a median priced home.

Table 2-4 shows the median household incomes and median home prices by study area municipality. The data indicate that within the study area, by municipality, actual median incomes are only 44-73% of the estimated needed median incomes to afford homes at the median housing prices in each community. This results in 72-87% of households in study area municipalities being unable to afford the median home price.

Table 2-4. Median Household Income and the Affordability of Buying a Home by Study Area Municipality

Study Area Municipality	Median Household Income (MHI)	Median Home Price	Difference between MHI and Income Needed to Afford Median Home Price	Households Unable to Afford Median Home (%)
Berwick	\$81,999	\$410,000	61%	78%
Biddeford	\$61,140	\$400,000	47%	85%
Eliot	\$96,392	\$532,500	59%	79%
Kittery	\$83,781	\$615,000	44%	86%
Lebanon	\$73,389	\$378,000	63%	73%
North Berwick	\$78,309	\$401,500	65%	72%
Sanford	\$60,304	\$300,000	61%	74%
South Berwick	\$99,295	\$429,000	73%	72%
Wells	\$73,420	\$565,000	44%	86%
York	\$91,693	\$705,000	44%	87%

Source: Maine Housing (Homeownership Housing Facts and Affordability Index for Maine Cities and Towns, by Congressional District) (2022)

2.1.4.2 Renting a home

In terms of rental affordability, robust data is not currently available by town. This is because the Rental Affordability Index normally maintained by Maine Housing is not up-to-date because of a vendor issue. Maine Housing's website indicates that staff are seeking to update rental data to reflect current market conditions in the coming months. In lieu of town-by-town study area municipality data, rental affordability in York County as a whole is shown in Table 2-5.

Table 2-5. Median Renter Household Income and the Affordability of Renting a Home in York County, Maine

County	Median Household Income of Households That Rent Their Home	Average of Median Monthly Rent	Difference between MHI and Income Needed to Afford Rent	Renter Households Unable to Afford Rent (%)
York	\$53,547	\$1,950	46%	69%*

Source: ACS 2022 1-Year Estimate (Tables B25119 and B25118 County Level) and 2022 Zillow rental data. The \$1,950 figure is the average of the median monthly rent across all 12 months of 2022.

*This percentage was estimated using Table B25118, which breaks renter household income down into 11 income ranges.

This data indicate that the median renter household would need to make 46% more to afford the median rent and that approximately 69% of renter households cannot afford the median rent in York County.

2.2 Housing Characteristics of the Study Area

This section provides an overview of the housing characteristics in the study area, including data on the total number of housing units, the type of units, age of housing supply, and sales patterns. This information is important for understanding the current housing supply and demand in the study area, and for identifying potential gaps in housing availability.

2.2.1 Housing Units

There are a total of 58,116 housing units in the study area. Biddeford has about 18% of the units in the study area, while North Berwick and Lebanon each have about 4% of units. The number of additional units that can be supported by each of the study area municipalities should take into account existing land use, zoning, and future market demand. This overview provides a baseline of the housing stock that currently exists in the 10 study area municipalities. It is important to note that Table 2-3 below includes all housing units, including those meant for seasonal use. Given that some communities in the study area, such as Wells, have extensive seasonal/vacation communities, Table 2-4 shows occupied housing units as a proxy for year round community residents.

Table 2-6. Total Housing Units and Total Occupied Housing Units

Study Area	Total Housing Units		Total Occupied Housing Units	
	Number		Number	Percent
Berwick	3,765		3,398	90%
Biddeford	10,350		9,198	89%
Eliot	2,963		2,680	90%
Kittery	5,367		4,962	92%
Lebanon	2,558		2,277	89%
North Berwick	2,070		1,954	94%
Sanford	9,806		9,034	92%
South Berwick	3,063		2,772	90%
Wells	9,092		4,904	54%
York	9,082		5,571	61%
Study Area Total	58,116		46,750	80%

Source: ACS 5-year estimates 2017-2021 (DP05 and S2504 County Subdivision Tables)

2.2.2 Seasonal Units/Vacant Units

When exploring opportunities for new housing, it is important to consider the amount of existing housing that is vacant and may be available to support workers needs. However, as shown in Table 2.5, most of the vacant units across the study area are for seasonal use. For example, 100% in North Berwick, 89% in Wells and 88% in York. The lowest share of vacant homes for seasonal use are found in South Berwick at 9%, and Berwick at 12% .There is potential to utilize these seasonal units for year-round workforce housing, given the appropriate modifications. However, although some municipalities have many units that are only utilized seasonally, there are challenges and constraints associated with retrofitting them for year round use. These include the cost of retrofit as well as building and zoning code compliance.

Table 2-7. Vacant Units/ Seasonal Units

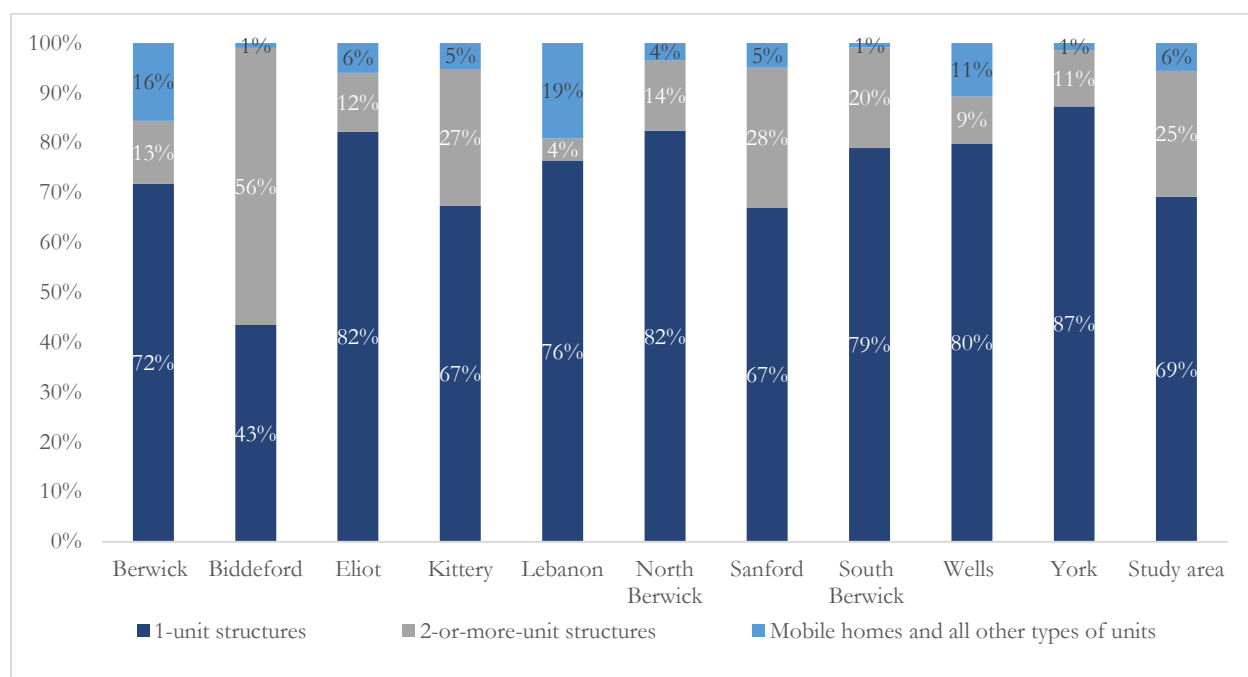
Study Area	Total Vacant Units	% Vacant for Seasonal Use
	Number	Percent
Berwick	367	12%
Biddeford	1,152	57%
Eliot	283	54%
Kittery	405	46%
Lebanon	281	77%
North Berwick	116	100%
Sanford	772	25%
South Berwick	291	9%
Wells	4,188	89%
York	3,511	88%
Study area	11,366	74%

Source: 2017 – 2021 ACS 5-year Estimate (B25004 County Subdivision Level table)

2.2.3 Housing Unit Type

The high prevalence of mobile homes in Berwick and Lebanon speaks to the need for more affordable housing. Biddeford’s higher density zoning can be seen in the high stock of multifamily housing (2+ unit structures). The current housing stock consists of primarily single & 2 family homes across the 10 municipalities. In order to determine the potential for new affordable housing, we reviewed zoning codes and comprehensive plans to study allowable housing types.

Figure 2-4. Housing Unit Types



Source: 2017 - 2021 ACS 5-year Estimate (S2504 County Subdivision Level tables)

2.2.4 Housing Unit Sizes

Housing in the study area primarily consists of homes with 2 or more bedrooms, which is ideal for larger households. Biddeford has the most studio and 1 bedroom units at 17%, while York has the least, at only 5% of units. There is potential to develop more housing with smaller units across the study area, so that residents and workers can have private spaces.

Table 2-8. Unit Sizes (# of Bedrooms)

Study Area Municipality	No bedroom		1 bedroom		2 or 3 bedrooms		4 or more bedrooms	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Berwick	2%	55	8%	268	75%	2,533	16%	542
Biddeford	1%	89	16%	1,426	74%	6,775	10%	908
Eliot	1%	30	5%	136	76%	2,025	18%	489
Kittery	6%	306	7%	365	74%	3,680	12%	611
Lebanon	2%	56	2%	50	75%	1,697	21%	474
North Berwick	2%	35	10%	205	60%	1,163	28%	551
Sanford	2%	176	12%	1,120	68%	6,179	17%	1,559
South Berwick	3%	92	7%	194	72%	1,985	18%	501
Wells	2%	122	5%	226	73%	3,599	20%	957
York	2%	89	3%	175	68%	3,781	27%	1,526
Study Area Total	2%	1,015	9%	3,960	72%	32,254	17%	7,567

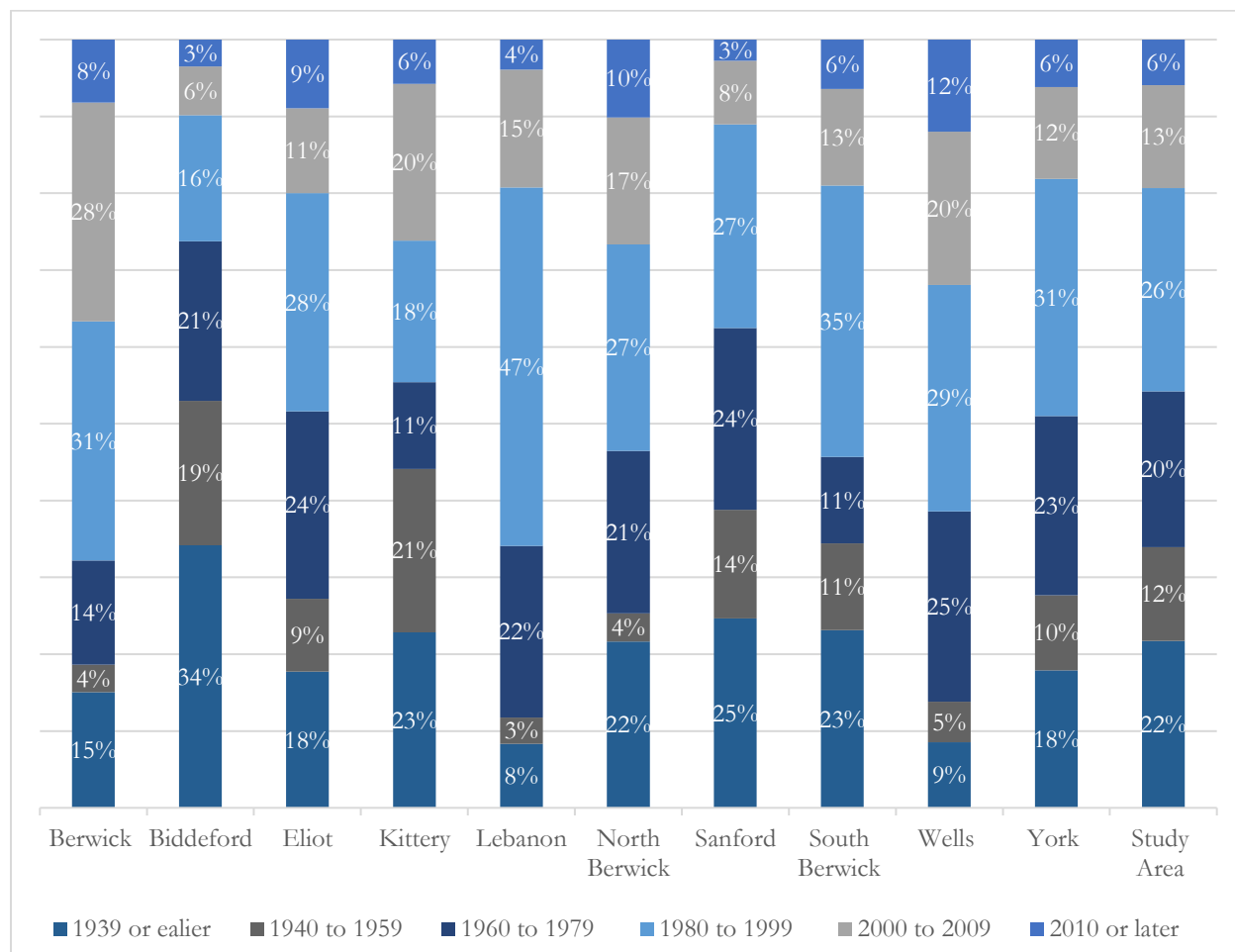
Source: 2017 – 2021 ACS 5- year Estimate (S2504 County and County Subdivision Level tables)

2.2.5 Age of Housing

Overall, there is a wide range of age of housing stock in the study area. Biddeford and Sanford have the highest proportion of buildings built in 1979 or earlier, at 74% and 62%, respectively. In Biddeford, 34% of buildings were built pre-1939. While many older buildings have been well maintained, they may also be subject to historical designations that can make future improvements more complicated. In Berwick, 68% of housing stock

was developed since 1980, which is the highest in the study area. In Wells, there has been a recent wave of new development, with 12% of buildings built since 2010. In the study area as a whole, 45% of buildings were built since 1980, and 6% since 2010.

