

# MAINE STATE LEGISLATURE

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353 WATER STREET  
AUGUSTA, MAINE  
04330-4633



 **HOME**  
**IS WHERE THE**  
**HEART IS**

2007 Annual Report





## Dear Governor John Baldacci and Banking Superintendent Lloyd LaFountain

In the midst of turmoil throughout the financial markets, MaineHousing represents a stable financial institution for both our borrowers and our investors.

If there is a lesson to be learned from the national situation, it is that affordable housing is more than desirable for economic health and stability; it is essential. It reinforces MaineHousing's commitment to invest its resources in ways that help individual Maine families and promote community strength and economic vitality.

To help attain these goals, MaineHousing's accomplishments during 2007 included:

- n Helping Maine homeowners make their homes more energy efficient with the first full year of the agency's new Home Energy Loan Program (HELP), which provides very low interest rate loans to moderate income families

- n Creating more protection for MaineHousing borrowers by developing a new HomeOwnership Protection for unEmployment program
- n Providing low-cost loans to help 961 Maine families buy their first homes
- n Providing grants to repair or improve more than 450 homes of low-income residents
- n Providing heating assistance to 48,000 low-income households
- n Financing development of 185 new affordable apartments for families, 200 new affordable units for seniors, and 42 apartments for people with special needs
- n Providing rental subsidies to 318 people who were homeless—and rental assistance to help 20,000 low-income families and seniors
- n Reducing the energy burden for low-income households by replacing nearly 1,800 energy inefficient refrigerators with Energy Star rated appliances and testing new alternative energy production by using wind turbines, solar, and cold climate heat pumps

Affordable, safe housing is important to Maine, its economy, its communities, and its future. At MaineHousing, that is what we do.



Sincerely,

Dale McCormick  
Director

## Governor's Message to the people of Maine

Affordable housing is central to Maine's economic strength and future and is critically important as Maine confronts the challenges and opportunities ahead of us.

Despite the downturn in the national economy, we must do what we can within Maine to ensure safe, affordable housing for all people and to ensure the continued strength of Maine's housing sector.

That is why I proposed fully restoring MaineHousing's share of the state's housing fund in 2007, and why I proposed using those funds only for housing-related purposes in my 2008 budget.

MaineHousing has taken critical steps to invest its resources in ways that help Maine families, our communities, and our economy.

MaineHousing's investments—in our downtowns, commitment to energy efficient and sustainable building practices, expanded programs to make homeownership more affordable and sustainable for more people, and progress toward eliminating homelessness—provide the foundation of strong Maine communities and a strong economy.



Sincerely,

Governor John E. Baldacci



## A home of their own

MaineHousing enhanced its homeownership program in 2007, making its low interest rates available to more Maine people, developing a payment protection plan for eligible borrowers who become unemployed, and implementing plans to add new no point, low point, and extended term mortgage options in early 2008.

The 2007 program offered some of its lowest interest rates ever (below 5% for much of the year), provided low to no down payment options, down payment and closing cost assistance, and other choices that made homeownership possible for 961 Maine families. MaineHousing sold \$121 million of its housing bonds to finance these homes.

MaineHousing expanded its mortgage offerings to include more people. In addition to first time buyers, MaineHousing mortgages now are available to eligible veterans and active duty military personnel who are buying new homes, even if they are already homeowners.

MaineHousing's foreclosure rate continues to be well below industry norms. To keep it that way, MaineHousing mortgages now come with payment protection for unemployment. If an eligible borrower loses their job, Maine HOPE (Home Ownership Protection for unEmployment) will make four months of mortgage payments.

To help other borrowers, MaineHousing invested in consumer education and credit counseling and expects to provide more such assistance in 2008.

To make MaineHousing's low, fixed rate loans available to more Maine people and to be more competitive with market lenders, MaineHousing developed several new mortgage options for 2008.

