

MAINE STATE LEGISLATURE

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Annual Report 2006

Providing affordable, safe housing
to Mainers with modest incomes



MaineHousing

Maine State Housing Authority



Dear Governor Baldacci and Superintendent LaFountain

In 2006, the Maine State Housing Authority adopted a new name—MaineHousing—but continued its mission of providing affordable, safe housing to Maine people.

Highlights of the year's work include:

- Completed the first apartment building built complying with MaineHousing's Green Building Standards (available at www.mainehousing.org). It is 30% more energy efficient.
- Continued to incent developers and contractors to provide health insurance for their employees, which saves taxpayer dollars by avoiding costly emergency room care.
- Rolled out three new programs—Home Energy Loan Program (HELP), the Affordable Subdivision Program, and the Disaster Replacement/Repair Loan, which repaired homes impacted by the 2006 May floods and is helping Mainers recover from the Patriot's Day Nor'Easter.
- Lowered our carbon emissions by 10% as part of Governor Baldacci's Carbon Challenge.

In the half-hour that you spend perusing this annual report, MaineHousing will do \$75,000 worth of business in Maine. MaineHousing provides affordable, safe housing to Mainers with modest incomes. That's our mission. We do good and we do well with every transaction we make.

Sincerely,

Dale McCormick
Director



Letter to the People of Maine

MaineHousing is a great asset for Maine, bringing millions of federal housing dollars and private housing investments to people at very little cost to the state. I am pleased to present the agency's 2006 Annual Report, which highlights its accomplishments and demonstrates its continued financial vitality.

Throughout my career serving Maine in the Legislature, in Congress, and now as Governor, I have been a strong supporter of affordable housing, including creating the first cabinet-level position to deal with homelessness.

Housing is important to our state's economy, and MaineHousing makes a significant contribution to our economic strength. A recent study shows that investing an additional \$75 million in MaineHousing programs could leverage \$52 million in additional housing activity, create 570 jobs, and generate local and state tax revenue.

This year my budget recommends restoring state spending on housing, both to help our economy grow and to address housing needs.

Maine faces a bright future, but to achieve it we must provide our people with ample opportunities for decent, safe, affordable housing. I support MaineHousing in that mission.

Sincerely,

Governor John E. Baldacci



MaineHousing: Working for the Future

Maine governor John E. Baldacci challenged government agencies to make the most effective use of every tax dollar. MaineHousing is protecting the double bottom line: it accomplishes several things with each dollar, not just one. MaineHousing builds affordable housing and stimulates Maine's economy, while lowering carbon emissions and fairly compensating the workers who build housing.

Some examples include:

- **MaineHousing's green building standards** guarantee that new rental housing the agency finances is 30% more energy efficient and better for the environment. The standards also apply to new single-family homes under the Affordable Subdivision Program.
- **MaineHousing created an energy loan program** with interest rates as low as 1%, for moderate-income homeowners to button up their homes.
- **MaineHousing funded solar roof panels** in two new rental developments and will monitor their effectiveness.
- **MaineHousing negotiated a new pricing structure** with oil dealers participating in the heating assistance program that will purchase an estimated 240,000 additional gallons of heating fuel for low-income customers.
- **MaineHousing met the governor's Carbon Challenge**, reducing its office energy usage by 10% through installation of solar roof panels, recycling, flex time, motion sensing lighting, and others.
- **MaineHousing's contractor standards** ensure that developers constructing MaineHousing-financed projects reach out to minorities and women, provide on-the-job training, and create an incentive to provide health insurance.
- **MaineHousing organized a Mainstream Green Home Design competition** that encouraged architects and builders to design energy efficient, affordable homes. The Governor recognized the best designs at an awards ceremony; the designs are being displayed across the state, and are featured in a book.
- **MaineHousing created an Emergency Loan Program** to help people whose homes are damaged or destroyed by natural disasters, and an affordable subdivision program to encourage development of new affordable, energy efficient homes.

First-Time Homebuyers

Low-cost loans help Maine families become homeowners

Borrowers benefited from MaineHousing's low interest rates.

First-time borrowers

MaineHousing provided \$134.4 million in loans in 2006, helping 1,094 Maine families become homeowners for the first time. Borrowers benefited from MaineHousing's low interest rates, saving borrowers thousands of dollars over the life of their mortgage.

Rates (2006 average):

■ First-Time Homebuyer	5.21%
■ Conventional	6.40%

Disaster Assistance

MaineHousing also developed a Disaster Assistance Loan Program to provide low cost emergency home replacement or home repair loans for homes destroyed or damaged by natural disasters.

