MAINE LEGISLATURE

THE STATES' RESPONSE TO THE
AFFORDABLE HOUSING CRISIS

A REPORT TO THE JOINT
STANDING COMMITTEE ON
ECONOMIC DEVELOPMENT

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A REPORT TO THE JOINT STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

MARCH 1988

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THE STATES' RESPONSE TO THE AFFORDABLE HOUSING CRISIS

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THE STATES' RESPONSE TO THE AFFORDABLE HOUSING CRISIS

I. INTRODUCTION

As a result of its study of regional economies in the State during the interim period following the adjournment of the First Regular Session of the 113th Legislature, the Joint Standing Committee on Economic Development learned of the extensive affordable housing crisis in Maine and the nation. If the decade of the 1960's is known as the era of civil rights, the 1980's and 1990's may well be remembered as the era of the affordable housing crisis.

The chairpersons of the Economic Development Committee authorized the staff to the committee to undertake a survey of other states to determine how other states are addressing the affordable housing crisis. This task was warranted because the affordable housing crisis stems in part from the withdrawal of federal funds from the area of housing, and the failure or inability of the states to replace the loss of these federal funds and meet the expanding demand for housing.

A survey of 15 states was undertaken in March 1988 (see Appendix B for questionnaire). The survey, conducted by telephone, included questions relating to the following:

1. the amount of staff and the budgets of the various housing agencies;

2. state funding of housing;

3. other sources of funding of housing including the federal government, mortgage revenue bonds, general obligation bonds, etc.;

4. the types of programs implemented by housing agencies;

5. the factors contributing to the success or serving as impediments to housing programs;

6. the powers and responsibilities of the various housing agencies;

7. the degree of coordination and cooperation among housing agencies and between the housing agencies and municipalities in each state.

The states selected for the survey are states that are either similar in population to or similar in their economies to Maine or have or are reputed to have developed creative housing programs. The states within the survey include:

California	New Hampshire	Rhode Island
Colorado	New Jersey	Vermont
Connecticut	North Carolina	Virginia
Kentucky	Ohio	West Virginia
Massachusetts	Oregon	Wisconsin

The survey of states does not include the State of Maine. The findings and the hypothesis relating to housing policies of the several states in the survey therefore, do not apply to Maine. Nevertheless, housing data obtained from several sources contain statistics for Maine. These statistics have been used in a number of cases to compare Maine to the nation.

II. HYPOTHESIS WITH SUPPORTING ARGUMENTS

Today there is an affordable housing shortage of proportions previously unknown in this nation. The crisis appears to have occurred simultaneously with the progression of a dramatic structural change in the U. S. economy. Current federal and state housing policies and programs are vastly inadequate to effectively address the affordable housing crisis because these policies and programs either ignore significant factors or provide insufficient resources to address the factors responsible.

The significant inadequate supply of affordable housing is verified by statistics provided by the U. S. Census and the Department of Housing and Urban Development in the Annual Housing Survey, 1974 and 1983. Survey figures show a 34% increase in the number of low income households between 1974 and 1983 and an 8% decrease in the number of low income rental housing units during the same period. Further, the HUD survey projects a 20% increase in the number of low income households between 1983 and 1993 and an additional 20% increase between 1993 and 2003. The number of low income rental housing units is projected to decrease 18% between 1983 and 1993 and another 13% decrease between 1993 and 2003. This survey addresses only low income households and rental units. The survey does not analyze moderate income households and housing units.

A. Structural Economic Change

The affordable housing crisis has occurred during a period of substantial structural change in the U.S. economy. The period from 1980 to 1985 was marked, in part, by a significant decline in higher paying manufacturing jobs and a significant increase in lower paying service sector and retail trade jobs. Figures provided by the U.S. Bureau of the Census and the Maine Department of Labor emphasize the structural economic change that occurred between 1980 and 1985. Consider the following:

1. The number of manufacturing jobs *fell* nearly 5% nationally compared to a 6.2% decline in Maine.

2. The number of service sector jobs *rose* 58.2% nationally compared to a 70% increase in Maine.

3. The number of retail trade jobs *rose* 37% nationally compared to a 52% increase in Maine.

The significance of the wage differential that exists between manufacturing jobs and the lower paying retail trade and service sector jobs in Maine can be demonstrated by comparing the average wage in each of the following economic sectors with the average labor market area wage of all economic sectors.

1. **Manufacturing wages** range between 7% to 62% ***above*** the **average labor market area wage** in the various labor market areas of the State, depending upon the type of manufacturing and location.

2. **Retail trade wages**, however, range between 29% to 42% ***below*** the **average labor market area wage** in the various labor market areas of the State, depending upon location.

3. **Service sector wages** range between 8% to 29% ***below*** the **average labor market area wage** in the various labor market areas of the State, depending upon location.

B. Federal and State Housing Policies

Current federal and state housing policies fail to take several important factors into consideration and fall far short of providing adequate resources to address the problem of the affordable housing shortage.

Current federal housing policies ***appear*** to be based on the following:

1. The affordable housing crisis is primarily the responsibility of the states to address. As a result, there have been substantial cut backs in federal housing funds.

2. The financing of affordable housing must be treated as any other type of investment and compete in the market for investment funds. As a result, tax-exempt mortgage revenue bonds which have been, by far, the major source of funding of affordable housing in the states will not be available for housing as of January 1, 1989.

3. The significant reduction in unemployment means that the need for federal housing assistance is greatly reduced. Therefore, the federal government has made cut backs in federal housing programs. In addition, this premise also assumes that the need for low income housing has been reduced. As a result, the federal government, with some temporary exceptions, is allowing landlords, who used federal assistance to construct low income housing, to prepay their mortgage and convert this housing to any other type of housing or use.

Current state housing policies ***appear*** to be based on the following:

1. Financing the affordable housing crisis is ***not*** a primary responsibility of the states. As a result,

housing financing, in the past, has been derived almost entirely from either the federal government, or to a much greater extent, private investors. There has been very limited state financing of housing.

a. Of the 15 states surveyed, only Massachusetts, New Jersey, and Wisconsin have contributed any state funds to housing. These state funds have been minuscule compared to private investor financing of low income housing.

2. The primary housing agencies in the states are the independent housing finance agencies and they perceive themselves to be primarily ***brokers of private investment financing of low income housing***.

a. These agencies ***do not*** perceive their function as one of constructing, operating and maintaining affordable housing despite their statutory authority to assume this function.

b. Of the 15 states surveyed, only 4, Colorado, Kentucky, Virginia, and West Virginia, have exercised their authority to develop affordable housing by purchasing land and buildings, constructing housing, and operating and maintaining housing.

c. Only Massachusetts and Connecticut use publicly owned land as an inducement for private developers to construct affordable housing for low and moderate income households.

3. The independent housing finance agencies, of the states for the most part, accept the premise that the private sector must remain the primary means by which affordable housing for low and moderate income households is developed, constructed, operated, and maintained.

a. As a result, these agencies primarily seek to make investments in affordable housing more attractive than other investments. This is accomplished by issuing tax-free mortgage revenue bonds (as described above) and by:

1) offering low or no interest loans to contractors to construct housing, and

2) lending money to people at affordable rates to purchase housing.

4. The various housing agencies in the survey perceive the basic factors necessary for successful affordable housing programs in 2 categories: adequate resources

and administration. With respect to administration, the agencies consider independent status of the agency, experienced staff and boards of directors, and cooperative and friendly relationships with lenders, local officials, etc., as essential to successful programs.

a. The agencies ***did not*** consider the following as factors necessary for success:

1) an affordable housing strategy or strategies

2) consolidation of resources

3) formation of housing cooperatives.

5. The housing agencies in the survey perceive the basic factors limiting or endangering the success of housing programs as factors over which they currently have limited or no control. These factors include the following:

a. the state of the economy

b. the cost of housing and land

c. the tax reform act

d. rigid federal requirements

e. insufficient stock of housing

f. interest rates.

Despite the authority of the agencies to purchase land and buildings, construct, maintain, and operate housing, etc., which could reduce the degree of impact of these factors, ***the states have not used these powers or used them in only a very limited fashion***.

6. Despite the assertion of the various housing agencies that there is considerable cooperation among housing agencies within each state and with political subdivisions of the states, ***this coordination or cooperation appears to be limited to specific projects or to specific programs***. In general, there is no formal coordination of housing programs by which geographical areas or income groups are targeted to make the most effective use of resources available to housing agencies and political subdivisions of the state.