# A home that is safe and warm...

## A safe home

Maine has some of the oldest housing in the nation. Much of the older housing is owned by people with limited income who cannot afford the cost of upgrades to make the home safer or more accessible or to make other needed improvements that range from eliminating lead paint poisoning hazards to adding functional septic systems.

MaineHousing provided more than \$6.2 million in grants and low-cost loans to improve over 450 homes in 2007. This included:

- Repairing 164 homes
- Replacing 29 homes that were too dilapidated to repair
- Making 31 homes accessible for people with disabilities and 88 homes accessible and safer for seniors
- Making 127 homes lead safe
- Repairing or replacing 22 septic systems



## A warm and energy efficient home

One of the biggest challenges lower income Maine people faced in the past two winters was the cost of heating fuel. Heating oil at \$2.40 a gallon that seemed expensive in 2006-07 (it cost \$1.39 a gallon in 2004) looked like a bargain in 2007-08, when the cost reached \$3.40 a gallon.

For the average Maine family, heating and transportation costs as a percentage of their income have increased significantly. The situation is more serious for the 48,000 low-income senior and family households that depend on the Low Income Home Energy Assistance Program (LIHEAP) for help—and who have an average annual income of \$13,000.

To provide some relief, MaineHousing worked diligently to secure a discount with oil dealers on the cost of heating oil that they deliver to LIHEAP customers. The agency also worked with Governor John Baldacci and the state's Congressional delegation to secure additional federal LIHEAP funding.

The best way to reduce the cost burden of home heating is to make housing more energy efficient. MaineHousing invested more than \$7 million in home weatherization in 2007 to improve the energy efficiency in over 1,700 homes of low-income

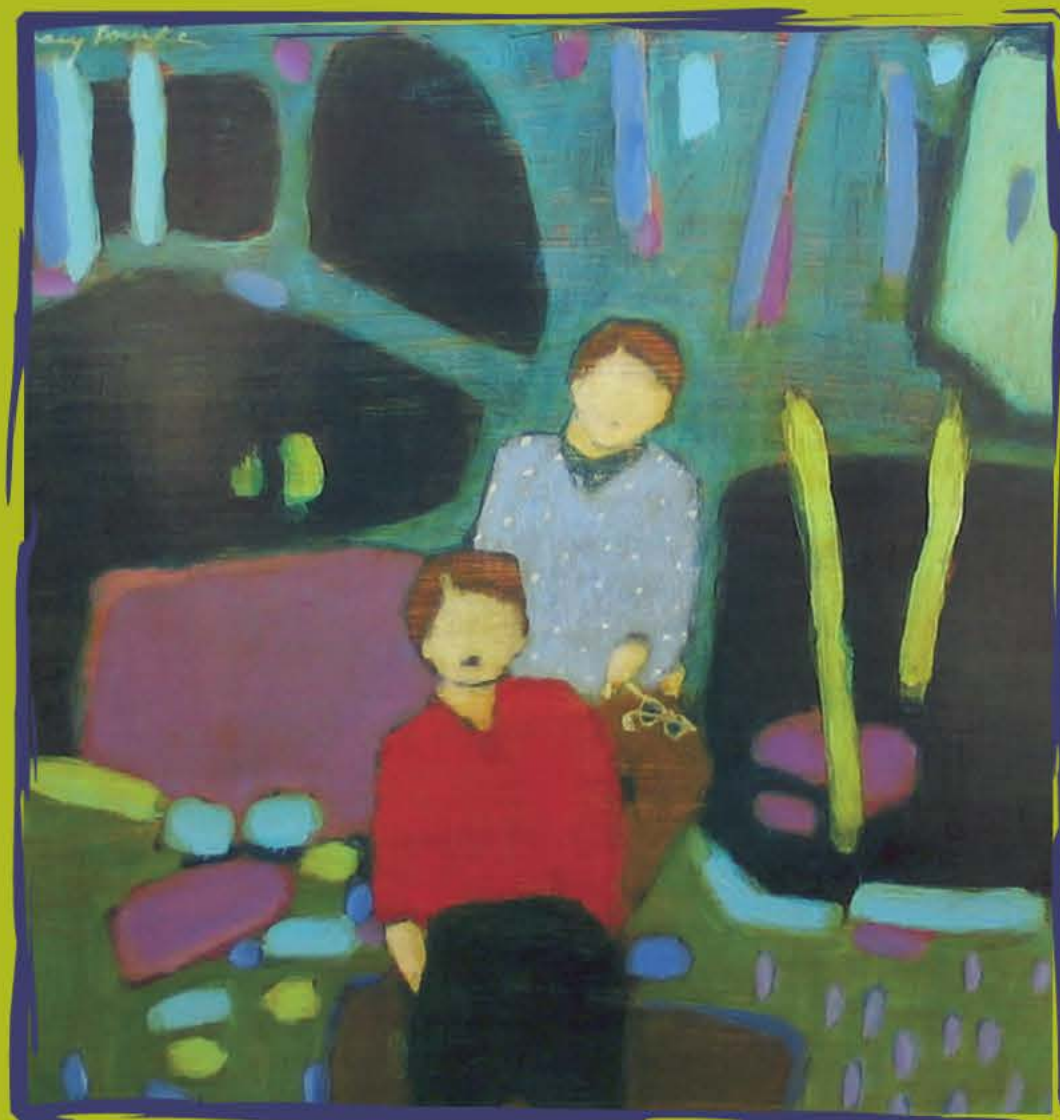
families and replaced inefficient appliances in more than 2,300 homes.