Figure 2-5. Age of Housing

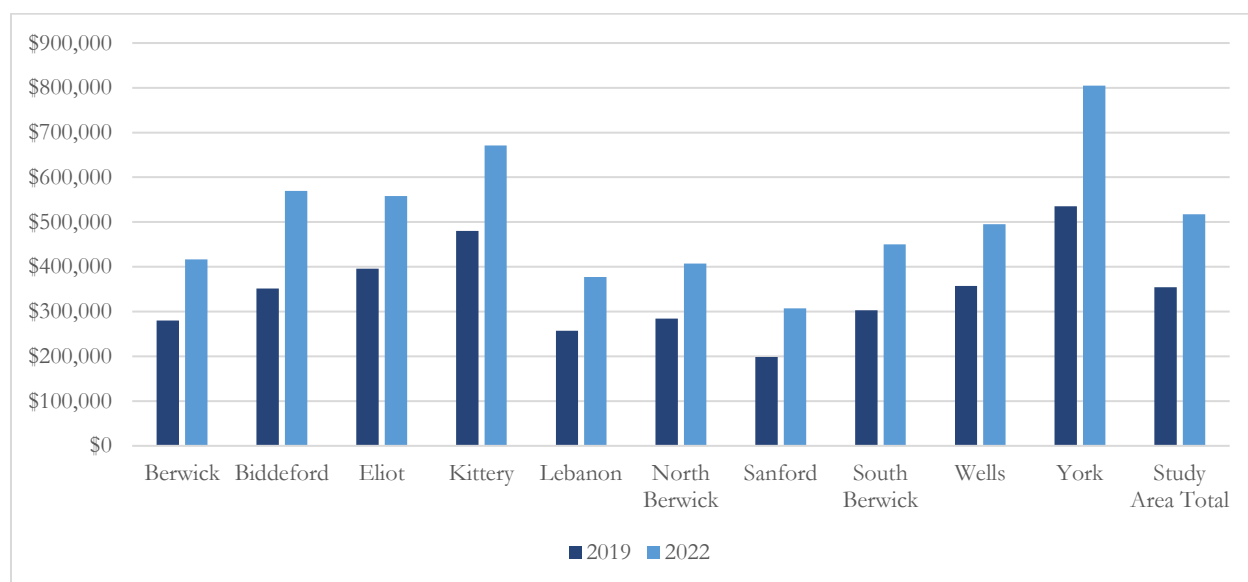


Source: 2017 – 2021 ACS 5- year Estimate (S2504 County Subdivision Level tables)

2.2.6 Sales Patterns (Single Family, Condo, and Multifamily)

Housing prices in all of the study area communities have increased significantly in the last four years, from prices that were already high by state standards. In all, according to MLS sales data, sales prices for single-family homes and condominiums in the ten study area communities increased by 46 percent from 2019 to 2022, from \$354,000 to \$517,000. This level of increase is fairly consistent across the communities, with somewhat larger increases in York, Biddeford and Sanford and somewhat lower increases in Berwick and Wells. Given the income levels of most shipyard workers, as well as their preferences for single-family homes, this increase is particularly challenging.

Figure 2-6. Average Single Family and Condo Home Sale Price

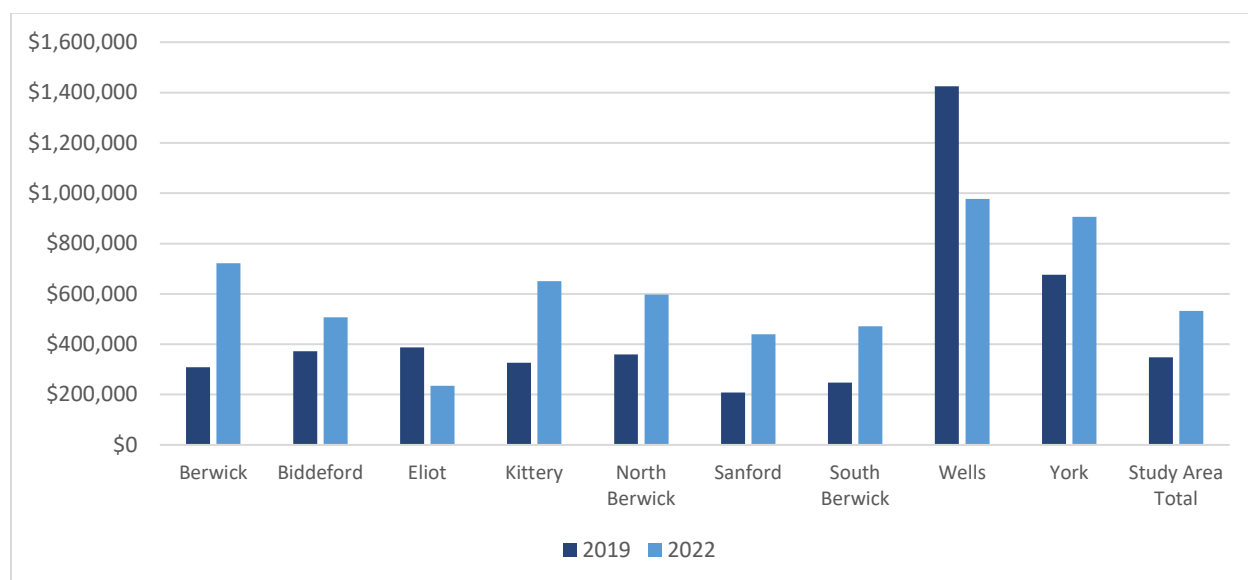


Source: The Vitalius Group/MLS

Data for multifamily buildings is more mixed, though there still appears to have been a large increase in sales prices overall. Since multifamily buildings can contain just a few units, or many, the prices are harder to benchmark. In addition, the volume of sales in many of these communities is low, leading to small sample sizes that can skew annual data. In fact, there were no multifamily sales recorded in either 2019 or 2022 in Lebanon.

Overall, the multifamily sales data indicates that in communities such as Kittery and Sanford, where shipyard workers tend to search for housing, sales prices have increased. That has likely resulted in commensurate rent increases for tenants.

Figure 2-7. Average Multifamily Sale Price



Source: The Vitalius Group/MLS

2.2.7 Rents

Rents in the study area, as in most of Maine and even New England, are high. However, there are communities in the study area with lower median gross rents, such as Sanford and North Berwick. While these communities are farther from the PNS, it is not surprising that many PNS workers who rent live in those communities. On the other hand, communities closest to the PNS, such as York and Kittery, have higher rents. While many workers would likely be interested in living in these places, with shorter commutes, they may not be able to afford the rents. These higher rents are likely a combination of limited supply and the relative attractiveness of communities on the ocean.

Lebanon's rents are higher than might be expected, potentially due to a small supply of rentals and the type of rentals that might be available.

Table 2-9. 2021 Median Rent

Municipality	2021 Median Gross Rent
York	\$1,447
Lebanon	\$1,285
Kittery	\$1,249
Eliot	\$1,141
South Berwick	\$1,108
Biddeford	\$1,061
Wells	\$990
Berwick	\$985
North Berwick	\$984
Sanford	\$983

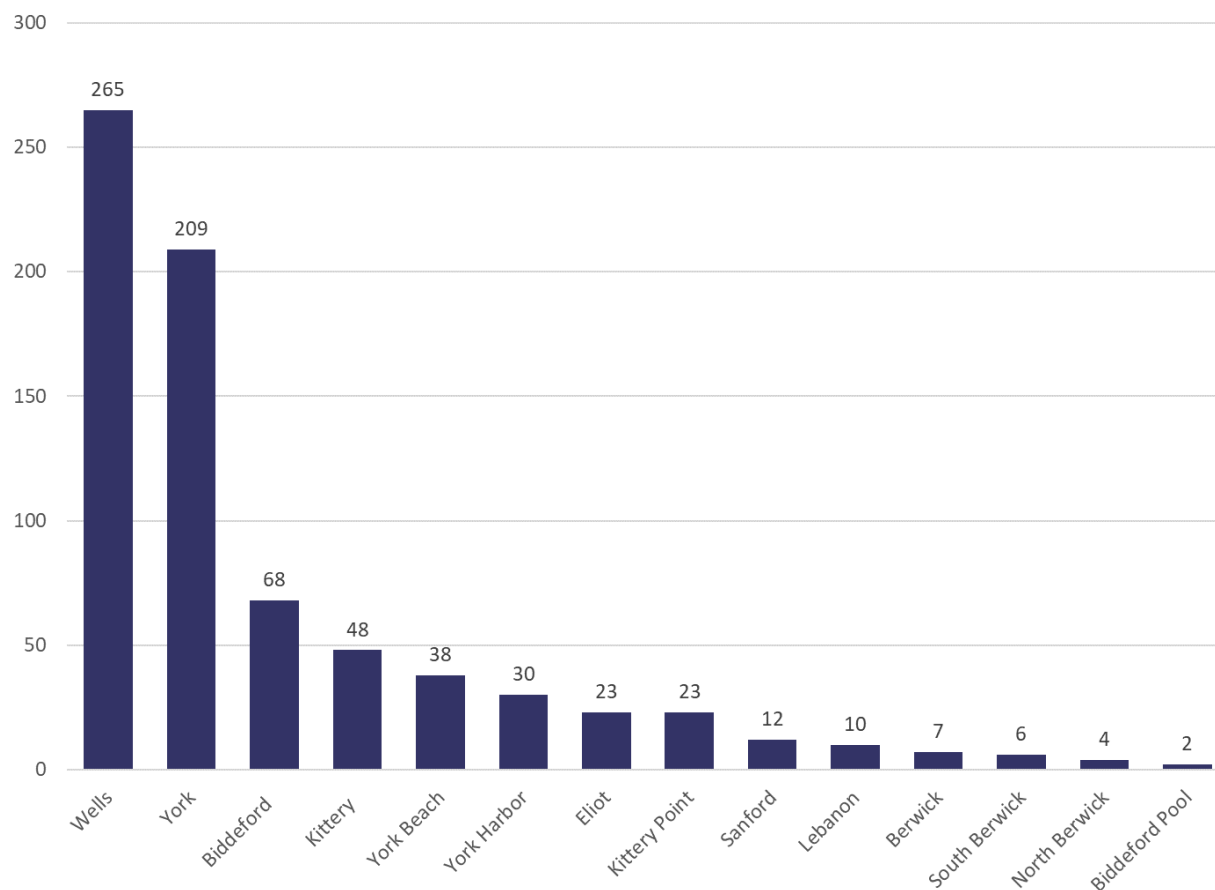
Source: ACS 2017 -2021 5-year Estimate (B25064 County Subdivision Level table)

2.2.8 Short Term Rentals

Platforms such as AirBnB and VRBO have made Short Term Rentals (STR) extremely popular in the past few years. In Maine, where many people visit for vacations and hotel rates tend to be high, STRs have become particularly popular. This has led to concerns that STRs are removing housing stock from the market and contributing to affordability challenges. In response, communities in the Portland region have instituted regulations on STRs over the past few years, ranging from caps on the total number permitted to limiting STRs to owner-occupied homes. Communities in York County have looked at similar restrictions.

Based on available data, it appears that STRs do impact some portions of the housing market in the region, though not all. There were a total of 745 STRs listed in the study area as of February 2023 on AirDNA, a common source for STR data (Figure 2-8). While the data is from February, it seems to include units available at any point in the past year.