7. According to the Council of State Housing Agencies, the various state housing agencies, concentrate more on

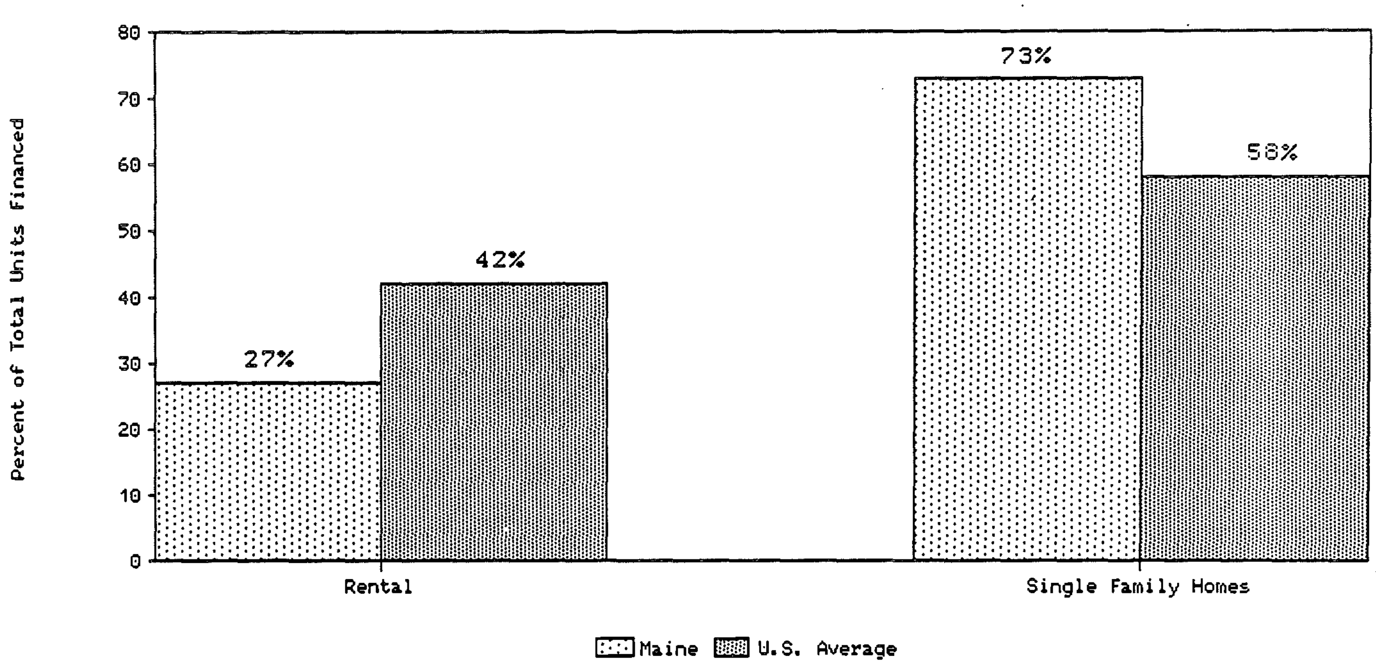
making single family homes affordable to low and moderate income families than providing rental units on an affordable basis.

a. Nationally, 58 % of the total housing units financed by state housing financing agencies have been single family homes. Rental units account for 42% of total units financed (See Graph 1 below).

   1) In Maine, 73% of the total housing units financed by the State Housing Authority have been single family homes. Rental units account for 27% of the total units financed.

b. This issue raises the question whether affordable housing for single family home ownership is the best approach to meeting the demand for affordable housing. Are there more effective ways of meeting the housing demand either through the provision of rental units, condominiums, manufactured housing, mobile homes, cooperative housing arrangements, or other types of housing?

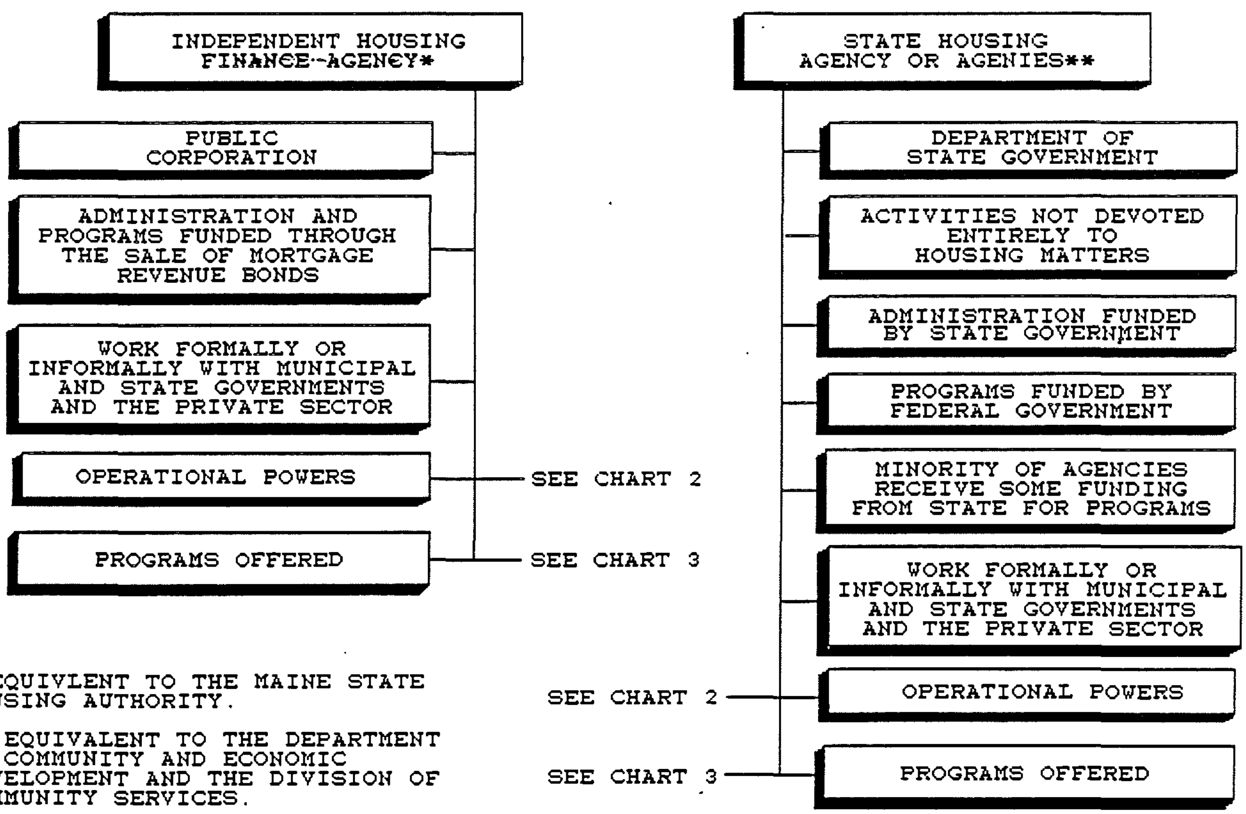
GRAPH - 1 PERCENT OF UNITS FINANCED BY TYPE OF UNIT
Maine vs. U.S. Average
Independent Housing Finance Agencies



III HOUSING AGENCY OPERATIONAL POWERS AND PROGRAMS

The 15 state survey revealed that 9 states have more than one organization that address the affordable housing problem. Several states reported having more than 2 housing organizations. States having several organizations addressing the housing problem generally have one agency that is an independent agency of state government, most often a public corporation, hereafter referred to as an independent housing finance agency, which acts as a lending agency. The second, and possibly third organization in these states is generally a state housing agency which is a department of state government and administers federal programs. States having only one organization addressing the housing problem have generally opted to establish an independent housing finance agency that acts as both a financier of low and moderate income housing and as an administrator of federal housing programs. The independent housing finance agency is most often tied to state government through its board of directors who are appointed by the governor. Chart 1 shows a typical state approach to the provision of low and moderate income housing.

CHART 1 - TYPICAL APPROACH TO THE PROVISION OF LOW AND MODERATE INCOME HOUSING



* EQUIVLENT TO THE MAINE STATE HOUSING AUTHORITY.

** EQUIVALENT TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT AND THE DIVISION OF COMMUNITY SERVICES.

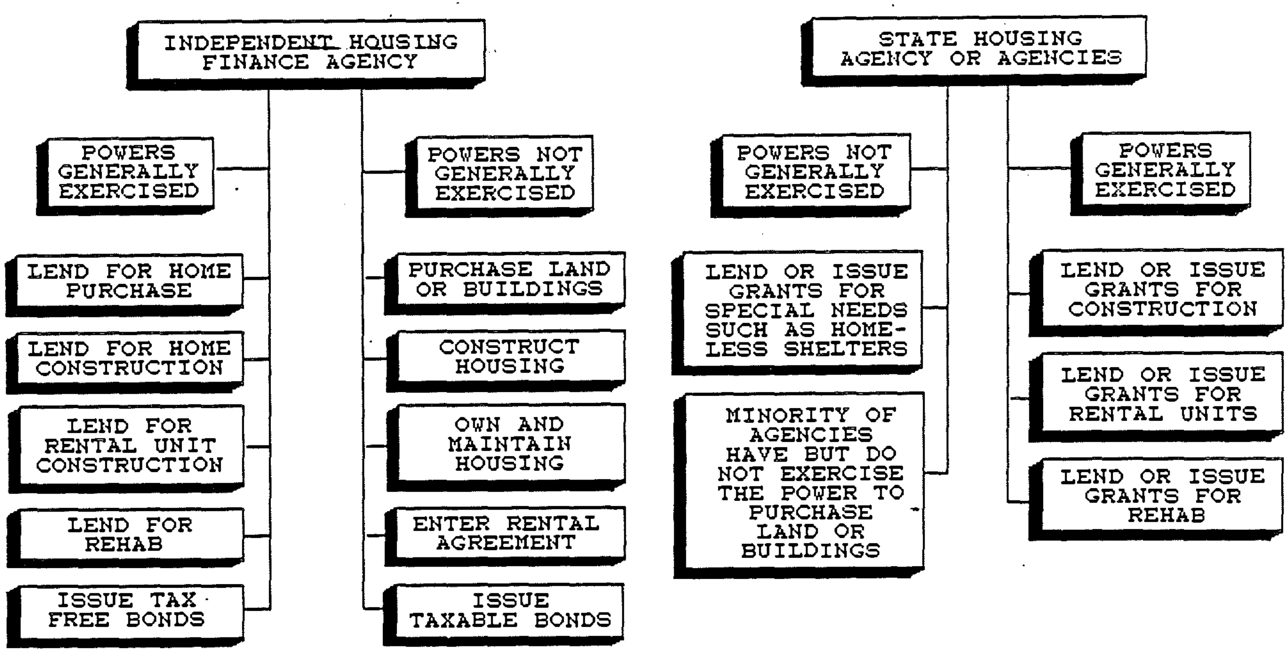
A. The Independent Housing Finance Agency

The independent housing finance agencies included in the survey have several characteristics that are common to the majority of agencies interviewed. Independent housing finance agencies generally implement programs funded by proceeds from the sale of tax exempt mortgage revenue bonds. All 15 of the housing finance agencies contacted during the survey indicated that they work both formally and informally with municipal governments, departments of state government, and the private sector.