For moderate-income households, MaineHousing's Home Energy Loan Program (HELP) provided 42 homeowners with \$500,000 in low interest rate loans. This program was recognized in 2007 as the top home repair and improvement program in the country offered by a state housing finance agency.

The agency is using a \$1.1 million federal grant to test the effectiveness of alternative energy resources—wind turbines at two homes and an apartment complex, a new type of cold climate heat pump at 140 homes, and solar energy in 16 homes.

MaineHousing extends energy efficiency to new housing development, too. New multi-family rental housing is built to MaineHousing's green building standards, resulting in buildings that are 30% more energy efficient, better for the environment, and healthier for the occupants. Green building standards also apply to new single-family homes the agency finances through its affordable subdivision program.

At other multi-family developments, MaineHousing is testing the effectiveness of solar and wind power generation to reduce the energy burden.



## More apartments that are affordable

MaineHousing financing resulted in an additional 17 affordable housing developments completed in 2007, with 185 family units, 200 senior units, and 42 units for people with special housing needs. Another 42 developments with over 1,000 apartments are underway.

Rental housing funded by MaineHousing responds to a critical need for additional affordable apartments in the state, and it also responds to other long-term state goals.

MaineHousing encourages developers to locate new rental properties in or near downtowns and urban centers. This helps revitalize the center of Maine cities and towns, contributing to increased cultural diversity and preventing sprawl.



MaineHousing also produces housing that responds to specific needs. The 30 units in Iris Park Apartments in Portland, for instance, are designed especially to serve people who are blind. It is one of only two such apartment developments in the country.

The economic activity the new housing developments generate is an important asset for the state. MaineHousing invests about \$40 million a year in construction or rehabilitation of affordable rental housing. The investment ripples through the Maine economy, providing an additional \$26 million in indirect and induced spending, creating over 370 additional jobs (above the 315 created by the direct expenditure), and increasing state and local tax collection by about \$2.9 million.

# From a warehouse... to our house

The Water Street Apartments in Augusta are a prime example of the downtown housing MaineHousing encourages. A former warehouse located in the city's downtown section, the property was converted to 24 units of workforce housing and targets working people earning 60 percent or less of the area's median income.

The apartments were just right for one young couple, Augusta residents Molly and Seif. They had been unable to find affordable housing and had been living with Seif's mother.