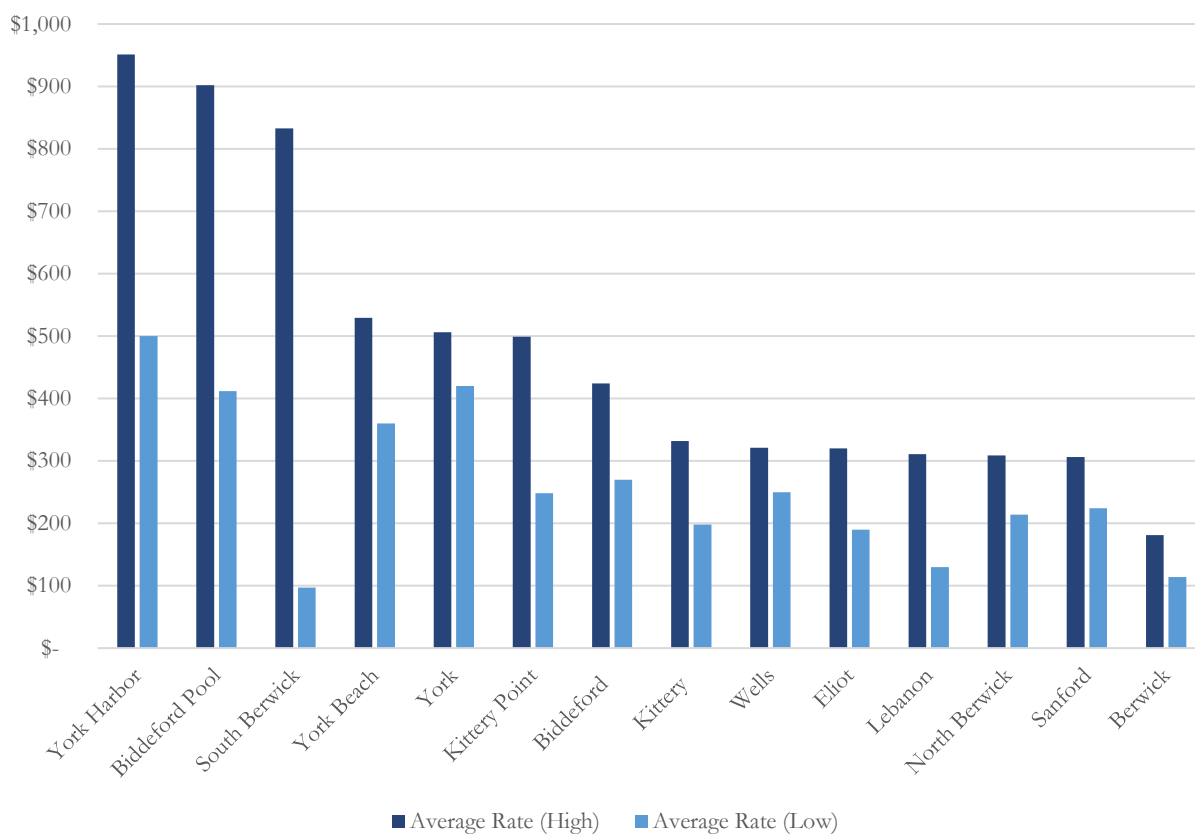
Figure 2-8. Active Short-Term Rentals (2023 by location listed in AirDNA)



Source: AirDNA February 2023

Areas such as York Harbor and South Berwick have high average daily rents for units rented by the day, especially in peak seasons (Figure 2-9). Wells and York have a particularly high number of STRs. In most of the rest of the region, however, the number remains low as an overall percentage of the housing stock. At this point, STRs appear not to be a major driver in housing affordability in the region as a whole. However, this could change over time and should continue to be tracked.

Figure 2-9. Short-Term Rentals by Average Daily Rent Collected

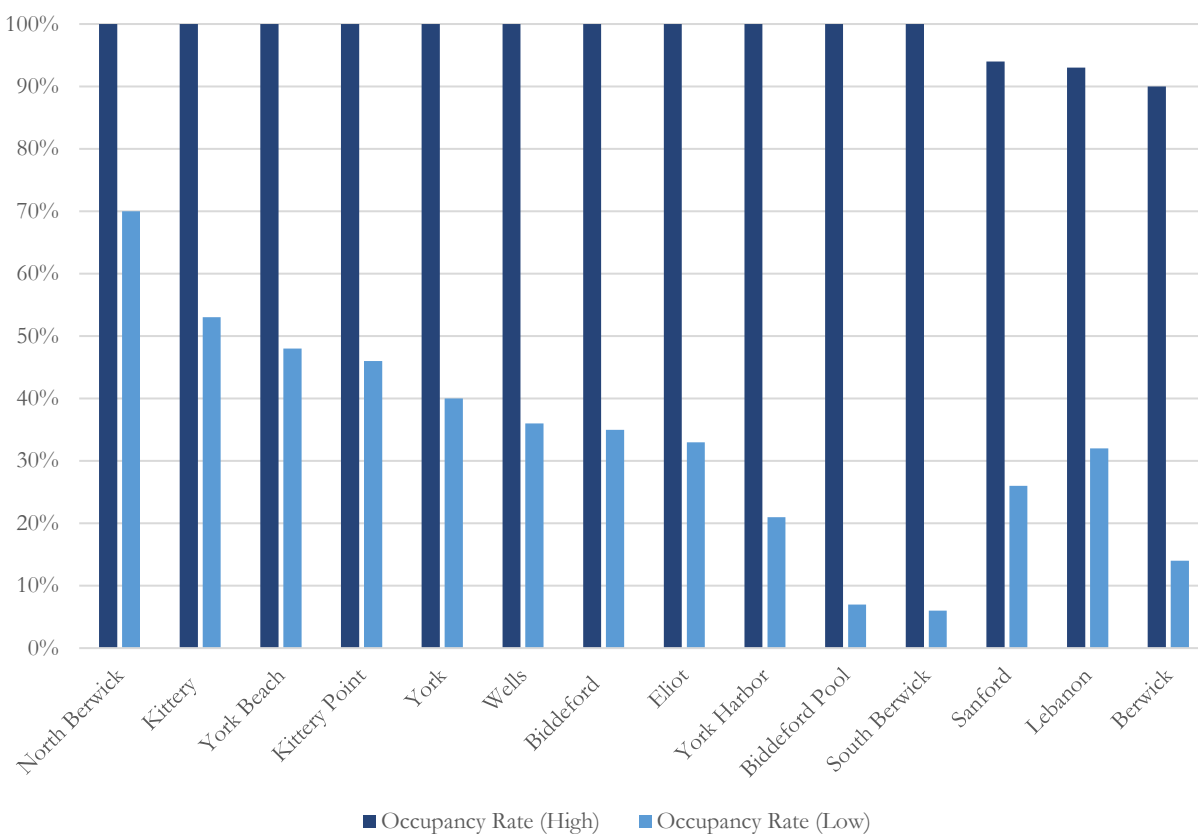


Source: AirDNA, February 2023

Finally it is worth noting seasonal variances in occupancy rates (see Figure 2-10). As shown, most of the STRs in the study area are occupied and generating revenue in their “high season” – that is, the time of year that their occupancy is highest. That is presumed to be in the summer months though the data does not explicitly provide this indication.

In the “low” seasons – presumed to be late fall and early spring, since fall will bring leaf peepers and winter may bring some skiers – rates are lower. However, the variation in the low season occupancy rates is notable. In places focussed on the ocean, such as Biddeford Pool, the rates are below 10 percent. In other places, like North Berwick, the low season occupancy rate is still around 70 percent. Clearly the locations of these STRs affects how much use they get. However, in general these usage rates mean that offering these units for year-round occupancy is likely less profitable – and even if they are offered off-season that creates a summer housing issue for those off-season tenants.

Figure 2-10. Short-Term Rentals Occupancy Rate by High and Low Seasons



Source: AirDNA, February 2023

2.3 Zoning Characteristics of the Study Area

Most of the communities in the study area are dominated by single-family zoning districts. These zoning ordinances, largely created in post-World War II period, represented what was seen as good planning at the time. However, they also often had the effect of excluding those seeking smaller units, rentals and multifamily lifestyles. In the past 20 years, housing affordability has been exacerbated by the dominance of single-family zoning in the study area, as in much of the country. Some communities, such as Sanford and Biddeford, have retained multi-family zoning districts and even expanded them in recent years. Other communities, such as Kittery, have sought to increase their multi-family districts in part by rezoning previously commercial and industrial areas.

2.3.1 Local Land Use Ordinances

Many communities in the region have changed their land use codes in the past several years to accommodate new housing demand. In response to new Comprehensive Plans (see more on those in a later section) or simply as a recognition of the importance of housing provision, municipalities have relaxed long-time restrictions on housing density. With the new state housing law known as “LD2003,” there are likely to be additional adjustments going forward.

To give a sense of the current land use regulatory conditions, here is an overview of how these ten municipalities regulate multifamily housing and Accessory Dwelling Units.

2.3.2 Multifamily Housing

While many land use codes differentiate between two-family buildings (or duplexes) and other sorts of multifamily dwellings, they are both considered multifamily for this analysis. In general, it appears that there is a mix of communities that allow multifamily in most zones, and those that only allow multifamily housing in specific zones. Even in those municipalities that allow multifamily in many zones, the lot sizes required are often quite large, and sometimes larger than those required for single-family homes. While there are sometimes compelling planning rationales for these sorts of restrictions, they often have the effect of unnecessarily limiting housing development.

Table 2-10. Multifamily Housing Zoning Regulations in Study Area Communities

Municipality	Allowed in Most Zones	Large Lots (in general)	Larger Lots than Single-Family
Sanford	No	No	Yes- LD2003 consistent
Kittery	No	Yes	Yes- LD2003 consistent
Berwick	Yes, except R3	No	No
South Berwick	2-family, MF in some	Yes	No
Eliot	Yes	Yes	Yes - LD2003 consistent
Lebanon	Yes	Yes	Yes- LD2003 consistent
Wells	No	Yes	Yes
North Berwick	2-family, MF in some	No	No
York	2-family, MF in some	Yes	No
Biddeford	No	No	Yes- LD2003 consistent

Source: Municipal Ordinances as of June 2023

* LD 2003 consistent does not mean completely consistent - amendments to existing code may be required to fully comply with LD2003 regulations

2.3.3 Accessory Dwelling Units

Accessory Dwelling Units (ADUs) are defined as a second housing unit located attached to a single-family home, or in an accessory building. That unit is smaller than the primary unit and is generally designed to appear as a secondary use on the site. ADUs can be an important way to produce more naturally-occurring affordable housing by taking advantage of existing land and infrastructure to add units into a community's housing inventory.

Most of the municipalities in this region allow ADUs in most zones. In fact, most of these communities allow ADUs without an extensive review process such as receipt of a Conditional Use Permit from the Planning Board. However, there are many other restrictions that can have the effect of discouraging ADUs. Most commonly, communities require that one of the units be owner-occupied. While that requirement may not seem to be difficult to meet- since many single-family homes are owner occupied- it can be a major challenge to producing an ADU. Banks may be reluctant to lend construction money for an ADU that may have to be removed if the owner moves. Owners who can self-finance may similarly be reluctant to spend money on an ADU if it may not be permanent. In general, an owner-occupant requirement can serve as a deterrent to construction.

Table 2-11. Accessory Dwelling Unit Zoning Regulations in Study Area Communities

Municipality	Allowed in Most Zones	By Right	Owner Occupant
Sanford	Yes	Yes, can be referred	Yes
Kittery	Yes	Yes	Yes
Berwick	Growth Areas	Some Zones	Yes
South Berwick	Yes	Yes	Yes
Eliot	Yes	Yes	Yes
Lebanon	No	N/A	N/A
Wells	Yes	Yes	Yes
North Berwick	Yes	Conditional Use	Yes, at first
York	Yes	Yes	Yes, and related
Biddeford	Yes	Yes	Yes

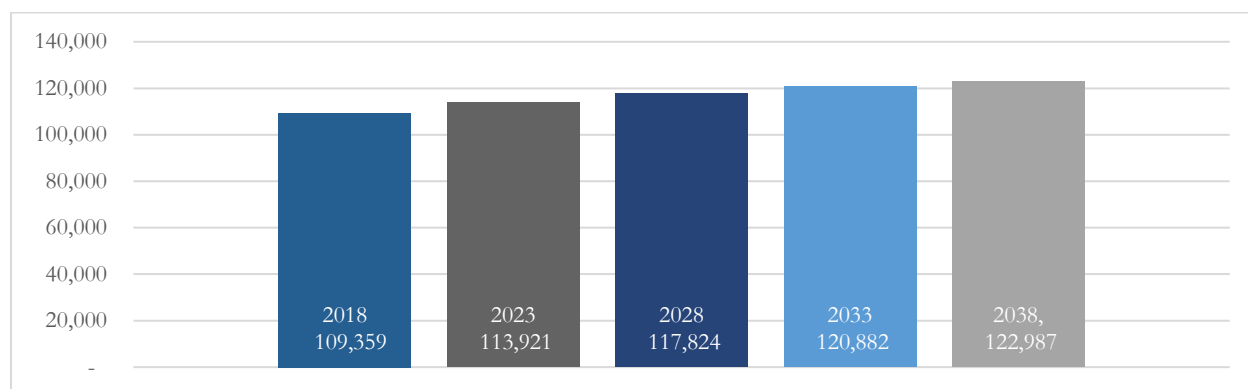
Source: Municipal Ordinances as of June 2023

3. Trends over Time

3.1 Population Projections

While Maine’s population has remained relatively constant overall – with small increases occurring since 2020 – the study area is an exception. These communities have generally been growing over the past ten years, and that growth is projected to continue into the 2030s. In all, there are almost 114,000 people living in these communities as of 2023, an increase of over 4,000 from 2018. The Maine State Economist projects that number to increase to almost 123,000 by 2038 (Figure 3-1). While this is a relatively modest level of growth, in the absence of additional housing production in the region it will create shortages and likely increase housing costs.