1. Operational Powers of the Independent Housing Finance Agency

The survey also revealed that independent housing finance agencies have a series of operational powers that have been legislatively delegated to them. However, it appears that independent housing finance agencies tend not to exercise the full extent of their operational powers in conducting their operations. Chart 2 describes the extent to which these agencies exercise their operational powers.

CHART 2 - OPERATIONAL POWERS OF THE INDEPENDENT HOUSING FINANCE AGENCY AND THE STATE HOUSING AGENCY

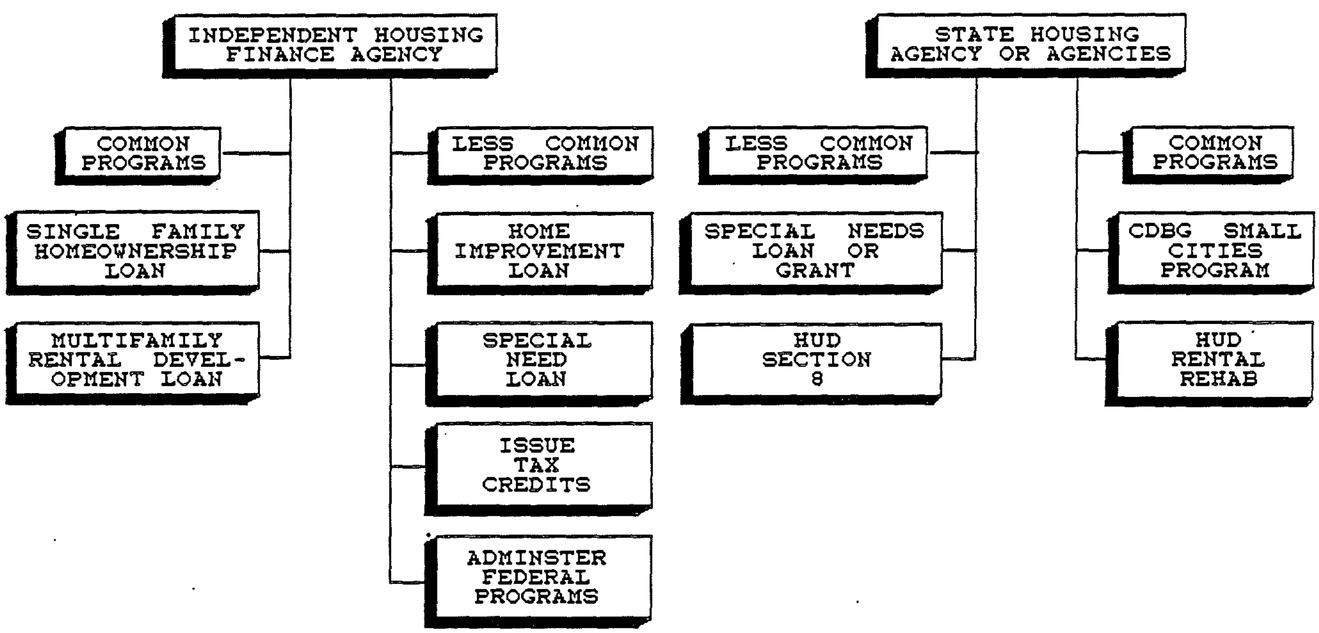


2. Programs Offered By the Independent Housing Finance Agencies

The programs offered by independent housing finance agencies were found to fall into two categories: common to a majority of agencies, and those offered by only a minority of the agencies surveyed. This information is summarized in Chart 3.

The programs offered by a majority of independent housing finance agencies include the single-family homeownership program, the multi-family rental program and the home improvement loan program. Programs offered by only a minority of independent housing finance agencies included the special needs program, the tax credit programs and the administration of federal programs.

CHART 3 - PROGRAMS OFFERED BY THE INDEPENDENT HOUSING FINANCE AGENCY AND THE STATE HOUSING AGENCY



a. Single-Family Homeownership Programs

Single-family homeownership programs are designed to provide first-time, single-family homebuyers with home mortgage loans. These mortgages are available at an interest rate less than that obtainable in the commercial lending market. The source of funding for this category of program is generally proceeds earned from the independent state housing finance agency's sale of tax-exempt mortgage revenue bonds. The tax exempt status of the mortgage revenue bonds results in an interest rate that is less than the commercial lending rate and thus makes such mortgages attractive to the targeted population.

Single-family homeownership programs commonly include limitations on the earned income of the purchaser as well as limitations on the purchase price of the home. Independent state housing finance agencies generally make such loans available through a network of existing lenders (commercial banks) who are compensated for their loan activities. In most cases, single-family homeownership programs account for the bulk of the funds distributed by independent state housing finance agencies as well as the bulk of the revenues that they earn. Independent state housing finance agencies earn revenues by investing the proceeds obtained when selling a tax exempt mortgage revenue bond. All independent state housing finance agencies included in this survey were found to offer single-family homeownership loans.

1) **Creative Uses of the Single Family Homeownership Programs**

A program offered by the **New Jersey Housing and Mortgage Finance Agency** provides affordable housing to low and moderate income families. Under the Lease/Purchase Project, a potential homebuyer occupies a rental unit in a project for two years, with an option to purchase the unit at the end of the lease term. The purchase downpayment is provided by placing a portion of each month's rent in an escrow account in the prospective homeowner's name. This program is funded through the sale of tax exempt mortgage revenue bonds.

The **New Jersey Housing and Mortgage Finance Agency** also offers a Buy-And-Fix-It program. This program enables buyers to purchase a house in need of repair. The purchase loan and home improvement loan are combined into a single loan, thus reducing a set of closing costs and eliminating the paperwork involved in obtaining one of the loans. Loan applicants may also be eligible for a zero percent loan, provided that specified energy related improvements are made. This program is also funded through the sale of tax exempt mortgage revenue bonds.

The **North Carolina Housing Finance Agency** offers a Mortgage Credit Certificate Program. Under this program the state housing finance agency relinquishes a portion of its bonding authority to issue mortgage credit certificates. This is a tax credit to a home purchaser that is equal to a specific percentage reduction in the interest rate of a home mortgage loan obtained at a commercial lending institution.

The **West Virginia Housing Development Fund** offers a Construction Loan Program which is similar to New Jersey's Buy-And-Fix-It program. West Virginia's Construction Loan Program combines a construction loan and permanent loan into one. The benefits offered by this program are reduced closing costs and paperwork. This program is funded through the sale of tax exempt mortgage revenue bonds.

Another program offered by the **West Virginia Housing Development Fund** is the Closing Cost Subsidy Program. This program provides direct subsidies to households for the prepayment of closing costs incurred in West Virginia Single Family Mortgage Program. This program is funded through Development Fund reserves.

The **West Virginia Housing Development Fund** also issues mortgage credit certificates in the same fashion as the North Carolina Housing Finance Agency discussed previously.

b. Multi-Family Rental Programs

Multi-family rental programs are designed to stimulate the construction of multi-family rental units. Activities covered in this program category include loans at reduced interest rates to developers for the construction or rehabilitation of low income rental units and the issuance of tax credit certificates to the developers of low income rental units

Proceeds from the state housing finance agency's sale of tax exempt mortgage revenue bonds generally provide the funding for reduced interest rate loans to developers. These loans are often conditioned upon the developer designating a certain percentage of the total number of housing units to housing for low and moderate income families.

Tax credit certificates are certificates of credit, accepted by the federal government, against the outstanding tax liability of developers of low and moderate income housing. Tax credit certificates are funded through the state housing finance agency's relinquishment of bonding authority.

1) **Creative Uses of the Multi-Family Rental Programs**

The **New Jersey Housing & Mortgage Finance Agency** offers an Affordable Housing Program which provides a direct subsidy to developers of low income housing. In legislatively defined target areas of the state, developers are given $12,000 per rental unit constructed. The program is funded through a one-time $15 million state appropriation.

c. Home Improvement Loans

Another activity undertaken by certain independent state housing finance agencies involves loans to homeowners and the owners of rental projects to make structural and energy efficiency improvements to their homes or projects. Investment proceeds from the independent state housing finance agency's sale of mortgage revenue bonds provides the source of funding for this activity.

d. **Special Needs Programs**

The category of special needs programs includes lending or issuing grants for a variety of reasons. This program category consists of a collection of different activities upon which the independent state housing finance agency wishes to act as the financier. Proceeds from the independent state housing finance agency's sale of mortgage revenue bonds generally serves as the source of funding for such activities.

1) **Creative Uses of Special Needs Programs**

The **Kentucky Housing Corporation** administers a Senior Homeownership Program that provides low rate mortgage financing to elderly homebuyers under a less restrictive asset test than other borrowers must face. The source of funding for this program is unknown.

Another special needs program offered by the **Kentucky Housing Corporation** is the Training for Affordable Construction Program. The Housing Finance Corporation makes grants to non-profit agencies to train Vietnam Veterans in carpentry. Program participants are paid above the minimum wage plus benefits for 12 months. The Kentucky Department of Human Services then assists them in locating a permanent job. In three years of activity, approximately 160 veterans have enrolled in the program. Only one of these veterans has failed to complete the program and several have gone on to form their own business. This program is funded through Kentucky Housing Corporation reserves.

The **New Hampshire Housing Finance Agency** offers a program that provides mortgages for the purchase of land to establish cooperative mobile home parks.