"Everything about this place is ideal," Seif said, as he gestured around the one-bedroom apartment on the third floor of the newly renovated building. They like the hardwood floors, the heat and hot water that are included in the rent, and the new appliances. They enjoy the location in the heart of downtown, just a 10-minute walk to a local supermarket where they work.

"We get to be the start of a brighter downtown," Molly added.

The couple says the apartment feels like home. "It's already like a little community here, especially on our floor," said Molly. "We're all friends."

MaineHousing provided most of the funding for the housing and approved an Affordable Housing Tax Increment Financing District for the city to help make the conversion possible.

One-bedroom apartments rent for \$515 a month, while the two-bedroom apartments are \$610. The building is within walking distance of City Hall, a grocery store, and is close to other services in Augusta's downtown. Residents have complimented the building's appearance, and many like the rooftop deck, which overlooks downtown and the river that runs through the center of the city.

Molly and Seif are happy to have a safe, affordable place to live. About the time and effort that went into the new apartment complex, Molly says, "It was worth it."

(based on an article by MaineHousing intern Elizabeth Deprey)





## Keeping housing affordable

One of the most cost-effective ways to provide affordable rental housing is to invest in maintaining existing subsidized housing stock. MaineHousing offers property owners the opportunity to refinance their properties in exchange for extended affordability. In 2007, MaineHousing added 69 years of guaranteed affordability at three existing properties.

MaineHousing oversees the management of 20,000 assisted rental units in the state, including 3,800 subsidized with federal housing choice vouchers.

The apartments generate \$75 million in federal rental assistance to Maine each year, making the housing affordable to the renters and freeing them to use their income for food and other necessities. Over half the residents are seniors living on fixed incomes.

MaineHousing is also investing in making the affordable rental housing in its portfolio more energy efficient, making it more cost effective to operate and maintain over time. For example, more than 2,000 compact fluorescent bulbs were installed in 2007.



## A place to call home

MaineHousing continued its quest to provide permanent housing for more people who are homeless by securing nearly \$10 million in federal Continuum of Care funding and by developing additional permanent housing to help homeless families and individuals secure a stable home.

Long-term housing (with services and support as needed) benefits people who are homeless more than short-term housing in emergency shelters. A MaineHousing-funded study in 2007 found long-term housing benefits taxpayers, too. The study of 100 Portland area people who had been homeless found receiving permanent supportive housing

improved their quality of life, reduced the burden on social, medical, and police services, and saved tax money.

One effective way to transition people who are homeless back to the mainstream is MaineHousing's Rental Assistance Coupon Plus (RAC+) program. It uses housing vouchers to provide stable housing, and program participants commit to self-sufficiency planning. In 2007, MaineHousing provided funding to help an additional 318 formerly homeless people through RAC+. The total number of people assisted over the past three years is 935.