Homebuyers

- \$44,571 was the average annual income for borrowers; 35% had annual incomes below \$40,000
- \$122,852 was the average loan amount

Down Payment Help

- 44% of borrowers used the Maine Assist option, which provides down payment and closing cost help
- The average Maine Assist benefit was \$3,185

Education

- 2,553 people took the impartial homeownership course offered by MaineHousing's partner, hoMEworks; education helps prevent predatory lending

Home Repair and Home Safety

Safe and sound homes
for low-income residents
and people with disabilities

The Home Repair Network and the Lead Hazard Control Grant funded safety, repair, and replacement efforts.

Safety, warmth, and accessibility

Working with its partners, MaineHousing funded repairs to 268 homes of low-income residents during the year, including making 33 homes of people with physical disabilities more accessible through such improvements as ramps and widening of doors and halls. More Maine homes are in good repair, safe, accessible, and warm today because of MaineHousing's funding.

Safety and Accessibility

- 25 septic repairs or replacement
- 86 accessibility improvements, home repairs, and new heating systems for senior homeowners
- 69 homes made safe by removing lead paint; 188 contractors trained

Replacement

- 22 replacement homes for housing that was beyond repair

Repair

- 360 homes repaired through the Network overall

Making Homes Warm

Energy efficient homes
for now, and for the future

MaineHousing Green
Standards improve indoor air
quality and save money.

Heating assistance and energy efficiency

Heating assistance, weatherization grants, home energy loans, green (energy) standards, green (energy efficient) home designs—these were programs or initiatives of MaineHousing in 2006 that either made current homes warmer and more energy efficient, or assured future housing financed by MaineHousing will be significantly more energy efficient and better for the environment. The agency's new Green Standards assure that new rental housing the agency finances will be 30% more energy efficient, for example. In addition, changes to the Low Income Home Energy Assistance Program (LIHEAP) stretched federal funds to generate more heating assistance for low-income households.

Heating Assistance

- 49,409 households received heating assistance, with an average benefit of \$678
- 3,833 households received emergency heating help

Energy Improvements

- 1,641 low-income homeowners received grants for weatherization services and/or furnace repair or replacement
- 1% energy loans available through MaineHousing's new Home Energy Loan Program (HELP) are assisting 39 moderate income homeowners with loans totaling over \$518,000

Green Housing

- Three designs, plus other top designs recognized by the Mainstream Green Home Design contest

Affordable Rental Housing

For families, seniors, and people with special needs

More than 800 new affordable apartments either opened or were financed during 2006.

Affordable, responsible options

More than 800 new apartments that are affordable to working families, seniors, and people with special housing needs either opened or were financed during 2006. The 40-unit Walker Terrace apartments is the first development to meet both MaineHousing's Green Standards (making it more energy efficient) and contractor standards (ensuring outreach to minority/women workers and providing an incentive for more workers to receive health insurance). The facility opened in Portland in 2006.

Rental Housing

- 11 rental developments that MaineHousing financed opened, providing affordable housing to 400 families
- 18 developments with over 100 units serving people who are homeless or have special needs opened
- \$25 million in federal tax credits, \$7.7 million in state and federal subsidies, and \$10 million in MaineHousing bonds will finance more than 300 units of affordable housing for working families and seniors

Providing Help

- \$2.7 million to fund developments providing 51 units for persons who are homeless or have special housing needs

Energy Efficiency

- 22 single family homes made affordable and energy efficient through MaineHousing's new affordable subdivision program

Management of Rental Housing

Long-term livability
of affordable housing

MaineHousing's rental
portfolio includes
over 17,000 units.

Serving ongoing needs

MaineHousing not only finances new housing, but also is responsible for ensuring that the existing rental housing it has financed remains in good repair, is financially sound, and is serving low-income families, seniors, and people with special housing needs. MaineHousing's rental portfolio, including housing that it oversees for the federal Department of Housing and Urban Development, totals over 17,000 units. This number does not include the federal housing voucher choice program, which provided 3,675 rental assistance vouchers in 2006 to low-income households throughout Maine. Some of these it allocates directly; others are distributed through partner agents.

Rental Assistance For Maine People

- \$71,000,000 in federal rental assistance distributed to low-income families and seniors in Maine

Extended Affordability

- 214 more years of affordability, the result of refinancing 16 existing developments with 567 units through MaineHousing's Note Modification Program

Helping People Who are Homeless

Hope for people without housing

Efforts to eliminate homelessness focus on providing long-term housing opportunities.

Permanent solutions

MaineHousing provided funding to Maine's emergency shelters, while increasing efforts to provide permanent housing to people who are homeless, in 2006. MaineHousing's goal is to eliminate homelessness by creating long-term housing opportunities.

Programs such as MaineHousing's Rental Assistance Coupon Plus (RAC+) provide rental subsidies for up to two years for individuals and families who are homeless. New developments, such as Logan Place in Portland, provide affordable rental housing for people who are homeless. MaineHousing also has committed funding to Florence House in Portland, which will serve up to 50 women who are chronically homeless.