B. The State Housing Agency

Similar to the independent housing finance agencies, the state housing agencies surveyed have certain characteristics that are common to the majority of agencies interviewed. State housing departments are generally departments of state government and hire their employees through the state personnel department. Housing matters generally account for only a portion of the total activities undertaken by state housing agencies. The funding for state housing agencies consists, for the most part, of both state and federal dollars. State dollars are used for administrative purposes with program funding Being provided by the federal government. A minority of state housing agencies interviewed did receive some state funding for programs. State housing agencies, in general, claim to work both formally and informally with municipal governments, other departments of state government, and the private sector.

1. **Operational Powers of the State Housing Agency**

State housing agencies are similar to housing finance agencies in that they do not exercise all of the operational powers that have been delegated to them. Chart 2 on page 9 describes the operational powers vested with the state housing agencies and the extent to which those powers are exercised.

2. **Programs Offered by the State Housing Agency**

Programs commonly offered by state housing agencies include the Community Development Block Grant (CDBG) Small Cities Program and the HUD Rental Rehabilitation Program. Less commonly offered programs include the HUD Section 8 Program and Special Needs Programs. This information is summarized in Chart 3 on page 10.

a. **Community Development Block Grants (CDBG) Small Cities Program**

The CDBG Small Cities Program is a federally funded grant to a state designed to promote community development. The state then issues a grant to the eligible units of local government. At least 51% of the funds issued through this program must benefit low and moderate income families. Funds are generally used for home improvements and infrastructure and cannot be used for government buildings or religious structures. Eligible local governments may choose to issue these funds as grants or loans. Most local governments choose to issue a portion of the funds as grants and a portion as loans. CDBG Small Cities funds are often used to establish local revolving loan funds.

b. **HUD Rental Rehabilitation**

The HUD Rental Rehabilitation program is a federally funded program consisting of grants to cities and states to encourage the rehabilitation of rental housing. These funds may be used for a maximum of one-half of the total, eligible, costs of rehabilitation of a specific project. To assure that the program fosters a substantial improvement in the property, an average minimum rehabilitation cost of $600 per unit is required.

Eligible rehabilitation activities are broad in nature and include those activities necessary to correct substandard conditions, to correct principal systems in danger of failure, to make units handicap accessible and to improve energy efficiency. Once rehabilitation is complete, between 70 and 100 percent of the units must be rented by low income families.

Funds from this program can be used as direct rental subsidies to families living in rental units that are not limited by rent controls and are made available at market rates.

c. HUD Section 8 Program

This federally funded program assists low income families (between 50 and 80 percent of the median income in the area) and very low income families (less than 50% of the median income in the area) to obtain housing. This program is a direct rental subsidy and is intended to provide an alternative to public housing.

HUD pays the difference between what an eligible family can afford and the fair market rent for an acceptable housing unit. The eligible family's contribution to housing costs is equal to the highest of either 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated to meet housing costs. Existing housing, newly constructed housing, and substantially rehabilitated housing that meet or exceed HUD standards are eligible to be used in conjunction with this program. At least 95% of the available units must be made available to very low income families.

d. Weatherization Programs

Certain state agencies offer grants to low income families, elderly individuals, and physically and developmentally disabled adults to improve the energy efficiency of their homes. These programs are generally funded through a combination of federal and state dollars.

IV. FINDINGS

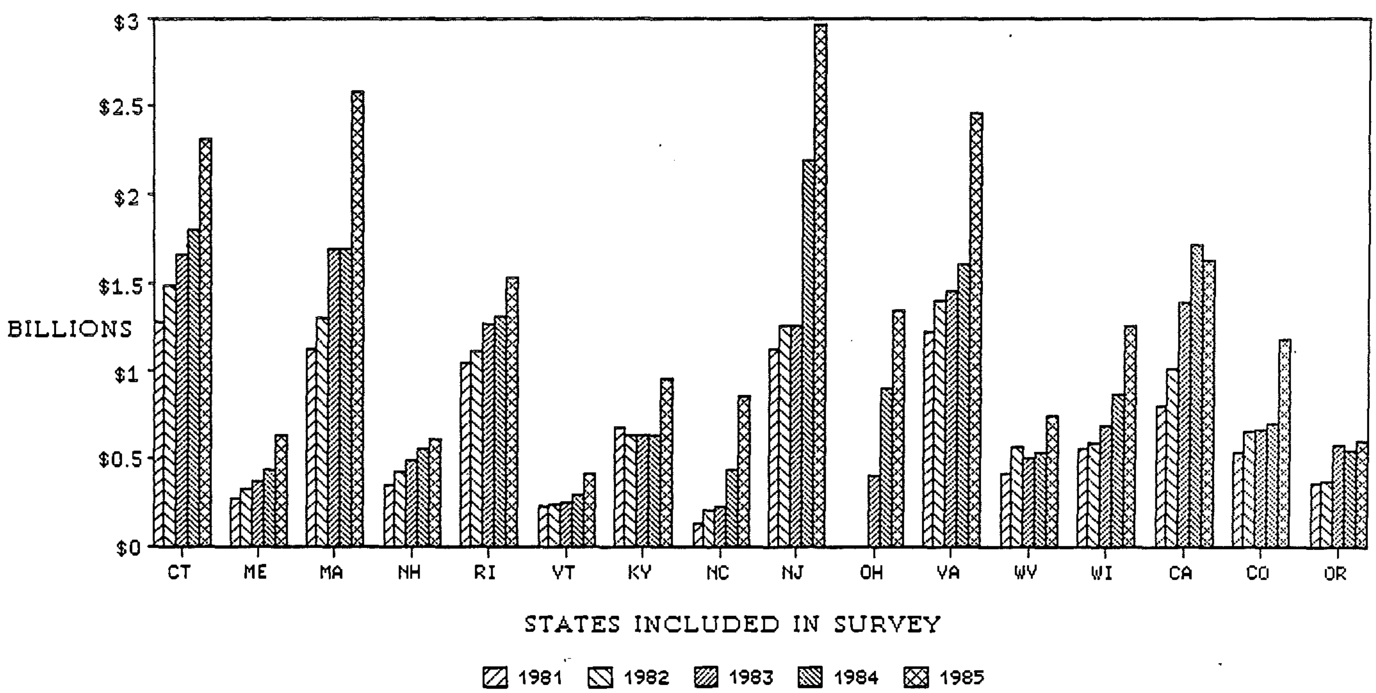
1. There is a serious lack of data to measure the affordable housing shortage. While there is federal data for some federal low income housing programs in each state, there is no comprehensive state or federal data by which low income and moderate income housing availability and needs can be measured.

2. In general, the states appropriate little or no state funds to address the housing crisis, especially in comparison to the use of federal funds and tax-exempt mortgage revenue bonds to finance housing (See Table 1 on page 22).

3. With respect to the 15 state survey conducted for this paper, independent state housing finance agencies, for the most part, did not significantly increase their response to the affordable housing problem until relatively recently. In 1985, all of the agencies surveyed, except California, increased their outstanding bonded debt. In 11 of the 15 states, the bonded debt increased more than 30 percent between 1984 and 1985. As shown in Graph 2 below, the Maine State Housing Authority (MSHA) also increased its bonded debt in 1985 by more than 30%.

GRAPH - 2 INDEPENDENT HOUSING FINANCE AGENCY OUTSTANDING DEBT

By State and Year



4. Despite the investment of extremely limited state funds to address the housing crisis and the rigid federal guidelines with respect to the implementation of federal housing programs, a few states have developed some creative approaches to this crisis.

5. Independent state housing financing agencies, for the most part, consider themselves exclusively as brokers of private investment financing of low income housing. These agencies, with some minor exceptions, have not exercised their most substantial powers to meet the affordable housing crisis.

   a. State housing financing agencies are commonly vested with the authority to purchase land and buildings, and to construct, operate, and maintain affordable housing.

   b. Of the 15 states surveyed, only Colorado, Kentucky, Virginia, and West Virginia have exercised any of these powers.

6. Most independent state housing agencies have adopted the premise that the construction, operation, and maintenance of low income housing is a function exclusively for the private sector.

7. With a few exceptions, state housing agencies (which do not serve as finance agencies) perceive themselves primarily as administrators of federal housing programs with no ability or flexibility to apply creative approaches to the housing shortage problem.

8. Not until the 1970's has the rate of construction of new housing in Maine approached the national rate of new housing construction.

   a. Maine has the largest percentage of pre 1940 housing stock in the nation. Nationally, 25% of the housing stock was constructed before 1940 compared to 47.5% for Maine (See Appendix A).

   b. Beginning in the mid 1970's, the rate of new housing construction in Maine was only 3% less than the national rate.