## From no home... to their home

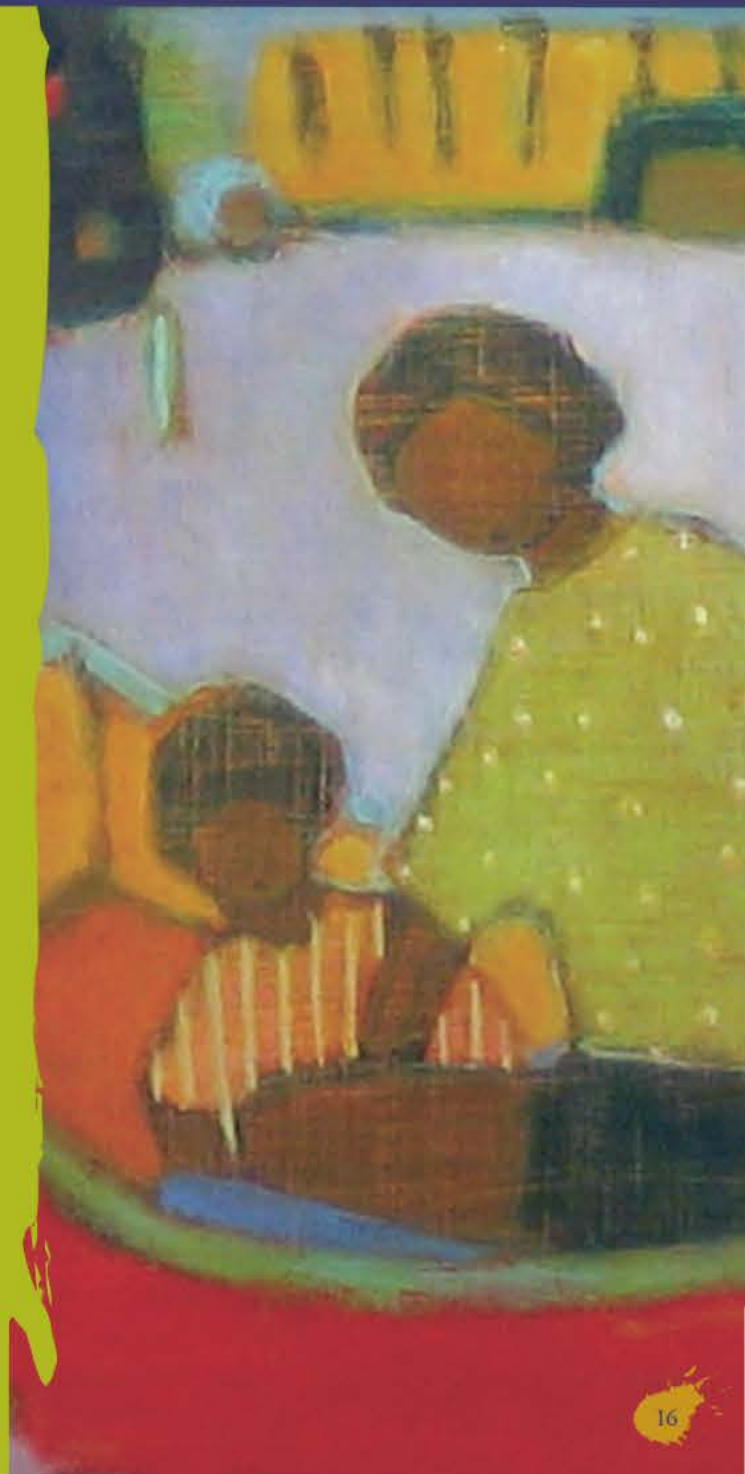
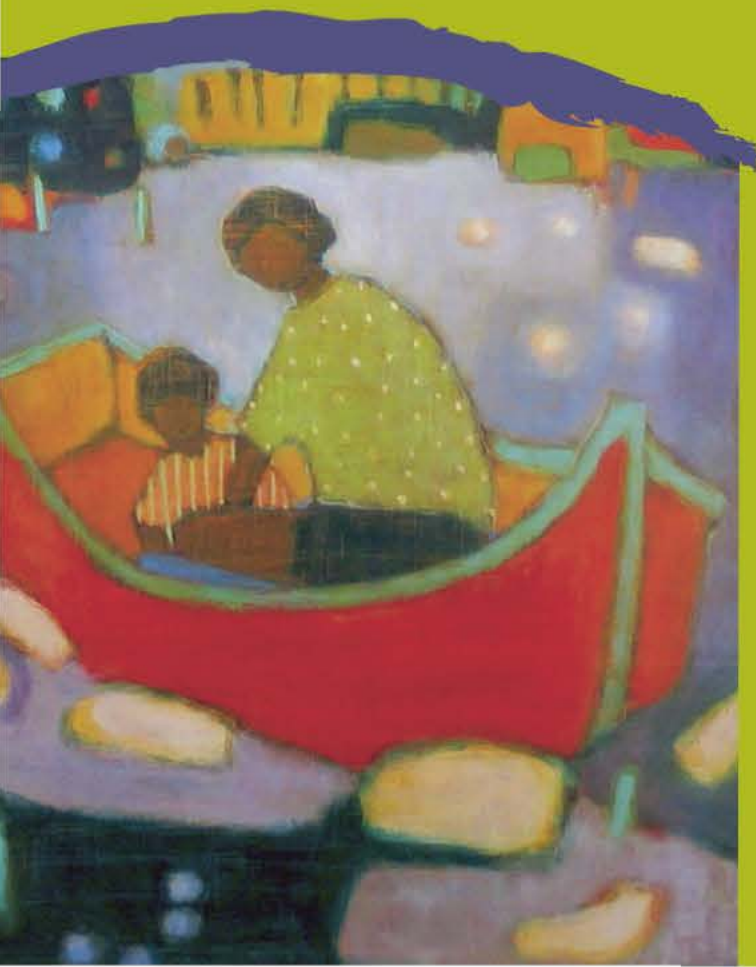
Joan\* recently had been released from a correctional facility and was living in a halfway house when she joined the RAC+ program. She started living in her own apartment and went to work as a part-time cashier at a deli. In the coming months she was promoted to full time, to assistant deli manager, and then to manager. She was reunited with her children (who had been in state custody) and purchased a car. She enrolled in college and took MaineHousing's homebuyer education class. Twenty months after starting RAC+, she bought a home.