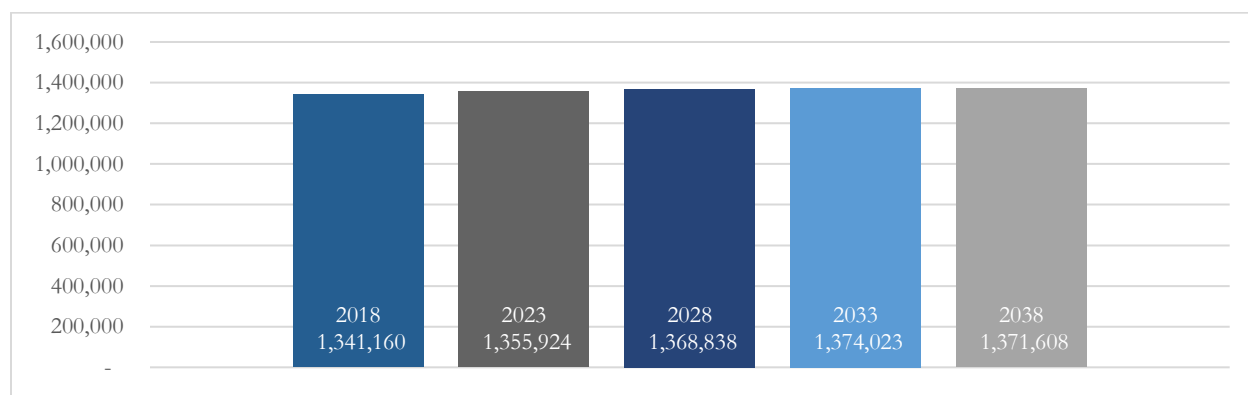
Figure 3-1. Study Area Population Projections (2018-2038)



Source: Maine State Economist, Office of the State Economist

Conversely, overall in Maine, the population projected to grow very slowly and even perhaps start to taper by 2038 (Figure 3-2).⁷

Figure 3-2. State of Maine Population: 2018-2038



Source: Maine State Economist, Office of the State Economist

⁷ While current State Economist projections indicate a possible decline in population by 2038, there are indications that this may not happen. Maine has seen a rise in people who have moved from nearby states now that remote work is more common. Additionally, with climate change causing temperatures to rise, Maine is likely to see an influx in population from areas that will be hotter on average.

3.2 PNS and Other Large Employers

The Portsmouth Naval Shipyard is the largest employer in York County and has approximately 8,500 enlisted and civilian workers as of March 2023. Unlike most other military installations, the vast majority of the people who work on the Shipyard are civilians, with only about 900 enlisted navy personnel. It is expected that the workforce will grow by about 500 [civilian] workers over the next several years. These workers will start at the lower end of their respective salary tables, although they may move up fairly quickly. In addition to the Shipyard, Pratt & Whitney Aircraft Group has a large operation in North Berwick, employing over 2,000 workers. Other large employers in the county include MaineHealth, Coworx Staffing Services, the University of New England, and York Hospital. However, other than Pratt & Whitney, no employers have the large concentration of workers in one location that characterizes the Shipyard.

Given that both the Shipyard and Pratt & Whitney are in defense-related fields – albeit one being a public employer and the other a private one – there may be some common interests in addressing housing needs for employees at both organizations. In addition, Pratt & Whitney recently announced plans to add 300 jobs at their facility in North Berwick. Those jobs are planned as part of a U.S. Department of Defense contract for an upgrade design for the F-135 fighter jet engine. These additional employees may add demand to the housing market in the region.

Table 3-1. Other Large Employers

Rank	Name	Employment Range	Business Description
1	PRATT & WHITNEY AIRCRAFT GROUP NORTH BERWICK	2,001 to 2,500	Aircraft Engine and Engine Parts Manufacturing
2	MAINEHEALTH (INC. SOUTHERN MAINE HEALTH CARE) BIDDEFORD, SANFORD, AND OTHER LOCATIONS	501 to 1,000	General Medical and Surgical Hospitals
3	COWORX STAFFING SERVICES LLC SACO, VARIOUS LOCATIONS	501 to 1,000	Temporary Help Services
4	UNIVERSITY OF NEW ENGLAND BIDDEFORD AND PORTLAND	501 to 1,000	Colleges, Universities, and Professional Schools
5	YORK HOSPITAL YORK AND OTHER LOCATIONS	501 to 1,000	General Medical and Surgical Hospitals
6	CORNING INCORPORATED KENNEBUNK	Up to 500	All Other Plastics Product Manufacturing
7	PERRIER GROUP-POLAND SPRING HOLLIS AND OTHER LOCATIONS	Up to 500	Bottled Water Manufacturing
8	WAL-MART ASSOCIATES INC VARIOUS LOCATIONS	Up to 500	Warehouse Clubs and Supercenters
9	STONEWALL KITCHEN LLC YORK AND OTHER LOCATIONS	Up to 500	Fruit and Vegetable Canning
10	KITTERY TRADING POST KITTERY	Up to 500	Sporting Goods Retailers

Source: Maine Department of Labor, Center for Workforce Research and Information

4. Profile of Housing Needs of PNS Worker Pool

Part of understanding the housing gaps in the region involves understanding who works at the PNS. Their job types, current residence locations, housing preferences and incomes are all important pieces of this puzzle. While a great deal of data may exist on the workers at the PNS, much of it is understandably not public information. However, the information that can be provided publicly provides a helpful baseline.

4.1 Shipyard Structure and Workers

As with any military facility, there are several tenant commands, or units at the Portsmouth Naval Shipyard. Captain Michael Oberdorf, Commander, Portsmouth Naval Shipyard, is responsible for all Shipyard activities, including the safe overhaul, repair, and modernization of US Naval nuclear-powered attack submarines and the naval installation in support of this mission.

Tenant Commands include:

- Naval Sea Systems Command (NAVSEA)
- Commander, Naval Installations Command (CNIC)
- Submarine, Maintenance, Planning and Procurement (SUBMEPP)
- Navy Medical Readiness and Training Unit-Portsmouth
- Naval Sea Logistics Center (NSLC)
- SERE Training School
- Army Recruiting Battalion
- Naval Facilities Engineering Systems Command (NAVFAC)
- Defense Logistics Agency

Military crew members of each Submarine(approximately 200 per boat) at PNS undergoing maintenance are also included under this structure.

The largest employer at PNS is NAVSEA. NAVSEA is the largest of the U.S. Navy's five system commands, with a primary objective to engineer, build, buy, and maintain the Navy's ships, submarines, and combat systems. As of March 2023, the Portsmouth Naval Shipyard NAVSEA employed 6,442 workers. There are 896 enlisted service members assigned to the shipyard as well. Leadership projects that, by 2026, the worker base will increase by approximately 500 additional workers. At that time, the total workforce is projected to be close to 7,000. Based on typical attrition, that means that PNS expects to hire approximately 4,000 employees in that time. Positions that are particularly likely to need significant new hires include:

- | | |
|-------------------------|------------------------------------|
| ▪ Shipfitters | ▪ Plastic Fabricators |
| ▪ Sheet Metal Mechanics | ▪ Riggers, Non-Destructive Testers |
| ▪ Welders | ▪ Material Handlers |
| ▪ Machinists | ▪ Quality Assurance Specialists |
| ▪ Machinery Mechanics | ▪ Radcon Technicians |
| ▪ Pipefitters | ▪ Information/Cyber Specialists |
| ▪ Insulators | ▪ Contract Specialists |
| ▪ Painters | ▪ Engineers |
| ▪ Sandblasters | ▪ Administrative Personnel |

While it is difficult to draw specific conclusions, the ages of PNS workers provide some insight (Table 4-1).

Table 4-1. PNS NAVSEA Employees by Age Range

Age Range	Number of Employees	
	Number	Percent
18-29	1,260	20%
30-39	2,152	33%
40-49	1,467	23%
50-59	1,041	16%
60+	522	8%
Total	6,442	100%

Source: PNS, March 2023.

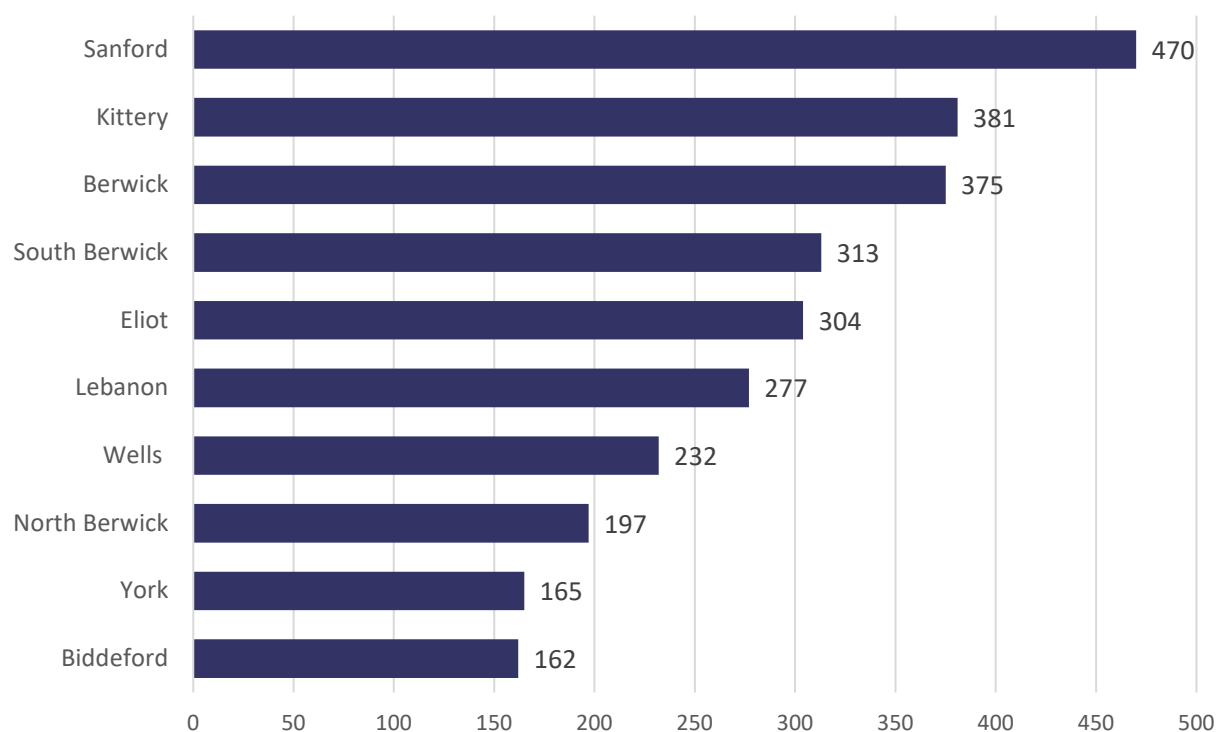
It can be assumed that workers in the over 30 age ranges are more likely to want housing with two or more bedrooms, for instance, since they are likely to have children, while households in the 18-29 range may be more likely to need smaller housing units.

4.2 NAVSEA Worker Residences by Study Area Community

NAVSEA workers live in many locations in Maine, New Hampshire, and Massachusetts. For the purposes of this study, we are focused on the ten communities in Maine where the most workers live. In total, there are 2,876 employees in these ten communities, representing almost 45 percent of NAVSEA workers (Table 4-1).

Not surprisingly, a large number of PNS (NAVSEA) workers live in Kittery. A large number also live in Sanford (including Springvale) as well as Berwick, Eliot, and South Berwick. These inland communities are likely more affordable for the average PNS employees. As inland communities, they are also less susceptible to pricing and supply pressures related to seasonal homes and short-term rentals. On the other hand, these communities are not close to the base, and require a commitment to a significant commute to work.

Figure 4-1. Number of PNS (NAVSEA) Employees in the study area

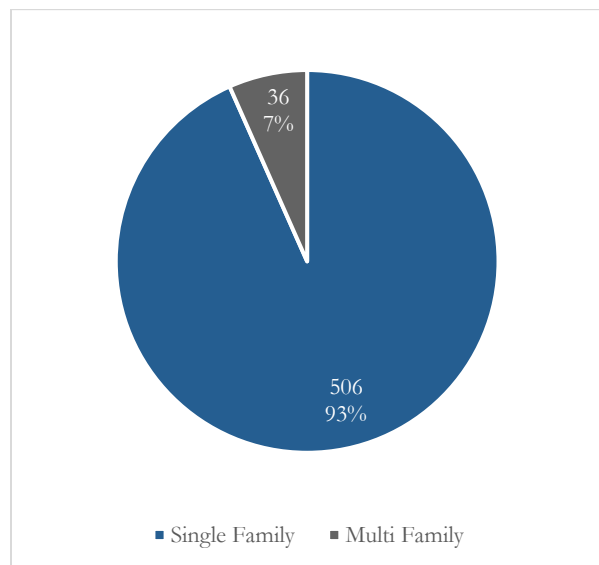


Source: PNS, March 2023.