Identifying Needs

- 798 people identified as homeless during the 2006 Point in Time survey

Number Helped

- 246,464 bednights of housing provided by Maine's network of emergency shelters
- 8,300 people estimated to be homeless at some point during the year

Housing Provided

- 85 new permanent supportive housing units for people who are homeless opened, plus 10 new units providing transitional supportive housing
- 216 new households who were homeless received rental assistance vouchers through RAC+, 60% stay housed

Selling Bonds and Managing Resources

Financing affordable housing in Maine with outside private capital

MaineHousing receives no state funding to pay its staff or run its programs.

Financing and operating revenue

One of MaineHousing's most significant benefits is bringing outside private capital to Maine through the sale of its bonds to finance affordable housing. The mortgage revenue bonds, which MaineHousing repays with payments from the mortgages it makes, also provide the agency with its operating revenue. MaineHousing receives no state funding to pay its staff or to run its programs, and its housing bonds are not debts of the State of Maine.

MaineHousing's financial strength, demonstrated by strong bond ratings from the nation's leading bond rating agencies, generate a low interest rate that MaineHousing uses to provide lower interest rate loans to first-time homebuyers and developers of rental housing. **The interest rate on MaineHousing mortgages generally is a point below conventional rates.**

MaineHousing Bonds

- \$535,030,000 in bonds sold by MaineHousing in 2006
- \$1,655,745,000 of MaineHousing mortgage bonds outstanding

Home Loan Portfolio

- MaineHousing's single-family portfolio: 12,000 loans, amounting to \$773 million

Financial Summary

For the years ended December 31, 2006
and 2005 (in thousands of dollars)

BALANCE SHEET	2006	2005
Assets		
Cash and investments	\$827,006	\$802,456
Mortgage and other notes receivable	1,151,491	1,089,056
Other assets	31,970	23,230
Total Assets	\$2,010,467	\$1,914,742
Liabilities		
Deferred income	\$30,510	\$30,160
Mortgage bonds payable	1,639,590	1,567,095
Other liabilities	51,603	46,940
Total Liabilities	\$1,721,703	\$1,644,195
Total Net Assets	\$288,764	\$270,547
Total Liabilities and Net Assets	\$2,010,467	\$1,914,742

REVENUES AND EXPENSES

Operating Revenues		
Interest from mortgages and notes	\$62,950	\$64,750
Income from investments	35,894	21,541
Grants and subsidies	145,747	126,864
Other	7,510	7,609
Total Revenues	\$252,101	\$220,764
Operating Expenses		
Operating expenses	\$19,643	\$17,744
Provision for losses on loans and foreclosed real estate	(150)	(160)
Interest expense	70,318	64,889
Grants and subsidies	144,073	121,924
Total Expenses	\$233,884	\$204,397
Total Operating Income	\$18,217	\$16,367

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

Business Partners

Senior Underwriters: Bear, Stearns & Co., Inc.
UBS Financial Services, Inc.

Co-managers: Citigroup
A.G. Edwards
Merrill Lynch & Co
Goldman, Sachs & Co

Bond Counsel: Hawkins, Delafield & Wood
Trustee: U.S. Bank, N.A.

Independent Auditors: Baker Newman & Noyes, LLC
Marketing Consultant: Lapchick Creative, Inc.

2006 MaineHousing Staff

Kathleen Abbondanzio
Joyce Achramowicz
Jan Archer
Georgia Baillargeon
Donna Baker
Amanda Bartlett*
Margaret Bean
Pamela Belanger
Patricia Berube
Jennifer Boardman
John Bobrowiecki
Wendy Bonsant
Kelley Boston
Sandra Bourrie
BJ Bradstreet
Barbara Brann
Norman Breitner
Daniel Brennan
Maureen Brown
Darren Brown
Kimberly Brown
Justin Brown
Gloria Campbellton
Judith Carroll
Thomas Cary
Karen Champagne
Jo-Ann Choate
Tae Chong
Rick Churchill
Cynthia Clark
Linda Clark
Tinamarie Clary
Robert Conroy

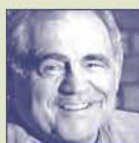
Veronica Costa
Susan Crowley
Warren Cunningham
Mary Darling
Laurie Dechaine
Susan Deprey
Daniel Drost
Victoria Dute
Alison Dyer
Paula Ecker
Huw Evans*
Norman Fecteau Jr.
Kyme Ferenc
Melinda Folsom*
Nancy Fritz
Allison Gallagher
Judith Gilbert
Tony Gill
William Glover Jr.
Monica Grady
Linda Grotton
Maya-Jade Hallett
Julie Hashem
Melissa Hutchinson
William Jenkins
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Jamie Johnson*
Lori Johnson
Sarah Johnson
Rita Jones
Kathy Kinch
Robert King
Debra King-Johnson