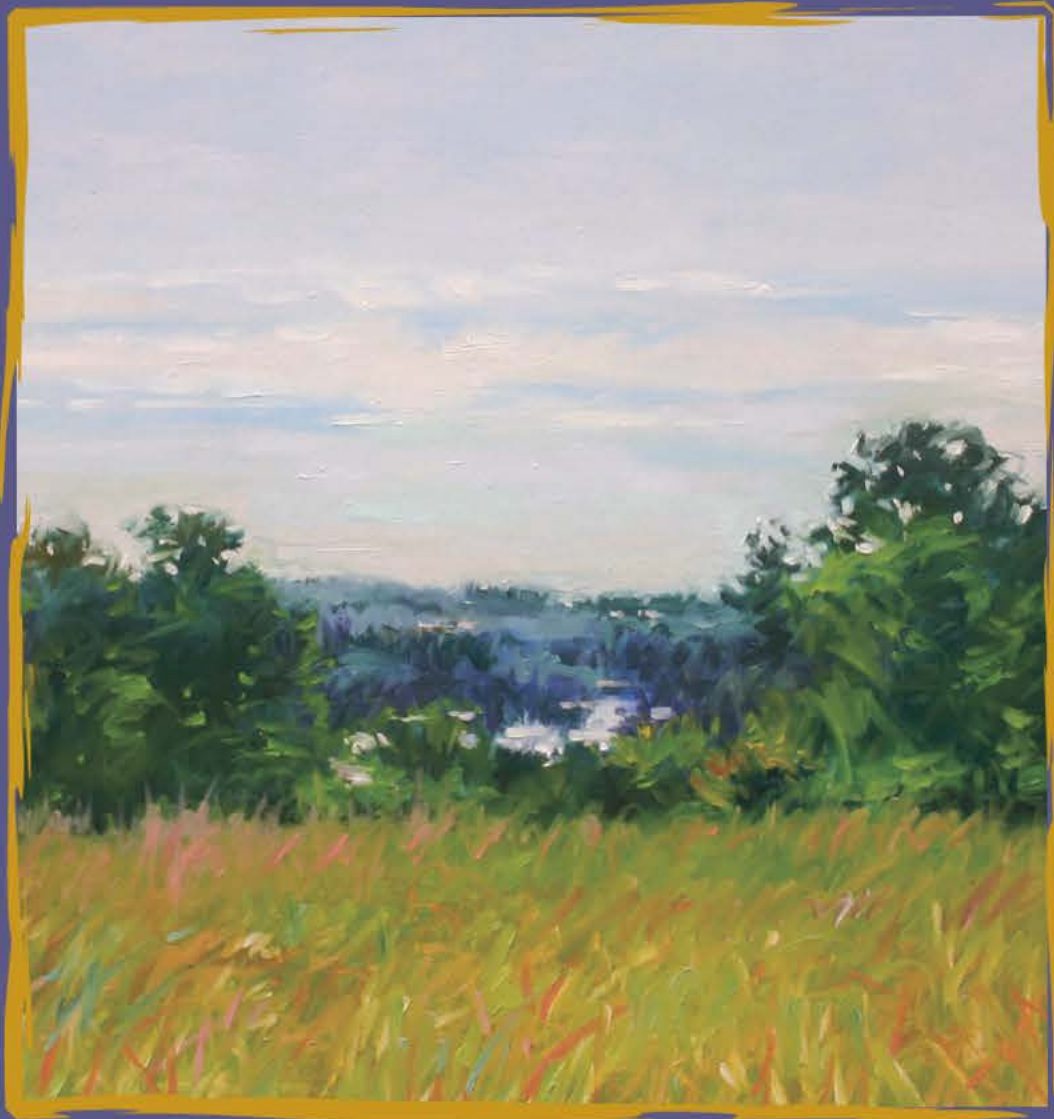
Joe\*, unemployed, suffering from depression and homeless for over a year, entered the RAC+ program to secure housing and intensive outpatient therapy to address a substance abuse problem. Once stabilized, he started work in the city's employment program. Within five months he found a job paying \$20 a hour. Within seven months he was self-sufficient and left the program.