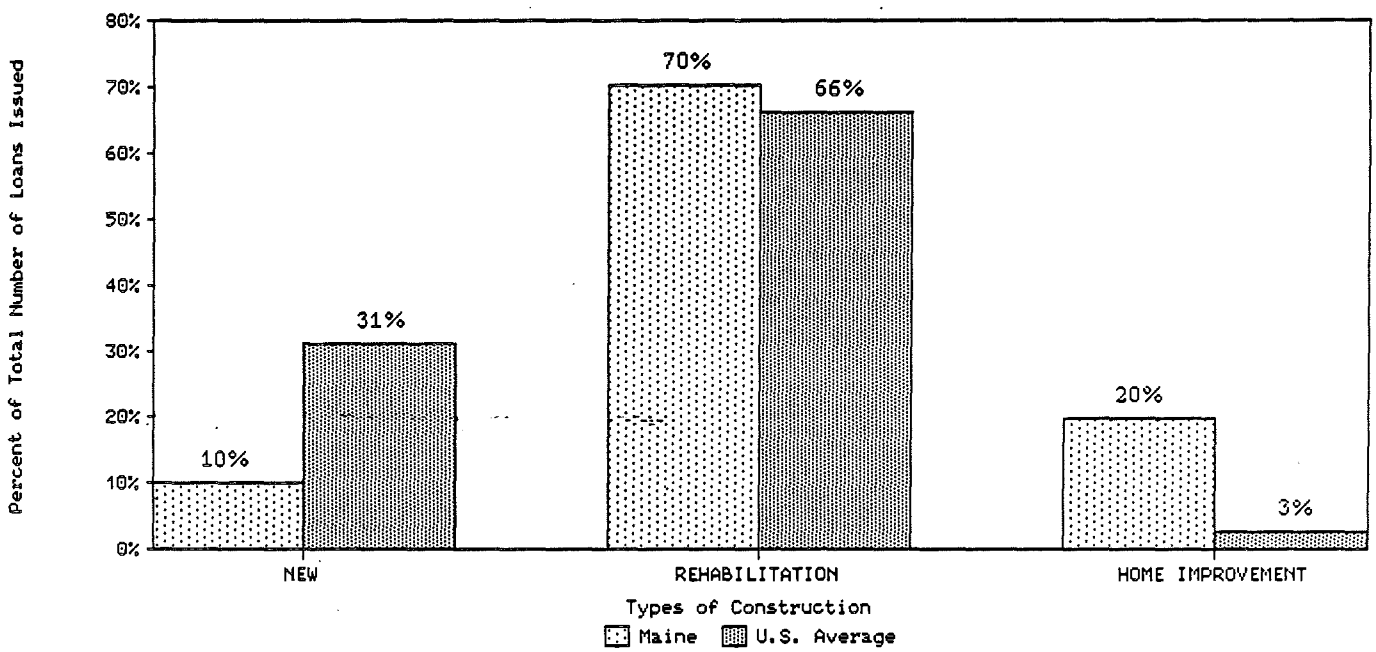
9. In Maine, MSHA financing of new housing construction is substantially less than the national average.

   a. With respect to ***single-family home loans issued in 1985***, independent housing finance agencies nationally extended 66% of their loan issues for existing home purchases and rehabilitation, and 3% for home improvements. The corresponding figures for the MSHA are 70% and 20% respectively. Nationally, 31% of the number of loans extended by independent housing finance agencies were used for new construction, while in Maine only 10% of the loans were used this purpose (See Graph 3 below).

b. Over the life of the Maine State Housing Authority, only 6% of the loans were used for new construction compared to 30% nationally. In addition, 94% of the total number of MSHA single-family home loans have been made for home purchase and improvement or rehabilitation. Nationally this figure is 70%.

GRAPH - 3 PERCENT OF LOANS ISSUED BY TYPE OF CONSTRUCTION

Maine vs. U.S. Average, 1985 Homeownership Programs, Independant Housing Finance Agencies



10. Regarding the ***total number of units financed nationally***, including loans for both rental and purchase purposes, 58% have been extended for single family homes. Rental units account for 42% of total units financed nationally. Of the **total number of units financed by the MSHA**, 73% are single family homes and 27% are rental units. These figures are based on cumulative independent housing finance agency activity (See Graph 1, page 7).

11. Nationally, state housing financing agencies extend a significantly larger number of loans to applicants in higher income brackets compared to Maine (See Graph 4 below).

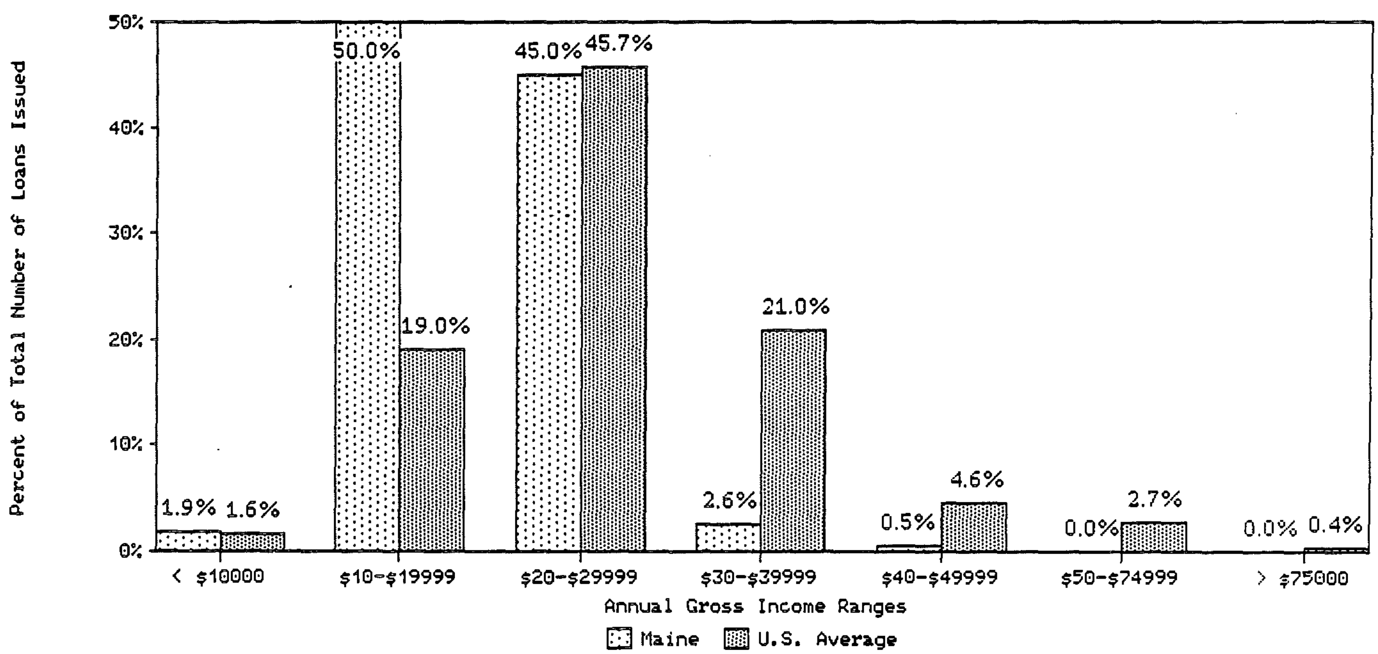
    a. Nationally, in 1985 for example, roughly 25% of state housing financing agency homeownership loans went to applicants with incomes in the range of $30,000 to $50,000, compared to 3.1% for Maine.

    b. Nationally, 20% of these homeownership loans as compared to 52% of the loans in Maine went to applicants with incomes of less than $20,000.

    c. Nationally, 66% of the loans as compared to 97% of the loans in Maine went to applicants with incomes of less than $30,000.

GRAPH - 4 PERCENT OF LOANS ISSUED BY INCOME RANGE

Maine vs. U.S. Average, 1985 Homeownership Programs, Independent Housing Finance Agencies



12. In Maine, recipients of State Housing Authority homeownership loans expended a higher percentage of their income in 1985 for housing than recipients of these types of loans across the nation (See Appendix A).

    a. The average borrower in Maine had an income of 82% of the national average, and paid a purchase price and incurred a mortgage equal to 85% of the national average.

13. While a majority of home purchases financed by housing financing agencies across the nation, including Maine, have been lower cost homes, a much greater percentage of Maine's State Housing Authority financing has been provided for purchases of lower cost homes. Nationally, less than 60% of these purchases were homes costing less than $60,000. In Maine the figure is 80 percent (See Appendix A).

14. There is no formal coordinating system by which the activities, resources, programs of state and local housing agencies and municipalities are coordinated or targeted.

    a. The state and local housing agencies and municipalities may informally coordinate their activities for specific projects. There may be formal coordination among these organizations for those states in which the state housing financing agency administers specific federal programs.

15. While the budget and staff size of the MSHA are similar to the budgets and staffs of several other rural states in the survey, (including states with similar population) the bonded debt ceiling of the MSHA is substantially less than the debt ceiling in these other states. (See Table 1 on page 22)

TABLE 1 - INDEPENDENT HOUSING FINANCE AGENCY SUMMARY STATISTICS

STATE	AGENCY	STAFF	1987 BUDGET	PERCENT TO HOUSING	1985 DEBT AUTHORIZATION	1985 DEBT OUTSTANDING	1985 STATE APPROPRIATION
California	Housing Finance Agency	136	$ 8,000,000	100%	$3,550,000,000	$1,629,000,000	None
Colorado	Housing Finance Agency	85	$ 7,300,000	66%	$1,800,000,000	$1,182,000,000	None
Connecticut	Housing Finance Authority	100	$ 7,500,000	100%	None	$2,319,000,000	$ 2,319,000
Kentucky	Housing Corporation	71	$ 3,300,000	100%	$1,250,000,000	$ 957,700,000	None
Maine	State Housing Authority	60	$ 3,035,000	100%	$ 935,000,000	$ 635,000,000	$ 567,000
Massachusetts	Housing Finance Agency	220	$10,000,000	100%	$2,980,000,000	$2,584,000,000	$ 5,987,000
New Hampshire	Housing Finance Agency	50	$ 2,500,000	100%	$1,400,000,000	$ 615,000,000	None
New Jersey	Housing and Mortgage Finance	200	$ 3,700,000	100%	None	$2,963,000,000	$20,000,000
North Carolina	Housing Finance Agency	40	$ 2,500,000	100%	$1,500,000,000	$ 859,000,000	None
Ohio	Housing Finance Agency	36	$ 2,500,000	100%	None	$1,348,200,000	None
Oregon	Housing Division	38	$ 3,700,000	100%	$1,460,000,000*	$ 607,200,000	None
Rhode Island	Housing and Mortgage Finance	58	$ 4,000,000	100%	Not Available	$1,534,200,000	None
Vermont	Housing Finance Agency	28	$ 1,000,000	100%	$ 500,000,000	$ 417,500,000	None
Virginia	Housing Development Authority	180	$ 8,000,000	100%	None	$2,460,400,000	None
West Virginia	Housing Development Fund	60	$ 3,100,000	100%	$1,250,000,000	$ 750,000,000	None
Wisconsin	Housing & Ec. Dev. Authority	130	$ 6,000,000	70%	Not Available	$1,253,300,000	$ 2,500,000

* Debt authorization as of 7/1/84. Debt authorization for 1985 unavailable.

