

MAINE STATE LEGISLATURE

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MaineHousing

Maine State Housing Authority

Memorandum

To: Senator John Patrick, Chair
Representative Erin Herbig, Chair
Members of the Joint Standing Committee on Labor, Commerce,
Research, and Economic Development

From: Peter Merrill, Deputy Director

Date: March 31, 2014

Subject: Report on the Maine Energy, Housing, and Economic Recovery Program

Attached please find a report on the status of the Maine Energy, Housing, and Economic Recovery Program. This report is required to be submitted to the Committee annually. If you have any question, please contact me at 626-4608 or pmerrill@mainehousing.org. Thank you for your interest.

The Maine Energy, Housing, and Economic Recovery Program

*2013 Annual Report by MaineHousing to the
Joint Standing Committee on Labor, Commerce, Research, and Economic Development*

The Program

The Maine Energy, Housing, and Economic Recovery Program was created by the Legislature in 2009 to construct or substantially rehabilitate energy efficient affordable rental housing, to replace pre-1976 substandard manufactured housing units, and to create jobs.

The 124th Legislature responded to the dramatic increase in energy prices in 2008 by creating the Joint Select Committee on Maine's Energy Future. That Committee enacted an omnibus energy bill, the centerpiece of which was the creation of the Efficiency Maine Trust. That legislation included the Maine Energy, Housing, and Economic Recovery Program.

Funding

The Legislature funded the program by authorizing MaineHousing to sell bonds in an amount of \$30,000,000 or more per year with no more than \$200,000,000 outstanding at any one time. The bonds are repaid from the state's share of the Real Estate Transfer Tax. At the beginning of each state fiscal year MaineHousing notifies the state Treasurer of the amount needed to cover the payments and the Treasurer deposits the money into a Fund account created by the Legislature.

Uses

The Legislature directed MaineHousing to use the funds in the following proportions:

- At least 30% for multifamily affordable rental housing units serving seniors;
- At least 30% for multifamily affordable rental housing units serving persons of any age;
- At least 10% for multifamily affordable rental housing units serving populations with special needs; and
- At least 10% for the replacement of pre-1976 manufactured housing units.

Layered over that, MaineHousing was asked to use no more than 30% of the funds to provide for the needs of rural communities through flexible standards for development size and income eligibility. One of the key areas the Committee had in mind was the island communities.

Bonds

In October 2010 we sold \$49,600,000 of tax-exempt (\$39,970,000) and taxable (\$9,630,000) bonds. The maturities vary but the longest is June 15th, 2026. The annual debt payments range between \$4,315,700 and \$4,319,875. The authorizing legislation deferred the initial bond sale until state fiscal year 2011 so that the first payment was in state fiscal year 2012.

This unique funding arrangement was based on the TransCap program previously created by the Legislature to fund transportation programs. These bonds are unlike the ones that MaineHousing usually sells. Their unique nature meant that MaineHousing had to create a new bond resolution for them. A bond resolution is the legal contract between the buyers and sellers of the bonds. It lays out in detail the rights and responsibilities of the parties. The state's share of the Real Estate Transfer Tax is the only pledge backing the bonds. Because the revenue stream available to pay debt service on the bonds is based on real estate transactions and viewed by the rating agencies as somewhat volatile, the bonds were rated A1/A+ by Moody's and Standard and Poor's respectively. To improve that, we insured over half of the bonds resulting in ratings of Aa3/AAA.

The rating agencies looked at the history of the state's share of the transfer tax over the past ten years and concluded, similar to the way TransCap was treated, that they were not comfortable if the annual debt service payments for the Part E bonds exceeded more than 50% of the lowest years of that revenue history. They also insisted that no additional bonds be sold unless the overall total of debt service met was under the 50% threshold. Therefore, we do not anticipate issuing additional bonds in this resolution in the foreseeable future.

Report

The law requires MaineHousing to report to the Joint Standing Committee on Labor, Commerce, Research, and Economic Development each year by March 1st. The report must include:

- The amount of bonds issued,
- The type, location, and cost of projects receiving bond proceeds,
- The number of housing units created by each project,
- The number of direct construction jobs created or maintained by each project,
- The amount of direct construction wages paid in creating or maintaining those jobs, and
- The total amount of building materials purchased in the development of each project.

The required information is compiled on the following chart.

Conclusion

The timing of this program provided capital for projects at a low point in our state economy. The program has made a difference in both the housing and jobs it is creating. For more information, please contact MaineHousing Director John Gallagher or Deputy Director Peter Merrill at 626-4600.