Bill\* was a finish carpenter at one time, but now the troubled veteran was unemployed and living in his truck. After joining RAC+ he found an apartment and began receiving benefits from the Veterans Administration. Six months later he was in business for himself, once again working as a carpenter. Two months after that he left the program, saying "I wanted to give someone else an opportunity to benefit from it."

All are compelling success stories—compelling enough so that the RAC+ program won the National Council of State Housing Agencies award in 2007 as the best state housing finance agency program in the country in combating homelessness.

(\*Names have been changed)





## Home again

The diversity of Maine's housing stock reflects its rich history. The state is dotted with old farm homes, historic New Englanders and Victorian homes in community neighborhoods, coastal cottages, and three- and four-decker homes built for the immigrants who worked in Maine mills.

However, Maine is changing, and so is its housing.

There is a renewed interest in reviving the downtowns of Maine's urban and service center communities. A new wave of immigrants from Africa and Asia is bringing new cultures and increased diversity to the state. There are over 100 languages spoken in Maine. The historic city of Portland is now home to over 30 languages (28% of the public school students are foreign born) and has a thriving arts community.

Rather than sprawling homes on large lots, new subdivisions are adopting the Great American Neighborhood theme of smaller lots, sidewalks, homes with porches, and open space. Other builders are developing housing specifically to meet the demand of a growing senior population. Builders throughout the state are adopting standards, similar to MaineHousing's green building standards, that make homes more energy efficient.

New housing means new challenges. MaineHousing is responding with new programs designed to meet the needs, challenges, and opportunities for housing in Maine today and tomorrow.

# Financial Summary

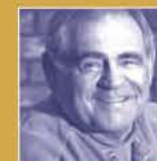
For the years ended December 31, 2007  
and 2006 (in thousands of dollars)

<b>BALANCE SHEET</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and investments	\$717,800	\$827,006
Mortgage and other notes receivable	1,208,273	1,151,491
Other assets	28,604	31,970
<b>Total Assets</b>	<b>\$1,954,677</b>	<b>\$2,010,467</b>
<b>Liabilities</b>		
Deferred income	\$30,699	\$30,510
Mortgage bonds payable	1,550,529	1,639,590
Other liabilities	58,201	51,603
<b>Total Liabilities</b>	<b>\$1,639,429</b>	<b>\$1,721,703</b>
<b>Total Net Assets</b>	<b>\$315,248</b>	<b>\$288,764</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,954,677</b>	<b>\$2,010,467</b>