4.3 Housing Preferences

As part of earlier work in this JLUS, workers were surveyed as to their housing preferences if they moved closer to the Shipyard. A significant majority expressed a preference to live in a single-family house. While this may not be an attainable goal for all workers, it is an important consumer preference to keep in mind when planning for housing needs. It suggests that many workers may be willing to have a longer commute to live in a single-family home rather than an apartment near the base. It also suggests that workers may be willing to become housing-burdened to live in their own single-family home rather than an apartment.

Figure 4-2. JLUS Implementation Plan Housing Survey Question: If you were to move closer to the Shipyard, what type of housing would you prefer?



Source: Kittery and Portsmouth Naval Shipyard JLUS Implementation Plan Final Report (2022) p. 34

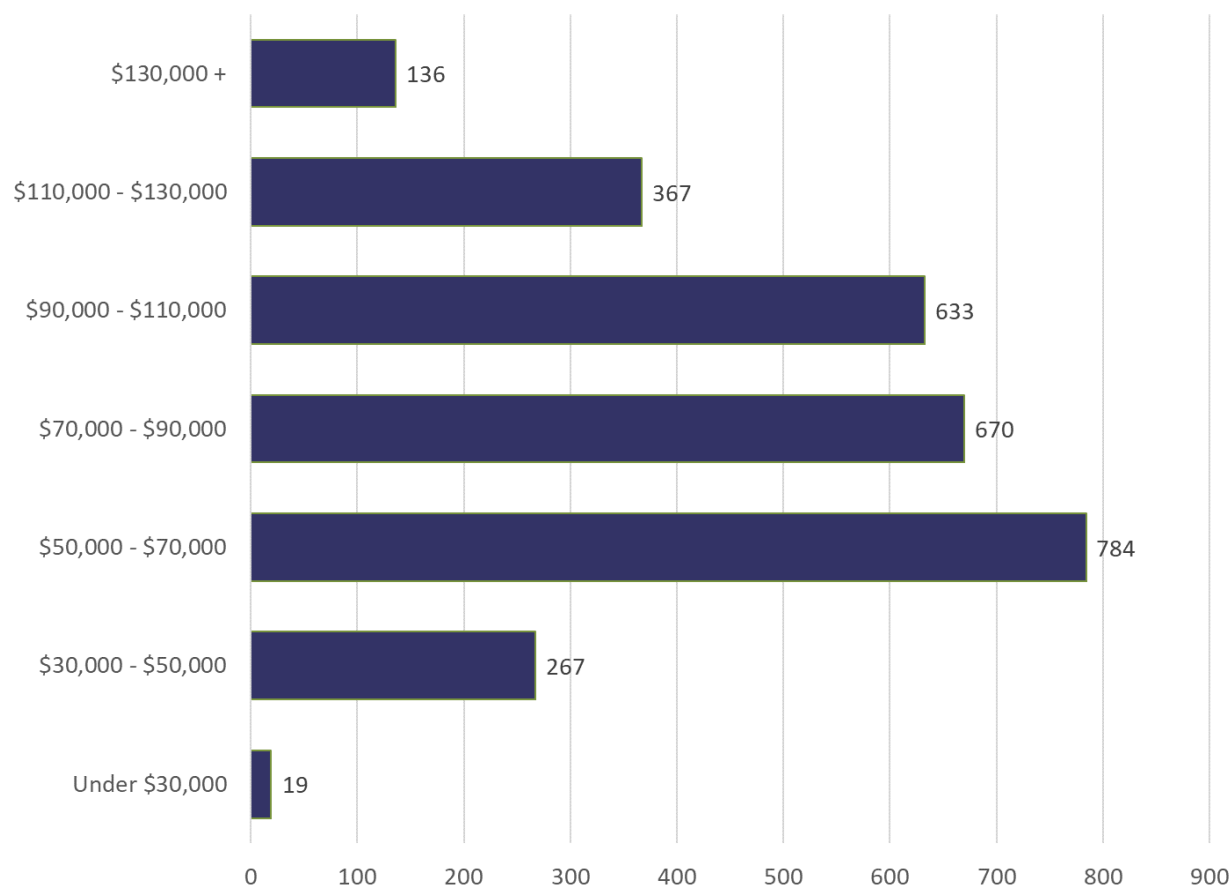
However, this preference may not be immutable or universal. Finding ways to balance affordability, access to the base, and this preference may result in housing solutions for workers that are achievable and realistic. For example, workers may be willing to live in Accessory Dwelling Units or in smaller multi-family buildings that have some of the same feel as single-family homes. Aspects of single-family living such as a yard, a garage, and privacy may be driving factors that can be addressed in other ways. Admiralty Village in Kittery was created by the Navy in 1940 to provide off-base housing for military families.

4.4 NAVSEA Worker Incomes

Expected worker incomes in the study area are distributed from under \$30,000 to well over \$100,000 (Figure 4-3). However, as might be expected for the range of jobs available, most of the incomes are in the \$50,000 to \$100,000 range. These represent solid jobs with good benefits. However, these incomes are not generally sufficient to afford housing near the Shipyard. MaineHousing estimates that purchasing the median home in York County requires a household income of \$136,513 as of 2020. With a solid second income in the household, that value might be attainable for a shipyard worker. However, not all of these households have two incomes.

Rental property is generally more attainable. While apartments in Kittery, Wells and Eliot may generally require incomes higher than those of the average shipyard worker, rents in Berwick, North Berwick, South Berwick, Sanford and even York are generally affordable to the typical shipyard worker – if they can find an available unit in those communities at all.

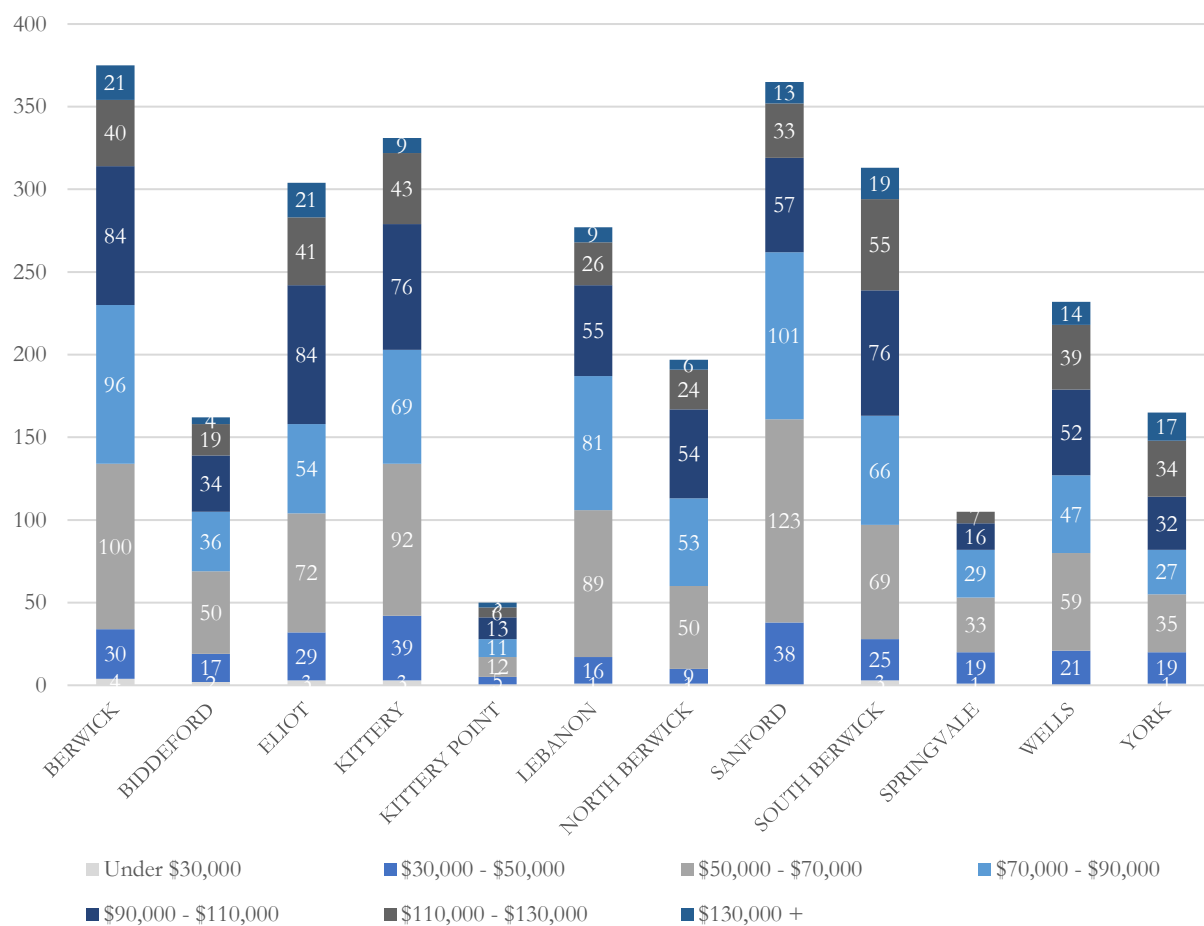
Figure 4-3. Annual Expected Salaries of NAVSEA Employees in the Study Area



Source: PNS, March 2023.

In terms of income distribution of PNS workers by study area community (Figure 4-4), all communities host workers who earn a wide distribution of salaries. Sanford has the largest number of workers earning under \$70,000 per year, while Berwick has the largest number earning over \$70,000 per year. South Berwick has the largest number of PNS workers earning over \$110,000 per year in the study area.

Figure 4-4. Shipyard Worker Income Distribution by Community



Source: PNS, March 2023

5. Needs Assessment

There is an existing need for more housing in the study area at cost levels that are affordable for current and potential residents. Based on the 2021 5-Year American Community Survey Data, nearly three in ten (30 percent) of households in the study area are in housing arrangements that are not generally considered affordable (Table 5-1).

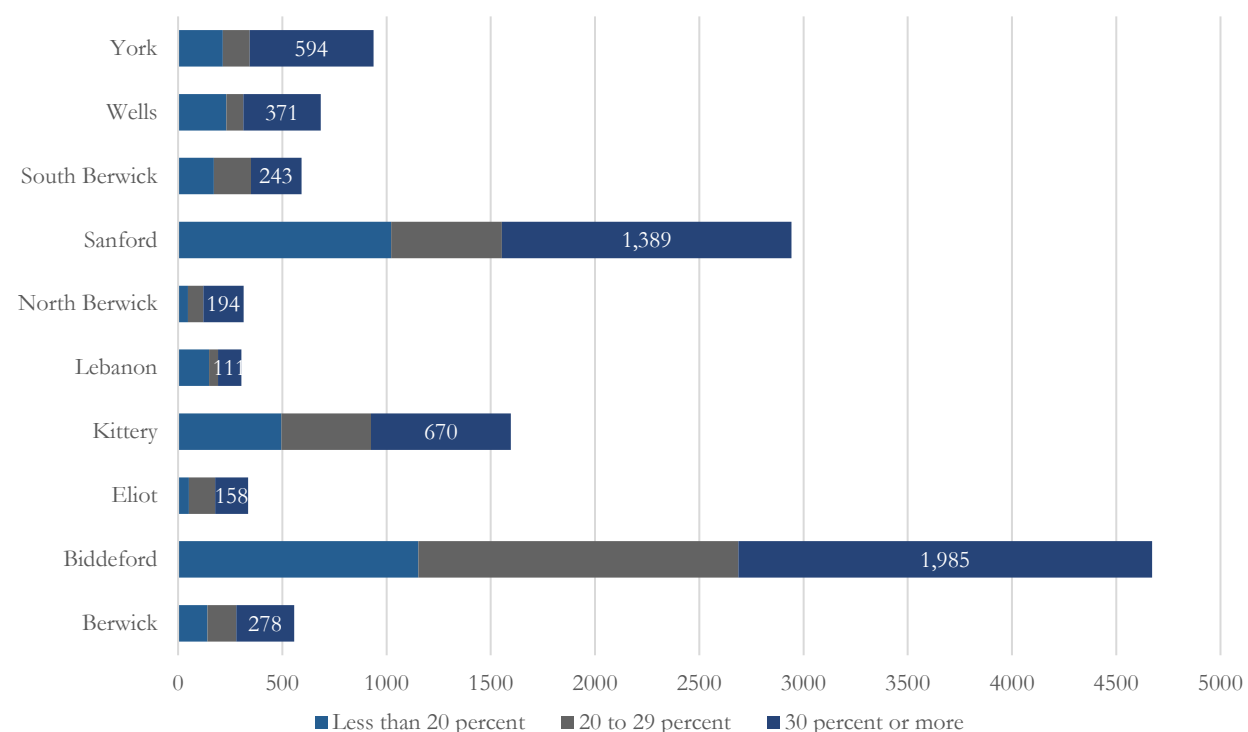
Table 5-1. Households in the Study Area by Percent of Income Spent on Housing

Percentage of Income Paid for Housing	Renters		Owners		Total	
	Number	Percent	Number	Percent	Number	Percent
Less than 30 percent or Unknown	7,555	55.8%	25,512	76.8%	33,067	70.7%
30 percent or More	5,993	44.2%	7,690	23.2%	13,683	29.3%
Total	13,548	100.0%	33,202	100.0%	46,750	100.0%

Source: ACS 2017-2021 5 year estimates (B25074 and B25101 County Subdivision Tables)

For renters, over 44 percent of households have housing affordability challenges. This is especially in York, Wells, North Berwick, and Berwick, where at least half of renters are paying 30 percent or more of their incomes towards housing (Figure 5-1).