Source: Production Activities of State Housing Finance Agencies 1985 and Cumulative, Council of State Housing Agencies.

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V. QUESTIONS ARISING FROM THE SURVEY AND SECONDARY DATA

The survey of other states, data collected from a number of other sources, and the findings that evolve from this information generate a number of policy questions. These questions are listed below.

1. Is the housing crisis of such great proportions that the only effective approach requires a national policy and national resources?

   A. Are the states playing a game of catch-up which they can never win?

2. In order to make the best use of limited resources is it desirable or in the best interest of the public to integrate federal housing programs characterized by rigid administrative requirements with state housing programs which tend to be more flexible and creative in addressing the housing crisis?

3. In general, how effective are the following measures in addressing the housing crisis?

   A. Relation of municipal density requirements in zoning ordinances?

   B. Tax credits, abatements or exemptions for developers or owners of housing for low and moderate income households?

   C. Tax exemptions for purchases of mortgage revenue bonds for housing purposes?

   D. Reduced interest rates on loans for applicants?

   E. Elimination or reduction of the downpayment requirements for state housing mortgage loans?

   F. Other

4. What is the best housing policy that meets the demand for affordable housing and makes the best use of the limited resources available?

   A. Single-family homes

   B. Multi-family housing

   C. Rental programs

   D. Cooperative housing

   E. A combination of A - D in what proportions?

5. Does the significantly higher percentage of newly constructed housing units financed by independent housing finance agencies across the nation, as compared to Maine, indicate that:

   A. New construction, for the most part, is too expensive for eligible recipients in Maine?

   B. Other states have higher income eligibility qualifications than Maine which enables these higher income people to purchase new homes?

   C. Developers and contractors in Maine are not interested in constructing housing for low and moderate income levels?

   D. Eligible recipients in Maine prefer older existing dwellings compared to new construction?

   E. Other.

6. What is the most effective role for independent housing finance agencies and other housing agencies?

   A. To serve almost exclusively as administrators of specifically designed programs?

   B. To develop housing, including agency ownership and operation of housing?

   C. To work exclusively through the private sector with respect to the development of housing?

   D. Other?

7. Is the lack of adequate resources the major stumbling block to an effective affordable housing program that meets the needs of the state?

8. What financing alternatives are available to the states as federal funding for housing declines and the use of tax-exempt mortgage revenue bonds is severely curtailed or prohibited?

9. What is the best structure by which state assistance for housing can most effectively address the housing crisis?

   A. A centralized structure?

   B. A decentralized structure?

   C. A decentralized system with more formal coordination among agencies and levels of government?

   D. Other?

10. Is the housing crisis primarily a problem of low wages and salaries?

    A. If the answer to this question is "yes", what policies need to be considered to address the problem.

    B. If the answer to the question is "no", what are the major factors contributing to the crisis? What policies are required to address these factors?

VI CONCLUSION

The affordable housing crisis is like standing in the middle of a forest. Everyone knows there is one, but no one knows how extensive it is. As federal participation in the housing field has waned, as the states have been unable to replace these funds, and as the most significant financing mechanism for housing in the states, tax-exempt mortgage revenue bonds, is being taken away, the states need to carefully examine the policies and resources which they are applying to the housing crisis.

For the most part, the states have only recently begun to address the problem in any significant manner. Many of the policies however, ignore important factors which may significantly reduce the effectiveness of these policies. By continuing to depend almost exclusively on federal money, mortgage revenue bond financing, and private sector development of affordable housing, the states may encounter a housing crisis in the future that could be far worse than any other problem confronting them.

Some states have taken action and developed some creative approaches to the housing problem. All too often these approaches are too limited. This issue therefore, may be one in which the states are required to provide more resources, develop creative solutions involving private sector participation in the development of thes policies, and to use concerted action to obtain increased commitments from the federal government to address the housing crisis.

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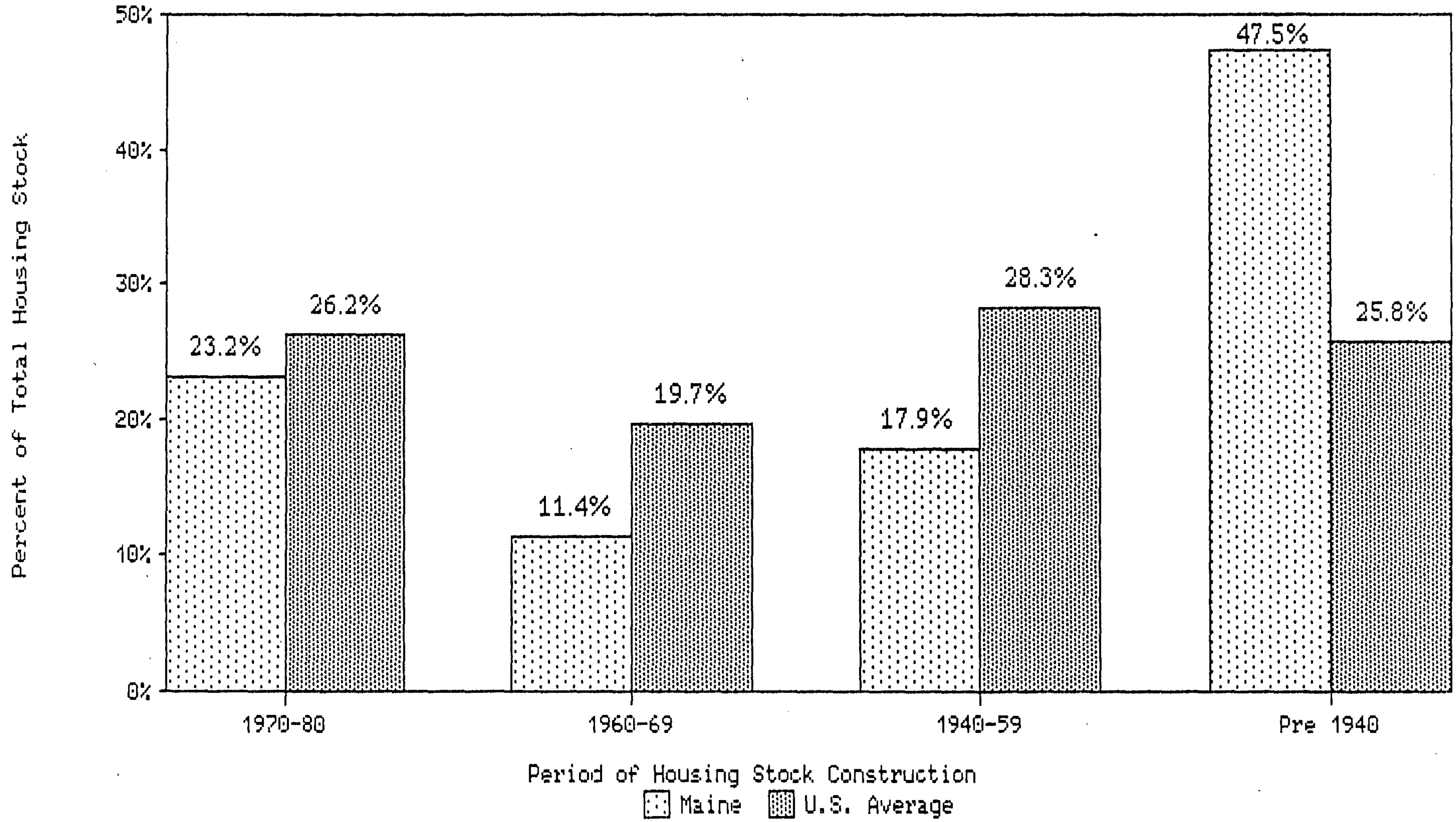
AFFORDABLE HOUSING GRAPHICS