Kathleen Kozma
Adam Krea
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Lisa Lavigne
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Lisa Levesque
Joseph Locke
Elizabeth Mansir
Bobbie Jo Marcoux
Todd Marlowe
Michael Martin
Bruce Mathews
Gail McBride
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Lori McPherson
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Bill Olsen Jr.
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Jane Pronovost
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Gerrylynn Ricker
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Christopher Rogeski
Jody Rollins
Kevin Rose
Wayne Russell
David Schoenherr
Daniel Simpson
Bradford Snell Jr.
Megan Spencer
Barbara Stanley
Jodie Stevens
Jane Sturk
Gerald Therrien
Scott Tibbitts
Beatrice Tondreau
Daniel Towle Jr.
Diane Townsend
Lou Turmelle
Dennis Tuttle
Linda Uhl
Mary Wade
Paula Weber
Kimberly Weed
Karyn Wheeler
Lori White
Jane Whitley
Martha Winslow

**Employees beginning in 2007*

Commissioners



Donald H. Gean



Sheryl Gregory



Elizabeth Horning



Carol Kontos



David G. Lemoine



Dale McCormick



John Seigny

Programs

MaineHousing administers 35 programs:

First-time Homebuyer Loans

Downpayment and Closing Cost Assistance
Targeted Lower Income First-time Homebuyer Loans
Single Family Affordable Housing Sub-Division Grants
First-Time Homebuyer Family Development Accounts
Homeowner Education

Homeowners

Energy Improvement Loans
Disaster Replacement/Repair Loans

Owners of Substandard Housing

Home Rehabilitation Loans
Home Replacement Program
Elderly Hardship Grants for Home Improvements
Mobility Improvements for People Who Are Disabled
Wheelchair Ramps for Temporary or Immediate Needs
Keep Maine Warm—Weatherizing Homes
Weatherization
Furnace Improvements
Lead Based Paint Remediation
Septic Repair and Replacement

People Who Are Homeless

Shelter Operating Subsidies
Shelter Repair Grants
Supportive Housing for People Who Are Homeless
Homeless Prevention
Rental Assistance for People Who Are Homeless
Emergency Winter Response for Full Shelters
Security Deposit Assistance

People With Special Needs

Elderly Housing
Supportive Housing

Renters Needing Assistance

Rental Apartment Loan Programs (Tax Credits, for example)
Downtown Revitalization
Rent Subsidies (Section 8, for example)
Affordable Housing Tax Increment Financing
Oversight of Housing Developments

Energy Assistance

Fuel Assistance
Appliance Replacement
Electric Bill Subsidies (coordinated for PUC)
Energy Conservation Pilot Programs

Housing Partners

Homeownership: HoMEworks; Lenders participating in first-time homebuyer program; Maine Association of Community Banks; Maine Association of Realtors; Maine Bankers Association; Maine real estate professionals.

Home repair and safety: Home Repair Network (Department of Economic and Community Development, USDA Rural Development, Housing and Urban Development, Maine Municipal Bond Bank); Department of Environmental Protection; Maine Community Action Agencies; Maine Labor Group on Health; Maine Public Health Nursing; Natural Resources Defense Council.

Making homes warm: John Joseph & Associates; Kinney Consulting and Associates; Maine Community Action Agencies; Maine Oil Dealers Association; Maine oil/propane firms; Maine Equal Justice Partners.

Developing affordable housing: Enterprise Foundation National Equity Fund; For-profit housing developers; Non-profit housing developers; Northern New England Housing Investment Fund; Maine Center for Economic Policy.

Managing affordable housing: For-profit and non-profit owners and managers; Local Housing Authorities; Department of Housing and Urban Development; USDA Rural Development.

Helping people who are homeless: Emergency shelter providers; Non-profit housing developers; Department of Corrections; Local governments; Local homeless advocacy groups; Statewide and Regional Homeless Councils.

Loan serving partners: Bangor Savings Bank; Bank of America Mortgage; Camden National Bank; Financial Institution Services Corp.; Gardiner Savings Bank; Graystone Mortgage Corp; Machias Savings Bank; Salem Five Mortgage Corp.; Washington Mutual Bank.



MaineHousing ("Maine State Housing Authority") does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability, or familial status in the admission or access to, or treatment or employment in, its programs, and activities. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Mary Darling, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number (207) 626-4600 or 1-800-452-4668 (voice), or 1-800-452-4603 (TTY).



www.mainehousing.org
207.626.4600
1.800.452.4668
1.800.452.4603 TTY

353 WATER STREET
AUGUSTA, MAINE
04330-4633

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