Figure 5-1. Percentage of Income Spent on Housing – Rental Units



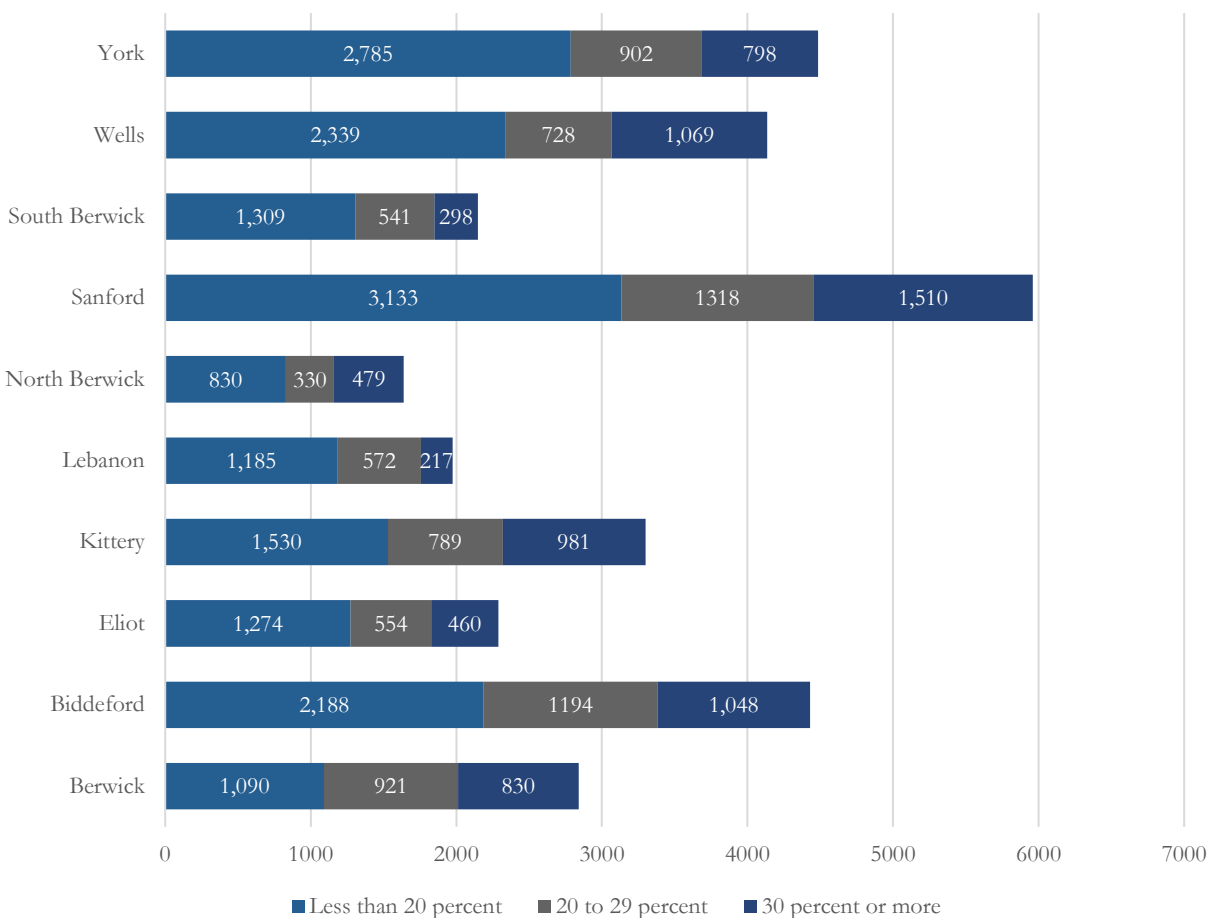
Source: ACS 2017-2021 5 year estimates (B25074 County Subdivision Tables)

Note: Does not include rental units where rent was not computed

Joint Land Use Study Implementation

While renters in the study area are generally facing higher cost burden and affordability challenges than owners, many owners also live in housing that is unaffordable. Over 23 percent of owner-occupied households have housing affordability challenges. In the Study Area, Kittery, Berwick and North Berwick communities have the highest proportion of owner-occupied housing units where households spend more than 30 percent of their income on housing costs.

Figure 5-2. Percentage of Income Spent on Housing – Ownership Units



Source: ACS 2017-2021 5 year estimates (B25101 County Subdivision Tables)

This situation impacts existing PNS workers and other households in the region. It also creates a challenge for the potential to attract new workers to PNS who may be reluctant to relocate to an area with existing housing affordability issues.

5.1 Existing Housing Characteristics v. Housing Needs

In total, there are 13,683 existing PNS households that are living in housing that would not be considered generally affordable (Figure 5-3). While some of those households may be able to afford that housing through use of existing savings or other methods, that number clearly indicates an existing affordability issue in the study area. PNS workers are likely significantly affected by this existing situation.

This affordability challenge, while extant in the entire region, is more of a challenge in some communities than in others. Renters in York and North Berwick, for example, generally have more affordability challenges than those in other communities such as Wells and South Berwick. Similarly, owners in York and South Berwick generally have fewer affordability challenges than those in Kittery or Biddeford. However, given the regional nature of the housing market, the overall study area affordability challenge is probably the most relevant data here. Only long-term home owners with reasonable mortgage costs are immune from this challenge.

Figure 5-3. Housing Under Construction in Southern Maine (2021)



What is “Housing Affordability”?

Housing affordability is generally defined as the ability to spend 30 percent or less of a household’s income on housing expenses. For an owner, these expenses can include a mortgage, insurance, taxes, utilities, and any relevant mortgage insurance. For a renter, these expenses can include rents, renter’s insurance and utilities. While transportation costs are not generally included in the package of housing costs, there is some argument that saving rent by moving farther from your place of employment may not actually reduce your housing costs, as the increased cost of your commute may eliminate any direct housing cost savings. However, for the purposes of this analysis we are following the general practice of not factoring in transportation expenses as we measure housing affordability.

Some of the major contributing factors to this existing affordability challenge, some of which are outlined later in this study, include:

- Limited land for development;
- Limits related to septic and well provision;
- Local regulatory barriers to development;
- Building code requirements;
- Limited financing tools for innovative housing forms; and
- Competing uses for land and existing housing.

5.2 Housing Needs of an Expanding PNS Workforce

PNS estimates that it will hire an additional 500 new employees over the next several years. One challenge for expanding the workforce will be finding available housing. As documented above, there is already an existing housing supply and affordability challenge. Housing up to 500 new households will be an additional challenge beyond the ongoing need to house current worker households

Of those 500 new employees, it is estimated that 223 new households will seek to live in the study area. This is based on the current residence patterns of PNS workers between New Hampshire, Maine, and Massachusetts.. That number can be further broken down by community based on the places of residence of existing workers’ households. This breakdown is shown in Table 5-2, below, which also further breaks down the new employees by expected income levels.

Table 5-2. Expected Places of Residence of Projected New PNS Workers by Income

Municipality	% of total workers in study area	New Employees Expected	New Employees <\$70K	\$70-\$110K	>\$110K
	Percent	Number	Number	Number	Number
Berwick	13.0%	29	10	14	5
Biddeford	5.6%	13	5	5	2
Eliot	10.6%	24	8	11	5
Kittery	13.2%	30	12	13	5
Lebanon	9.6%	21	8	11	3
North Berwick	6.8%	15	5	8	2
Sanford	16.3%	36	17	16	4
South Berwick	10.9%	24	8	11	6
Wells	8.1%	18	6	8	4
York	5.7%	13	4	5	4
TOTAL	100.0%	223	83	101	39

Source: AECOM estimate, 2023.

While this is a rough estimate, as some of these new employees will already live in the region and some of the employees may share households, it shows additional pressure on the existing housing markets in the study area. Approximately 83 new housing units will be needed for employees earning less than \$70,000 a year, and an additional 101 new housing units will be needed for employees earning between \$70,000 and \$110,000 a year. These brackets correspond roughly to households at or below 80% of Area Median Income and households earning between 80% and 120% of Area Median Income.

According to PNS, most of the new employees are expected to be hired in positions such as Welders, Pipefitters, and similar positions. These positions start at the WG-05 Step 1 level, currently \$21.34 an hour. Over the course of four years, most of these new employees will progress through apprenticeship programs and attain WG-10 Step 3 levels, currently \$30.42 an hour. A smaller number of the new employees will be engineering personnel starting at GS-05 or GS-07, with starting salaries currently at \$42,404 for GS-05 Step 1 and \$52,527 for GS-07 Step 1. These positions can advance to higher GS levels over the course of their first year at PNS as well.

This qualitative information suggests that even more of the new employees will be in the category of earning less than \$70,000, at least for their first few years. For this reason, the need for housing that is affordable at or below 80% of Area Median Income is likely higher than as shown in the table above.

5.3 State of Maine Housing Needs Production Study

In October 2023, the state released a statewide housing production needs study that was one of the directives of the state legislature as part of the LD2003. This study was a joint effort between MaineHousing, the Governor's Office of Policy Innovation & Future (GOPIF), the Maine Department of Economic and Community Development (DECD), and a broad group of stakeholders.

This study broke the state into three geographic areas, of which the study area is in the "coastal region" that continues up the Maine coast from the New Hampshire border past Acadia National Park, and inland including most of York County. That region was determined to have annual projected need to produce between 5,100 and 5,500 housing units. For context, the five-year average from 2016 to 2021 was 3,400 units permitted a year. York County was broken out in some of the analysis as well, and determined to need between 10,100 and 11,100 new housing units by 2030.

This study had the following state-wide findings:

- While trends vary across the state, homes are becoming less affordable and harder to find in Maine.

- Recent demand-side drivers, including sudden in-migration during the height of the Covid-19 pandemic and a declining labor force from aging households, are impacting the number of homes Maine needs.
- At the same time, Maine's population is aging, resulting in a declining labor force.
- In order to fill the job vacancies created by increased retirement, Maine will need to bring in workers from out-of-state, who will in turn require additional homes to live in.
- Maine has also had low housing production relative to job growth across all regions, but particularly in the Coastal Region, which is a key measure of housing supply issues.
- Consistently high demand for seasonal homes means that Maine has historically required a higher number of homes relative to the number of year-round residents and available jobs than states with lower seasonal demand.
- As a result of low production, reduced rental housing and an aging housing stock, the availability of homes is declining and prices are increasing, making it very difficult to access and afford homes and fill job openings in some parts of the state.
- These issues face both renters and potential homeowners.

While the scale of this study makes it difficult to apply it to the study area in this report, the findings generally confirm the housing need in York County.

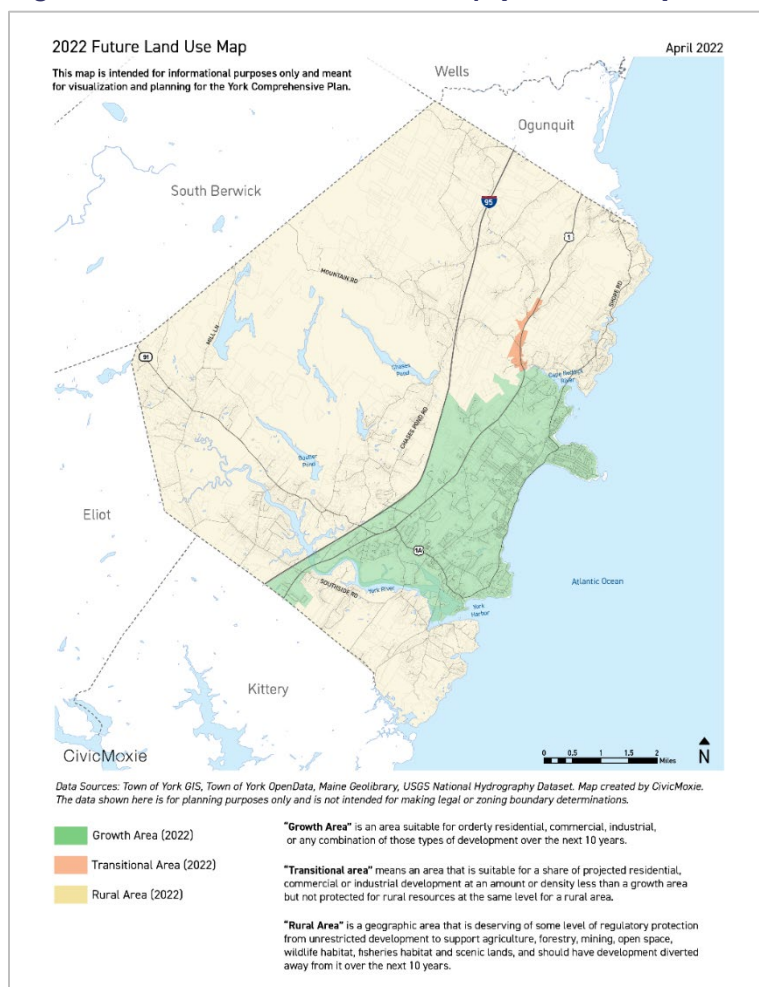
6. Local Housing Actions

Municipal land use codes outlined earlier describe how housing is currently regulated in the region. In addition, most of the communities in the region also have local comprehensive plans that set forth housing goals and policies based on future need. While land use codes are supposed to be consistent with these plans, often there is a lag between completing a new plan and updating land use codes. In addition, there are times when local legislative bodies decline to update their zoning and subdivision laws to align with comprehensive plans, even though in theory such an inconsistency does not meet state laws.