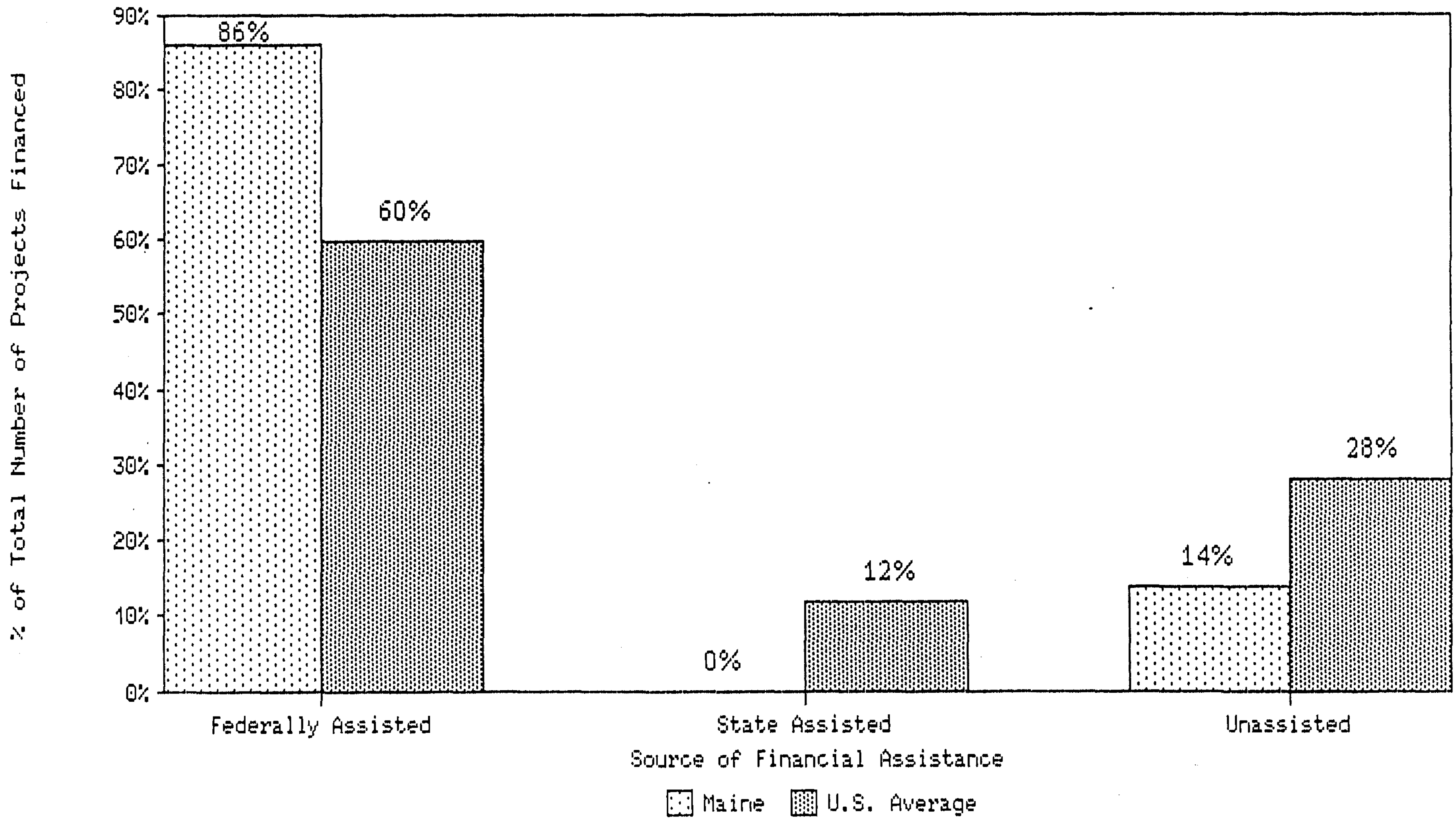
PERCENT OF HOUSING STOCK BY YEAR OF CONSTRUCTION

Maine vs. U.S. Average



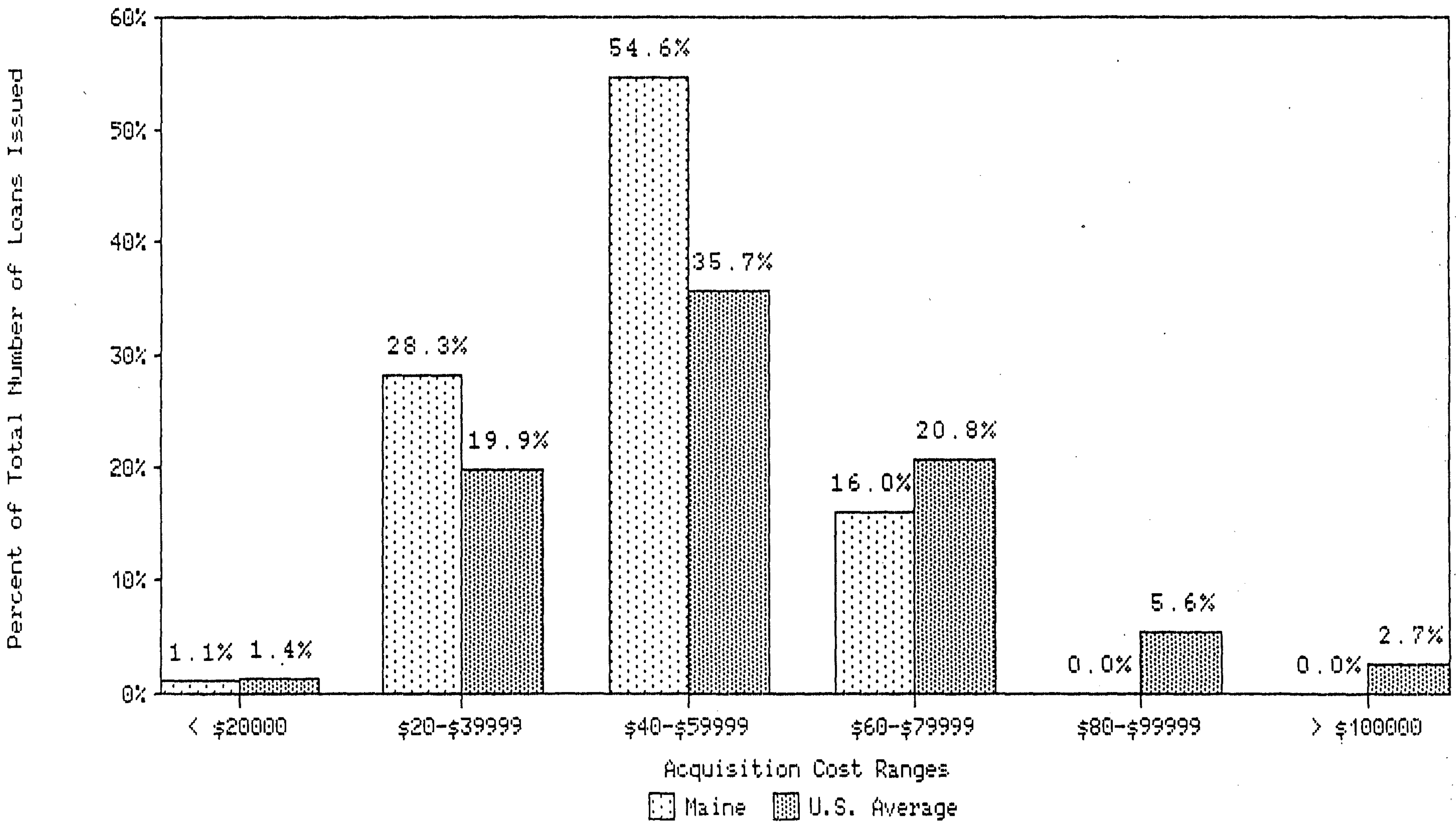
CUMULATIVE STATE HOUSING FINANCE AGENCY ACTIVITY

Percentage by Rental Program, Maine vs. U.S.



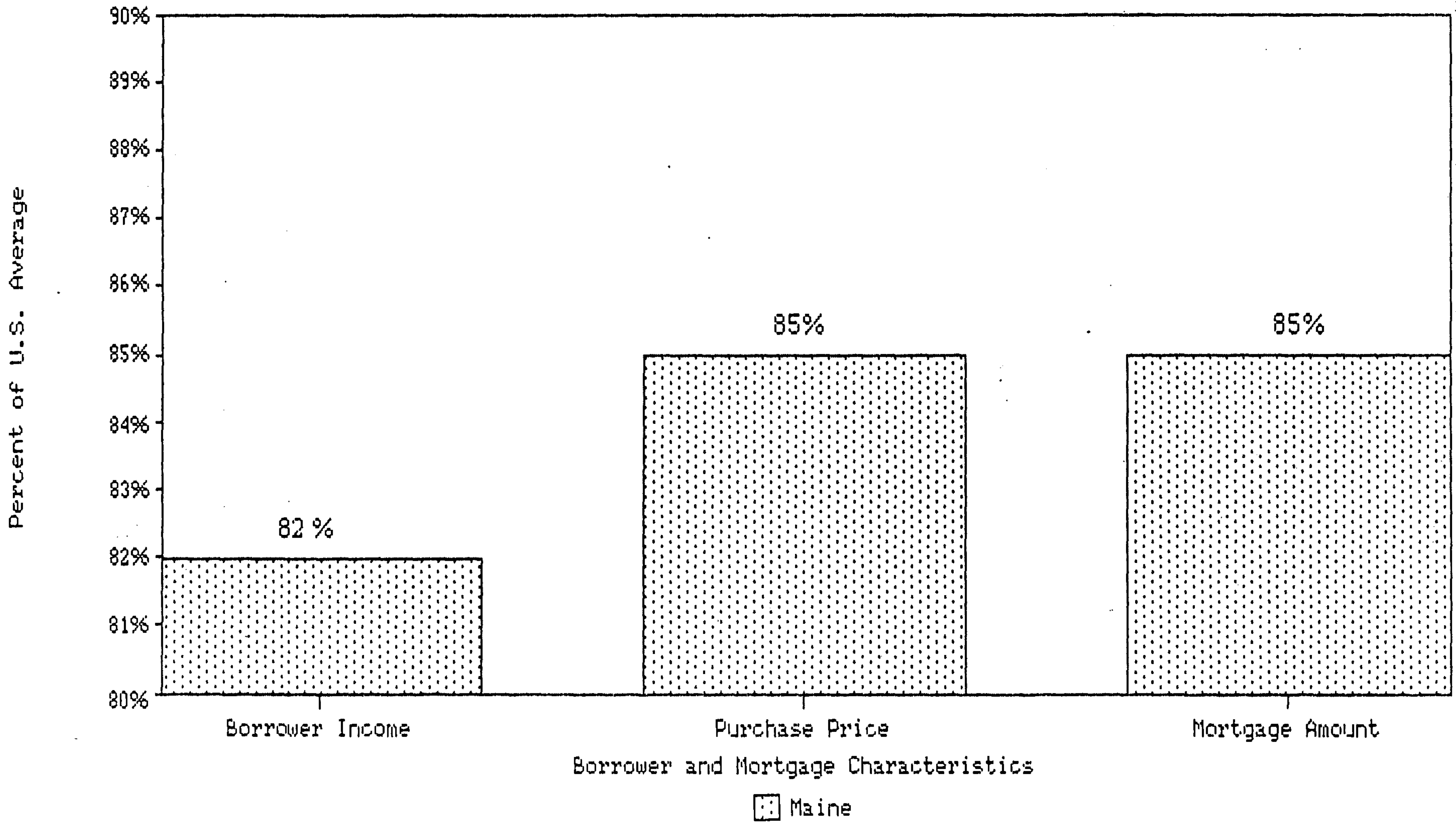
PERCENT OF LOANS ISSUED BY ACQUISITION COST

