

View From the Front Porch: Challenges and Opportunities

The turmoil in the real estate market nationwide has not skipped Maine or the Mount Desert Island area. Foreclosures are up, residential sales are down and there clearly has been some softening of prices in the local real estate market. While this is probably bad news for the local economy overall, it might be good news for some moderate income households searching for a house they can afford to buy. But that good news is tempered by the fact that there are still only few such homeownership opportunities and few, if any, are in a range that most middle income households can afford.

A recent search of residential properties for sale on the Multiple Listing Service and the real estate website, Trulia.com, show that while there are a few homeownership opportunities in the \$150,000-\$250,000 range on MDI, many of those are one-bedroom condominiums or older buildings in need of significant upgrades. While one-bedroom condos may work well for a working individual or couple with moderate annual household income, they would not be adequate for most small families. A check of land prices show that most lots are still running in the six-figure range, which means that they are not generally affordable to moderate-income working individuals or families.

On a regular basis, I talk to working individuals and families who are looking for a year-round homeownership opportunity on MDI. With tightened loan qualifications standards, some cannot get qualified for a mortgage loan because of too much personal debt or because of less than stellar credit ratings. Some, who may be well-qualified financially to obtain a mortgage loan, are not sold on the idea of permanent affordability. They're hesitant to purchase a residential property that carries affordability covenants and that would limit their return on investment at the time of resale of the property so that it remains affordable to moderate income households well into the future. These folks prefer to wait until a market-rate homeownership opportunity comes along. Unfortunately, those market-rate opportunities most often occur off-island, meaning those moderate-income households will not be counted among those on MDI. Of course, the more this dynamic occurs, the fewer working individuals and families who are employed on MDI will actually reside here. And that is a dynamic that spells trouble for the viability of the year-round villages.

Further complicating this dynamic is the actual and potential loss of employment at Island businesses and institutions that is temporarily shrinking the pool of those seeking year-round housing. We hope, of course, that the current recession will reverse course sooner than later, but, in the interim many of those who might normally be seeking to buy a house have delayed that search pending the economy's rebound.

Yet even as the current downturn endures, there are some prospective buyers who have bought into the concept of long-term affordability of homeownership opportunities for working households on MDI. Two of them are now occupying the first modest-sized, energy-efficient houses built at the Ripples Hill workforce housing development in Somesville. Another couple lives in a year-round residence in Bar Harbor near King's

Creek that can now be counted in the stock of permanently affordable moderate-income housing. And yet another couple is currently pursuing purchase of a vacant parcel of land owned by Island Housing Trust in Somesville that they will develop into a permanently affordable, single-family residence. An attribute that is shared by all of these new homeowners and prospective homeowners is a commitment to the MDI community at large. It is this commitment that will help sustain our year-round communities in the challenging times ahead.

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