6.1 Comprehensive Plans and Housing

The local comprehensive plans are worth exploring as aspirational documents. They express common themes on housing and provide some documentation as to overall need. In total, nine of the ten communities have comprehensive plans, and most of those plans were completed in the past few years. These plans contain future land use maps that are intended to guide future development, as well as housing inventories and goals. They also contain policies and strategies designed to implement those goals and guide development as outlined in the future land use map. York's recent future land use map is shown above as an example. These growth areas are going to become particularly relevant as new state housing and zoning laws take effect, as outlined in next section.

Figure 6-1. 2022 Future Land Use Map (York, Maine)



Source: Town of York Comprehensive Plan

6.2 Common Themes

Most of the local comprehensive plans acknowledge affordability challenges in their communities, as well as an overall supply shortage. Communities generally are seeking to see any multifamily development concentrated in their growth areas and are looking to limit housing development in rural areas. Some communities are interested in seeing more housing development than others. However, they generally acknowledge the links between housing, economic development and livability, even if they differ on the details of how to address the issue.

LOCAL COMPREHENSIVE PLANS' HOUSING ACTIONS – A SAMPLE

- Continue to re-examine growth area land use regulations to increase density and decrease lot size, setbacks and road widths to encourage the development of affordable/workforce housing. (Biddeford)
- Revise zoning language to allow multi-family housing in more locations. (York)
- Provide incentives and zoning for smaller starter homes (ownership and rental) (York)
- Reduce land area per dwelling unit requirements for multifamily housing. (Kittery)
- The Municipality should provide for a variety of housing types, single family and multifamily, within the community, including differing housing densities in appropriate areas of the community. (Sanford)
- Ensure all Ordinances comply with all existing and new State laws, including LD2003. (Berwick)
- Evaluate allowing two Accessory Dwelling Units per lot. (Berwick)
- Encourage and promote efforts to support the creation of adequate workforce housing that will support the community's and region's economic development. (Wells)
- Review the zoning and subdivision regulations to determine their potential impact on the supply of workforce housing, including homeownership and rental housing and revise as needed to meet the state requirements for addressing the affordable housing need in South Berwick in the next decade. (South Berwick)
- Encourage the development of affordable housing. Regularly review municipality-owned property in the village and growth areas to determine their usefulness for an affordable housing venture and look for inexpensively priced housing, such as foreclosed properties. (North Berwick)
- Expand water and sewer lines through the Rte. 236 corridor and into the village area as described in the future land use section. (Eliot)

6.3 Limits to Development

There are a number of limits to housing production in the region, some natural and some artificial. Challenges to housing development in the region include the following:

- **High construction costs:** The cost of labor and supplies in York County is comparable to the costs in the Greater Boston region. These high costs make it difficult to justify producing new housing without public subsidies, especially at levels that might be affordable to those at or below the area median income.
- **Lack of suitable land:** The buildable land in the region is limited by existing development, environmental constraints, and infrastructure limits. Areas without centralized water or sewer systems cannot handle significant housing development without advanced septic systems, which add additional costs.
- **Regulatory limits:** As outlined earlier, there are many local constraints on housing development even when the land may be suitable and construction costs can be contained. Many communities zoning for large-lot development and, if they permit multi-family housing or accessory dwelling units, impose additional constraints that make housing development infeasible.
- **Regulatory uncertainty:** In some cases, local land use codes may provide a feasible option for housing development but require local review processes, such as site plan review or a conditional use permit. These review processes are generally well-intentioned and designed to provide for public feedback and a way to address technical details. However, in as much as they provide a chance for a housing development to be significantly delayed or denied, they drive up the cost of development as well as the risk that a developer will devote significant time and money towards soft costs, only to end up with an economically infeasible project.

Climate Change and Coastal Flood Risk

While it is necessary to develop additional housing in the Study Area, new development should consider the current and future risks of climate change. Many of the towns in the Study Area are located along the shoreline and are vulnerable to sea-level rise, increased precipitation, and severe storm events. These risks can lead to both immediate and long-term impacts on housing infrastructure, including direct damage from flood events, increased maintenance costs, and decreased property values in high-risk areas. Many towns in southern Maine are working together to develop robust Climate Action Plans, including Kittery, Biddeford, Kennebunk, and Kennebunkport. While still in development, these planning efforts will likely recommend:

- Allowing increased density in areas with existing infrastructure and amenities
- Discouraging development in flood-prone areas
- Requiring that future coastal development and redevelopment be climate resilient and energy efficient.

These recommendations are in-line with the State of Maine's "Maine Won't Wait" Climate Action Plan, which aims to reduce greenhouse gas emissions and supports policies that encourage development in pedestrian-friendly downtowns and villages.

6.4 Developer Perspectives

Developers that have looked at this region, as well as Maine generally, have emphasized these four limits as reasons why they might not seek to build housing to serve PNS workers. They note that there are areas, such as Greater Boston or the Portland region, where there are the same or fewer impediments to housing development and the same construction costs. For this reason, they are more likely to seek to develop in those areas rather than near the Shipyard due to comparable construction and land costs but higher overall returns for multifamily housing products.

They suggest three ways that housing development could be made more feasible near the Shipyard:

- **Land:** Public entities such as municipalities, state or federal agencies could offer land for development at below-market costs. This land cost reduction would help make housing development near the Shipyard more feasible, especially at the price points that most shipyard workers would find affordable.
- **Financial Support:** In addition to, or instead of, offering land, public entities could offer direct support to development. Local governments could offer Affordable Housing Tax Increment Financing as a credit-enhancement tool. Housing Trusts, on the local or regional level, could be used to help capitalize housing development. Federal and/or state agencies could develop tools to reduce the cost of capital or reduce the risk associated with borrowing for construction.
- **Regulatory Changes:** Local governments could reduce unnecessary regulatory barriers, such as low-density zoning or extensive requirements for multi-family housing. By doing so, they could reduce the cost and risk of development at almost no public or private expense, simply by adding development potential to the limited existing land. While removing these barriers will not guarantee that development will occur, it will remove a significant barrier to doing so. In addition, it will send a message to housing developers that a variety of housing stock is welcome in the community, which will encourage developers to take a closer look at building there.

Figure 6-2. Housing in Southern Maine (2021)



Source: Levine Planning Strategies

7. State and Federal Housing Actions

7.1 LD2003

In 2022, the state passed a series of amendments to state law designed to increase housing opportunities by changing the ways in which municipalities can restrict housing development through zoning. This series of amendments, collectively referred to by its legislative tracking name of “LD2003” was based on the recommendations of a legislative commission that met in the fall of 2021 to recommend ways in which regulatory barriers to housing production could be removed, while preserving local ability to create land use plans and protect sensitive resources.

While not all the commission’s recommendations made it into the final bill, it includes several changes to what zoning may restrict in the state. These changes were initially intended to be effective by July 1, 2023. However, in 2023, the legislature passed LD1706, an extension to the effective dates, giving some communities until December 31, 2023 and others until July 1, 2024.⁸

Figure 7-1. Overview of LD2003



Source: "LD 2003 Guidance," Maine Department of Economic & Community Development, February 2023

⁸ Specifically, the implementation date for much of LD2003 was extended to January 1, 2024 for “municipalities for which ordinances may be enacted by the municipal officers without further action or approval by the voters of the municipality” and July 1, 2024 for all other municipalities, such as those with Town Meeting.

LD2003 consists of several sections, but the most relevant three portions are as follows:

- **Multifamily by Right:** LD2003 amended 30-A MRSA §4364-A to require that communities allow more than one residential unit on parcels where zoning permits housing. Municipalities must allow two units on such parcels outside designated growth areas in their Comprehensive Plans, and four units on such parcels in their designated growth areas. These additional units may have some additional dimensional requirements, but not as many as were permitted prior to passage of LD2003. For example, a municipality can require that the size of a lot be larger for multiple housing units. However, the increased sizes of lots are now restricted so the additional lot size required for second, third, or other multiple units cannot be larger than the size required for the first units (see the chart below.) Source: "LD 2003 Guidance," Maine Department of Economic & Community Development, February 2023
- **Accessory Dwelling Units (ADUs) Permitted:** LD2003 requires that all municipalities permit Accessory Dwelling Units, sometimes called in-law apartments or “granny flats,” on single-family homes in all areas where housing is permitted. Municipalities may place some restrictions on ADUs, but those restrictions are limited. For example, the parking requirement for a single-family home plus an ADU may not be more than the parking requirement for the single-family home.

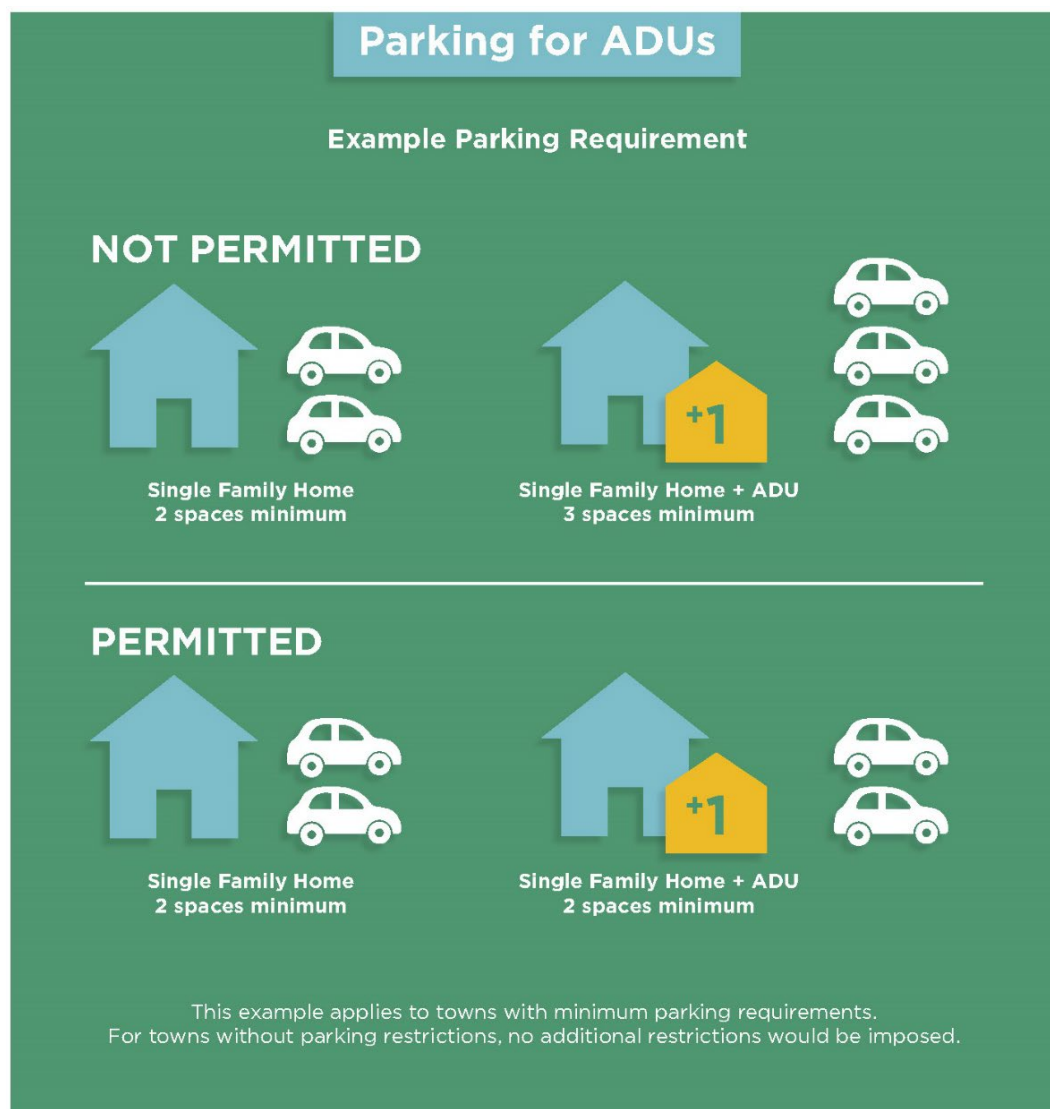
Affordable Housing Incentives: LD2003 requires municipalities to have density bonuses in their zoning for any housing meeting certain affordability restrictions on any parcels in growth areas that permit multifamily housing. In order to be eligible for these bonuses, at least half of the units in the development must be restricted so that they are affordable to households making no more than 80% of the Area Median Income (AMI) in the applicable area. For reference, AMIs that apply in the study area are listed below. The units must both restrict the cost of the units (rents or sales prices) and also the maximum incomes of households when they first take occupancy. These restrictions must be in place for 30 years.