## REVENUES AND EXPENSES

<b>Operating Revenues</b>		
Interest from mortgages and notes	\$64,882	\$62,950
Income from investments	44,909	35,894
Grants and subsidies	135,054	145,747
Other	8,504	7,510
<b>Total Revenues</b>	<b>\$253,349</b>	<b>\$252,101</b>
<b>Operating Expenses</b>		
Operating expenses	\$22,543	\$19,643
Provision for losses on loans and foreclosed real estate	(100)	(150)
Interest expense	72,858	70,318
Grants and subsidies	131,564	144,073
<b>Total Expenses</b>	<b>\$226,865</b>	<b>\$233,884</b>
<b>Total Operating Income</b>	<b>\$26,484</b>	<b>\$18,217</b>

This page is for illustrative purposes and is not intended to present a complete financial picture of MaineHousing. For more information, please request a copy of the audited financial statements, or visit our website at [www.mainehousing.org](http://www.mainehousing.org).



Donald H. Gean



Sheryl Gregory



Elizabeth Horning



Carol Kontos



David G. Lemoine



Betsy Mahoney



Dale McCormick



Timothy O'Neil



John Sevigny



Barbara Trafton

## Board of Commissioners

**Donald H. Gean**, Executive Director of York County Shelter Programs, Inc.

**Sheryl Gregory**, real estate broker with Homestead Realty in Winthrop

**Elizabeth Horning**, resident of Richmond Terrace, an employee of the Isaac Umberhind Library

**Carol Kontos**, Associate Professor of English at the University of Maine at Augusta

**David G. Lemoine**, Treasurer of State of Maine

**Betsey Mahoney**, self-employed policy consultant

**Dale McCormick**, Director of MaineHousing

**Timothy O'Neil**, President of Monks O'Neil Development

**John Sevigny**, Vice-President and CEO of First Allied Realty Associates of Portland

**Barbara Trafton**, commercial and residential Realtor for Keller Williams Realty Mid Maine in Auburn, and chair of the MaineHousing Board

## Business partners:

**Senior Underwriters:** Bear, Stearns & Co., Inc.; UBS Investment Bank

**Co-managers:** Banc of America Securities LLC; Citi; Merrill Lynch & Co.; Morgan Stanley

**Bond Counsel:** Hawkins, Delafield & Wood

**Trustee:** U.S. Bank, N.A.

**Independent Auditors:** Baker Newman & Noyes, LLC

**Marketing Consultants:** Lapchick Creative, Inc.

# 2007 MaineHousing Staff

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Lou Turmelle  
Linda Sears Uhl  
Mary Wade  
Paula Weber  
Kimberly Weed  
Karyn Wheeler  
Jane Whitley  
Thomas Williams  
Martha Winslow

## 2008 New Hires

Kristin Palmer  
Yvette Plaisted  
Kimberly Powers  
Lynne Rodrigue  
Joanna Veilleux

Illustrations used in the 2007 MaineHousing annual report are photographic reproductions of paintings by Maine artists on display at MaineHousing. The paintings are from Greenhut Galleries, 146 Middle Street, Portland ([www.greenhutgalleries.com](http://www.greenhutgalleries.com)). Artists and paintings are:

**Mary Bourke,**  
“Seeing in the Future,” pgs. 7-8  
“Lake House,” pgs. 11-12 and cover  
“Wishing One More,” pgs. 15-16

**Alison Goodwin,**  
“Cottage Kitchen,” pgs. 3-4  
“Two Blue Chairs,” pgs. 13-14

**J. Thomas R. Higgins,**  
“Gap in the Field,” pgs. 17-18

**Andre LaPorte,**  
“Portland,” pgs. 9-10

**Glenn Renell,**  
“Pretty Pennies,” pgs. 1-2