Maine vs. U.S. Average, 1985 Homeownership Programs, State Housing Finance Agencies



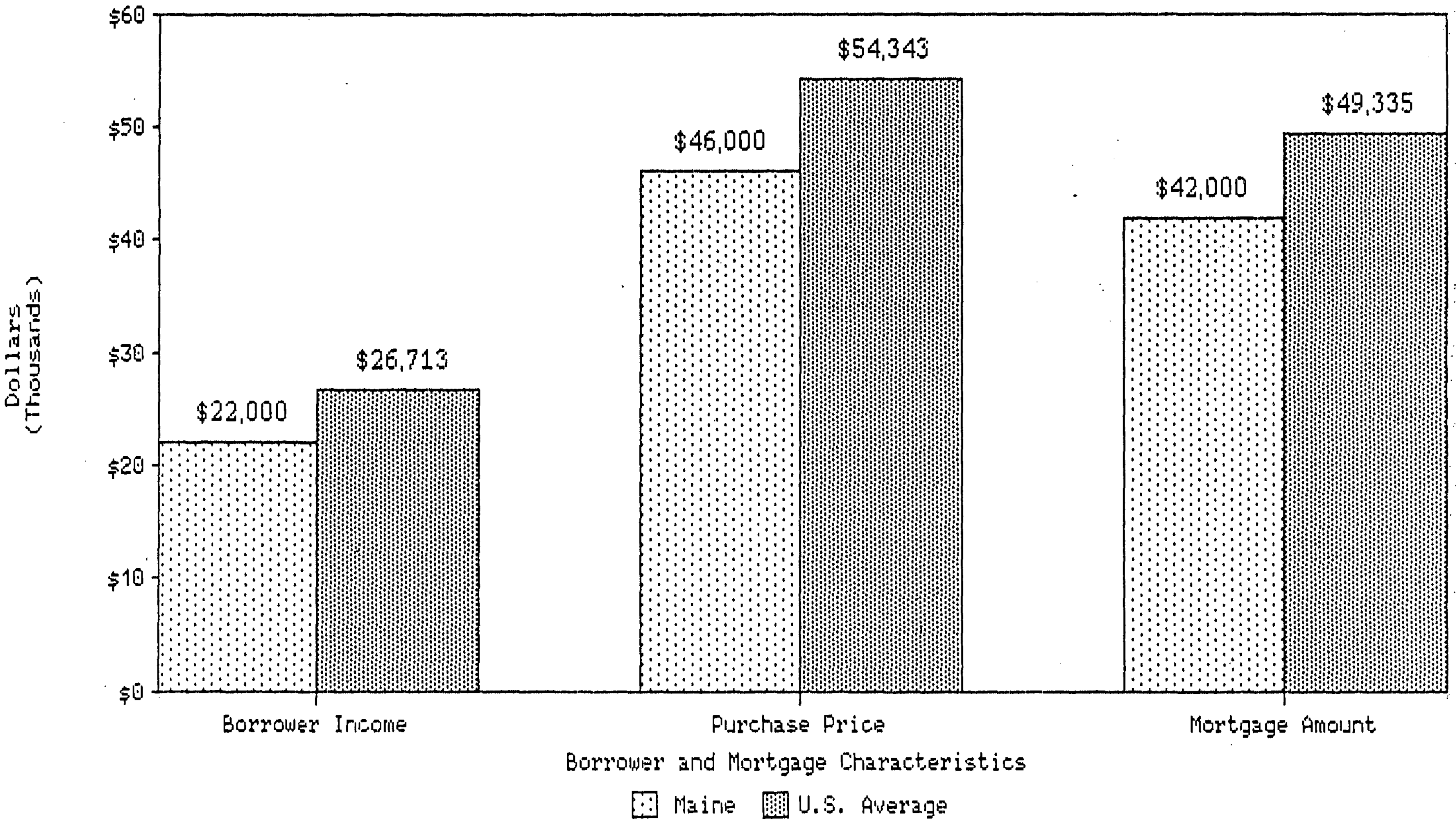
MAINE LOAN CHARACTERISTICS AS A PERCENT OF THE U.S. AVERAGE

1985 Homeownership Programs, State Housing Finance Agencies



AVERAGE HOMEOWNERSHIP LOAN CHARACTERISTICS

Maine vs. U.S. Average, 1985 Homeownership Programs, State Housing Finance Agencies



AFFORDABLE HOUSING QUESTIONNAIRE

TELEPHONE SURVEY
SHORTAGE OF AFFORDABLE HOUSING

This survey is being conducted to gather information regarding programs designed to overcome the lack of affordable housing for low and moderate income households, and to gather information regarding the agencies that administer these programs.

PERSON INTERVIEWED: ______________________________

TITLE: ______________________________

NAME OF AGENCY: ______________________________

ADDRESS OF AGENCY: ______________________________

PHONE NUMBER: ____________________

REFERENCED AGENCY: ______________________________

BY WHOM: ______________________________

TYPE OF AGENCY:

1. Is your agency the primary state agency for providing housing to low and moderate income groups in your state? If not, what agency in your state is?

   ____

   Phone number? ____________________

2. Is your agency a:

   A. Department of State government?
   B. Independent State agency?
   C. Housed within the Executive Office?
   D. Private nonprofit agency?
   E. Other?

3. Are employees of your organization hired through the State personnel department?

PROBLEM:

4. Is there a shortage of affordable housing for low and moderate income groups in your state? If so, please describe.

5. Do you collect or know of statistics that are useful in measuring the extent of this problem?

6. Does your state have problems with the prepayment and subsequent removal from the low income housing stock of HUD financed housing projects?

7. If so, do you know of any measures that have been taken to rectify this problem?

YOUR AGENCY:

8. What is the statutory reference that established your organization?

9. How many full time staff equivalents work in your agency on housing issues?

10. What was your agency's budget for the most recent year? Fiscal or Calendar year?

11. What percent of this budget was devoted to housing issues?

12. What is your agency's role in dealing with the problem of affordable housing?

13. Describe programs and services you provide, administer, contract for, fund.

    A. Do these programs include private sector involvement? If so, in what capacity?

    B. Do you or your state provide any of the following incentives to the private sector to develop and maintain affordable housing?

        1. Gifts of land or buildings?
        2. Waiving of building or zoning ordinances?

    C. Do any of your programs offer equity positions or cooperative arrangements for low and middle income households?

    D. What are the eligibility requirements for each of the programs administered by your agency?

14. Have you been able to identify factors which have contributed to the success of specific programs that your agency is involved with? If so, would you please list several?

15. Have you been able to identify factors which have limited the success or resulted in failures of specific programs? If so, would you please list several?

16. Client Groups Served?

    A. Do you attempt to target your services to specific client groups?

    B. What percent of total services is targeted towards each group?

        1. In dollars?
        2. In housing units?

17. What definitions are used by your organization regarding low and middle income?

SPECIFIC POWERS AND RESOURCES

18. Which of the following powers and authorities does your agency have?

    A. Purchase land
    B. Purchase and rehabilitate existing buildings
    C. Construct new buildings
    D. Own and Maintain Housing
    E. Lend money for?
        (1) Construction?
        (2) Purchasing housing units?
        (3) Renting housing units?
        (4) Other Reasons?
    F. Enter into rental agreements?
    G. Issue bonds? Outstanding Authorized
        (1) Taxable bonds? Amt.?
        (2) Tax exempt bonds? Amt.?

19. To what extent have each of these powers and authorities been utilized?

20. When did these powers and authorities originate?

21. What are the sources of revenue used by your organization?

A. Private Sector monies?
C. Legislative appropriation?
   (1) Dedicated revenue?
   (2) Undedicated revenue?
B. Public Sector monies?
   (1) Federal monies?
   (2) Municipal monies?
   (3) Public bonds

22. Is there any formal or informal coordination between your agency and
   A. Municipal governments? Yes No Type coord._____

   B. Other State agencies? Yes No Type coord._____

   C. The Private sector? Yes No Type coord._____

OTHER STATE AGENCIES

23. Which other state agencies provide programs which help people find affordable housing?

   Who is a good contact person in each agency?

24. How do these agencies differ from your agency in the manner in which they deal with the problem of affordable housing?

MUNICIPAL AGENCIES

25. Are there municipal or county agencies which provide programs to help people find affordable housing?

   Who is a good contact person in each agency?

26. How do these agencies differ from your agency in the manner in which they deal with the problem of affordable housing?

PRIVATE SECTOR

27. Does the private sector engage in corporate housing in your state?

28. Which private sector groups engage in corporate housing?

    A. Employers for employees
    B. Religious groups
    C. Other?

29. Have any of the following private sector initiatives been undertaken in your state to help solve the affordable housing problem?

    A. Cooperatives
    B. Other?