Figure 7-2. Overview of LD2003 Accessory Dwelling Unit Lot Size Provisions



Source: LD 2003 Guidance, Maine Department of Economic & Community Development, February 2023

Figure 7-3. Overview of LD2003 Accessory Dwelling Unit Parking Provisions



Source: "LD 2003 Guidance," Maine Department of Economic & Community Development, February 2023

A development that meets these requirements will be eligible to build up to 2.5 times as many units as might otherwise be permitted on that lot. In addition, parking requirements for the development may not be more than two spaces per three units.

LD2003 does not limit the ability of local governments to enforce shoreland zoning requirements, create and enforce limits on lot sizes based on requirements for septic system designs, or to make other local ordinances clearly related to public health requirements. However, municipalities must otherwise bring their local zoning ordinances into compliance with LD2003 by the implementation dates in the law.

Figure 7-4. Overview of LD2003 Options for Building on Empty Lots and Lots with Existing Homes



Source: "LD 2003 Guidance," Maine Department of Economic & Community Development, February 2023

7.2 Housing Opportunities Program

At the same time as LD2003, the Maine Legislature also created and funded the Housing Opportunities Program (HOP.) This program, outlined in U-1. 5 MRSA §13056-J, provides funding to communities that seek to make proactive plans for housing production, as well as to make their local ordinances consistent with LD2003. Specifically, HOP:

- Provides technical assistance to municipalities to support housing development, including support with municipal ordinance development to comply with P.L. 2021, ch. 672 (LD 2003);
- Provides funding to service providers and municipalities to support municipal ordinance development, planning board and public processes in communities to increase housing opportunities;
- Provides information to the public about housing development and opportunities; and
- Establishes statewide housing production goals.

The Department of Economic and Community Development is currently providing grant funding for service providers such as Regional Planning Agencies, as well as to local governments, to support ordinance development, housing planning, and implementation of housing plans. The Department will also be providing direct technical assistance to share best practices and help with ordinance development.

In addition, there is direct funding for municipalities to receive reimbursement for some of the costs associated with implementing LD2003. Eligible municipalities can receive up to \$10,000 in reimbursement.

Finally, the HOP expects to offer direct grants to municipalities for housing planning and implementation in 2024.

7.3 Federal Actions

Federal actions on housing policy have generally been focused on financial support for housing production, primarily at below-market rents or sales prices. Currently there are three primary potential federal sources of funding, two of which are routed through MaineHousing:

- Long time funding for housing has been provided to MaineHousing and to a limited number of “entitlement” communities in Maine through the HOME program. That program funds housing that is affordable at 60 percent of area median income or below.
- Federal Low Income Housing Tax Credits provide a layer of financing support for affordable housing development, again through MaineHousing. MaineHousing determines which projects in the state are eligible for Tax Credits through their Qualified Allocation Plan, which sets forth a scoring system for developments and funds the highest scoring projects. The State of Maine has also added a state-level Low Income Housing Tax Credit in the past few years, which is used to supplement the federal Tax Credit program.
- Finally, the \$1.9 trillion American Rescue Plan Act (ARPA) has provided funding directly to communities and states for a variety of programs designed to help recovery from the COVID-19 pandemic. The Maine State Legislature allocated \$50 million in ARPA funds towards workforce housing. In addition, the City of Sanford and York County have allocated portions of their ARPA funding for housing-related initiatives.

8. Action Recommendations

The study area has an existing challenge in terms of housing supply and affordability. A thriving and expanding PNS will depend on helping address that existing challenge, and the welcome challenge faced by a growing PNS workforce as well. The following recommendations may help address this challenge in the coming years.

8.1 Recommendation #1: Make it easier to build in the region

Municipalities, regional agencies, and the state should work together to make the provision of new housing at various price points less risky by reducing and even eliminating some current barriers to production. The requirements of LD2003 are a good starting point for these actions. However, communities may have to go farther than simply meeting the minimum requirements of LD2003 in order to address this challenge.

Specifically, the following changes should be considered in local zoning requirements:

Housing Density

- Municipalities should allow multifamily housing (two to four units) in all residential zones.
- Municipalities should avoid increasing dimensional requirements for multifamily housing, such as requiring larger lots for additional units and requiring significant additional off-street parking.

Accessory Dwelling Units

- Municipalities should allow ADUs by right and without onerous additional dimensional requirements.
- Municipalities should eliminate requirements for owner occupancy & occupancy by relatives for ADUs. These restrictions have significant dampening impacts on ADU construction.
- Municipalities should remove maximum ADU size requirements and allow them to be as large as primary units on a parcel when possible.

Regulatory Changes and Information

- Assist development – especially by homeowners and small-scale developers – by simplifying codes, and providing public information on their regulatory processes, to ensure that homeowners and small buildings can avail themselves of opportunities to produce housing.
- In order to protect sensitive areas and aquifers, housing production should be limited by public health and environmental limits based on sciences. These protections should be in shoreland zoning and public health ordinances when applicable.

8.2 Recommendation #2: Provide support for housing production

Municipalities, regional agencies, federal agencies, and the state should work together to create new ways to directly promote new housing production. Existing financing tools are a start, but there are more steps that can be taken to fund and provide land for housing in the study area.

Specifically, the following steps should be taken:

Housing Finance

- Federal agencies such as the U.S Department of Housing & Urban Development, and U.S. Department of the Treasury, should work with local lenders to create financial sources for gap financing for housing production intended for federal workers. This approach could be modelled on the "soft second mortgages" or First Time Homebuyer programs offered by some state Housing Finance Agencies, who work with local banks to develop mortgage products at lower interest rates and/or requiring smaller down payments. "Soft seconds" are second mortgages that provide funding beyond what a buyer could otherwise qualify for, in the form of a second mortgage on the property. First Time Homebuyer Programs offer lower interest rates and other favorable conditions for new buyers. In both cases, the risk to the bank is reduced by some level of public guarantee, as well as in some cases the willingness of the bank to provide such products as part of their Community Reinvestment Act programs.
- Municipalities and regional agencies such as SMPDC should explore creation of Housing Trust Funds to provide local sources for affordable and workforce housing
- Municipalities should use Affordable Housing Tax Increment Financing as a tool to reduce operating costs for developers of below-market housing in their communities. Doing so will also have the benefit of potentially giving this housing additional prioritization for Low Income Housing Tax Credits through MaineHousing
- There are a number of proposals in the state legislature to fund housing development. Any of these proposals are approved should be utilized as much as possible in York County to serve the needs of the PNS workforce.

Housing Trust Funds, Land Banks and Land Trusts for Affordable Housing: Common Questions

Government and non-profit organizations can give affordable and workforce housing – and even market-rate housing- a boost through three common tools. These tools are often confused with each other, as well as similar tools used for land conservation:

- Housing Trust Funds, sometimes called Housing Trusts for shorthand, are essentially bank accounts created to provide financing support for housing development through loans or grants. The housing itself is generally created by private or non-profit developers. These funds can be capitalized through local appropriations, grant funds, or mitigation for other location development, among other sources.
- Land Banks can acquire property and prepare it for redevelopment for housing or other uses. These land banks can access grant sources to clean up brownfields (contaminated sites) or otherwise address issues that are keeping these pieces of land off the market. Generally the actual redevelopment of these sites are done by other parties, including private developers and non-profits. The City of Sanford has had a Land Bank Authority
- Land Trusts are organizations that own land for the long-term on which affordable or workforce housing is built. By retaining ownership of the land, these Land Trusts can both ensure that affordability requirements will remain for units on site, and also reduce the cost of that development by providing access to the land at below-market rates.

The details of these tools differ from place to place. One of the strengths is that they all can be modified to meet local needs. Recent state legislation (LD1694) has encouraged use of Land Banks, in particular, to expedite redevelopment of challenging properties.

HOUSING TRUST FUNDS

A housing trust fund can provide a dedicated source of funding to leverage other investments in housing production. One of the oldest municipal housing trusts in the country is in Brookline, Massachusetts, where a housing trust has been in existence since 1998.

Brookline's housing trust fund is capitalized from a variety of sources. It is overseen by a Housing Advisory Board, which consists of housing professionals and residents of below-market units, with final funding decisions made by the Municipality's Select Board. The trust fund allows the Municipality to invest in housing that may not be eligible for other sources, as well as to allow for additional community amenities that may not be eligible for other funds.

The Brookline Housing Trust has collected over \$12 million since its inception, and spent about \$9 million on developments. It has contributed to local control over new below-market developments, and contributed to developing 538 units in a very expensive community. Most housing trusts are far more modest, but still address a local need to leverage and influence housing production.

Some communities in Maine have also created housing trusts or similar tools. Portland has a housing trust that has been used for over a decade. Smaller communities including Scarborough and South Portland have created, or are exploring using, housing trusts. Brunswick recently allocated \$1 million towards a new housing trust, from a combination of one-time revenue, Tax Increment Finance funds and a grant from MaineHousing.

AFFORDABLE HOUSING TAX INCREMENT FINANCING

Affordable Housing Tax Increment Financing (AHTIF) is authorized in Maine under 30-A M.R.S. §5221 et seq. and 30-A M.R.S. §5245 et seq. Unfortunately, it is often the subject of some confusion. It is sometimes seen as a way that a community gives existing tax revenue to housing developments, when those tax revenues might otherwise help pay for schools or public services. This result is possible if AHTIF is not used thoughtfully. However, in most cases, AHTIF can be a win-win, where a community collects more tax revenue than it might otherwise collect, and a development gains much-needed operating expenses.

AHTIF is best used when a project would not be feasible without it. In that case, the community is not giving up existing, or even potential, tax revenue. The tax revenue captured would not exist without the use of the tool, because the project would not go forward. Even in that case, the community often keeps some percentage of the new revenue.

Use of the AHTIF tool also gives projects a leg up in seeking Low Income Housing Tax Credits by providing "points" for local funding of a project. Communities such as Portland have used this method to provide affordable housing developments in their communities points in a very competitive MaineHousing selection process.

AHTIF has been successfully used in many Maine communities since the creation of the tool 20 years ago, including Biddeford, Bath, Lewiston, Old Orchard Beach and Cumberland.

Land to Build On

- Federal land should be surveyed and, if appropriate, offered to developers for housing production for federal workers. The model of Acadia National Park directly producing housing for seasonal workers should be studied and replicated for year-round PNS worker housing.
- Local governments should inventory available land and offer surplus land for workforce housing
- Municipalities and regional agencies should explore creation of Land Banks to expedite redevelopment of underutilized properties for housing development by Community Land Trusts or other housing developers
- Municipalities should leverage sources to fund cleanup of contaminated sites – also known as “brownfields” – to help fund affordable and workforce housing development. Local governments should inventory available land and offer surplus land for workforce housing. The City of Portland, Maine conducted this exercise in recent years and identified parcels that it then offered up to affordable housing developers, including a surplus parking lot downtown and part of a piece of land that also included areas to remain undeveloped for watershed protection purposes.
- A model where federal agencies help directly support housing production should be studied for year-round PNS worker housing.

The Case of Acadia National Park

Acadia National Park has received federal funding to design a development for up to 60 workers on a three-acre parcel owned by the Park. The parcel on Hayden Farm Road is located near downtown Bar Harbor and a park entrance. Acadia staff have estimated they will need up to 150 new beds for park employees, shuttle drivers, and Friends of Acadia workers.

According to the Bangor Daily News, “Earlier this year, Friends of Acadia bought the Kingsleigh Inn in Southwest Harbor as part of a broader strategy to help Acadia address the lack of housing on Mount Desert Island by converting the inn to workforce housing for Acadia’s seasonal employees. At that time, Superintendent Kevin Schneider said the park wasn’t able to fill all of its available seasonal positions last year, largely because of the lack of housing options in and around Acadia.” (Acadia to commission design for workforce housing development, Bangor Daily News, 6/6/23.)

The concept of providing housing to workers on-site has long been a part of military operations, as well as for some National Parks. Acadia is now expanding that effort to include off-site locations.

8.3 Short Term Actions

These recommendations can start with the following short-term actions:

- The **Southern Maine Planning & Development Commission** should explore how best to advance the Housing Trust and Land Bank concepts in their service area. This may involve technical assistance and grant writing for municipalities that wish to create their own trusts, or development and capitalization of a regional Housing Trust.
- The **Southern Maine Planning & Development Commission** should work with municipalities to increase the amount of land available in the region that is served by water and sewer systems.
- **Municipalities in the study area**, in particular Kittery, Wells, and York, should implement zoning ordinance amendments that loosen restrictions on multifamily development and ADUs and address code-related challenges to housing production.
- **Federal Agencies such as the U.S. Department of Housing & Urban Development, and U.S. Department of the Treasury**, working with the Portsmouth Naval Shipyard and regional partners, should work on behalf of PNS with local banks and MaineHousing to develop financing tools that will assist workers in renting or buying homes in the region. These may include low-interest loans or grants for security deposits and last month’s rent, as well as developing mortgage products that help close financing gaps through subsidizing interest costs, eliminating Mortgage Insurance requirements, and providing security for lenders who may not otherwise qualify for mortgages.