

MAINE STATE LEGISLATURE

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MaineHousing
Maine State Housing Authority

Memorandum

To: Senator Chris Rector, Chair
Representative Kerri Prescott, Chair
Joint Standing Committee on Labor, Commerce, Research, and Economic Development

From: Peter Merrill, Director, Communications and Planning

Date: March 3, 2011

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 questions, please contact me at 626-4608 or pmerrill@mainehousing.org. Thank you for your interest.

The Maine Energy, Housing, and Economic Recovery Program

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

Introduction

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 (often referred to as Part E). The law requires MaineHousing to report on the program each year by March 1st.

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.

Funding

The Legislature funded the program by authorizing MaineHousing to sell bonds in an amount of \$30,000,000 or more per year up 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 will notify the Treasurer of the amount needed to cover the payments and the Treasurer will deposit the money into a Fund account created by the Legislature. This unique arrangement was based on the TransCap program previously created by the Legislature to fund transportation programs.

These bonds are unlike any that MaineHousing has ever sold. 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 quite volatile, the bonds were rated A1/A+ by Moody's and Standard and Poor's respectively.

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 how TransCap was treated, that they were not comfortable if the annual debt service payments for the Part E bonds exceeded more than 45% 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 45% threshold. Therefore, we do not anticipate issuing additional bonds in this resolution in the foreseeable future.

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 will 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 will be in state fiscal year 2012. Over half the bonds were insured resulting in ratings of Aa3/AAA.

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. In most cases it is too soon to have to the job and construction related data.

Conclusion

The timing of this program provided capital for projects at a low point in our state economy. While we do not have precise data for the economic impacts yet, anecdotally our partners tell us that program has made a difference in both the housing and jobs it is creating.

Allocation of Part E Funds - 2010 Report to the Maine State Legislature										
Project Name	Project Location	Rural and/or Islands?	Construction Start Date	Part E Funds Allocated	Total Project Development Cost	Number of Affordable Units	Construction Jobs Created/Retained	Construction Wages	Cost of Building Materials	
Projects Serving Seniors										
Ash Street Apartments	Lewiston		2/14/2011	\$614,151	\$8,875,000	32	32			
Park Street School	Portland		Summer 2011	\$1,514,976	\$7,700,000	30				
Stonecrest Manor	Standish		Fall 2011	\$2,068,667	\$4,050,000	25				
Goose River Apartments	Belfast		Fall 2011	\$2,384,586	\$4,700,000	24				
Emery School	Biddeford		Fall/Winter 2011	\$608,509	\$6,690,200	24				
Oak Leaf 2	Freeport		Summer 2011	\$997,876	\$5,117,480	25				
Projects Serving Any Age										
Hillside Apartments	Vinalhaven	Yes	11/30/2010	\$150,000	\$1,267,000	6	5			
Webster School	Auburn		12/13/2010	\$1,630,551	\$7,100,000	28	28			
Oak Street Apartments	Portland		March 2011	\$3,700,000	\$6,400,000	37				
Pearl Place II	Portland		Summer 2011	\$1,650,000	\$12,059,241	54				
Children's Hospital	Portland		Summer 2011	\$650,000	\$8,500,000	35				
105 Main Street	North Haven	Yes	Spring 2011	\$375,000	\$434,250	2				
Schoolhouse Road	Chebeague	Yes	Spring 2011	\$350,000	\$424,379	2				
Straw Way	Ellsworth		Fall/Winter 2011	\$683,000	\$5,859,000	29				
Lofts at Bates Mill	Lewiston		Summer 2011	\$1,200,000	\$9,239,414	33				
Old Gilkey Road	Islesboro	Yes	Summer 2011	\$350,000	\$561,000	2				
Affordable Housing Rental Project	Isle Au Haut	Yes	Summer 2011	\$350,000	\$617,000	2				
Projects Serving Special Needs										
70 State Street	Augusta		2012	\$455,082	\$1,300,000	16				
Franklin Street Aparrrtments	Calais		Fall 2011	\$1,025,000	\$1,425,000	9				
76 Pier Street	Bangor		Winter 2011	\$669,050	\$669,050	4				
2-4 Pebble Lane	Sanford		May 2011	\$450,000	\$460,000	5				
385 Cumberland Avenue	Portland		Summer/Fall 2011	\$888,783	\$1,126,502	8				
119 Saco Street	Westbrook		Summer 2011	\$267,300	\$267,300	2				
5 Colby Lane	Kennebunk		Spring 2011	\$295,000	\$395,894	3				
97 Court Street	Bangor		Winter 2011	\$980,000	\$980,000	8				
Somerset Housing	Skowhegan		2012	\$283,253	Unknown	4				
Projects Replacing manufactured homes										
			Contract negotiations in progress		To be determined on a case by case basis					
Mobile Home Replacement Project	Statewide			\$4,500,000	Leverage expected	50				
Total				\$29,090,784	\$96,217,710	499				
Use of Part E Funds Summary		Total Funds	Percentage of funds							
Total for Senior Housing		\$8,188,765	28.1%							
Total for Any Age Housing		\$11,088,551	38.1%							
Total for Special Needs Housing		\$5,313,468	18.3%							
Total for Manufactured Housing replacement		\$4,500,000	15.5%							
Total Rural/Islands		\$1,575,000	5.4%							

MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY PROGRAM

§ 4861. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

1. **Authority.** "Authority" means the Maine State Housing Authority.
2. **Fund.** "Fund" means the Maine Energy, Housing and Economic Recovery Fund established in section 4863.
3. **Program.** "Program" means the Maine Energy, Housing and Economic Recovery Program established in section 4862.

§ 4862. Maine Energy, Housing and Economic Recovery Program

1. **Operator of program.** The Maine Energy, Housing and Economic Recovery Program is established. The authority shall operate the program. The program may be operated in conjunction with other programs of the authority.

2. Purposes of the program. The program is established to:

- A. Establish stable, reliable, long-term capital funding sources dedicated to providing affordable housing for families in the State;
- B. Substantially increase the supply of housing that is affordable, safe, appropriately sized and located near jobs and services;
- C. Improve the energy efficiency of residential housing in the State through construction of new units, replacement of older substandard units and substantial rehabilitation of existing units;
- D. Stimulate the State's economy and create jobs through investment in the construction and rehabilitation of affordable rental housing;
- E. Replace hazardous, unhealthy and inefficient manufactured homes that do not meet the United States Department of Housing and Urban Development standards under 24 Code of Federal Regulations, Part 3280; and
- F. Reduce the State's greenhouse gas emissions, lower dependence on foreign oil and ease the energy burden on households in the State by increasing the energy efficiency of housing in the State.

3. Program elements. The authority shall achieve the purposes of the program by applying the resources of the program to support construction or substantial rehabilitation of multifamily affordable rental housing units and replacement of manufactured housing units that do not meet the United States Department of Housing and Urban Development regulations under 24 Code of Federal Regulations, Part 3280. The authority in allocating the resources of the program shall seek to achieve the following targets over time:

- A. At least 30% to the construction or substantial rehabilitation of multifamily affordable rental housing units serving seniors, as defined by the authority;
- B. At least 30% to the construction or substantial rehabilitation of multifamily affordable rental housing units serving persons of any age;
- C. At least 10% to the construction or substantial rehabilitation of multifamily affordable rental housing units serving populations with special needs, as defined by the authority; and
- D. At least 10% to the replacement of manufactured housing units that do not meet the United States Department of Housing and Urban Development regulations under 24 Code of Federal Regulations, Part 3280.

In designing and implementing the program, the authority shall provide for the needs of rural communities through flexible standards for development size and income eligibility. No more than 30% of program resources may be allocated to projects of all types under these flexible standards.

§ 4863. Maine Energy, Housing and Economic Recovery Fund

The Maine Energy, Housing and Economic Recovery Fund is established under the jurisdiction and control of the authority. The fund is nonlapsing and may be invested in the same manner as permitted for investment of other state funds.

1. Use of fund. Money in the fund may be applied by the authority:

- A. To reduce the rate of interest on or the principal amount of such mortgage loans as the authority determines;
- B. To make mortgage loans and such other types of loans or grants as the authority determines;
- C. To fund reserve funds for, pay capitalized interest on, pay costs of issuance of or otherwise secure and facilitate the sale of the bonds issued under section 4864;
- D. To pay the administrative costs of the program;
- E. To pay, in whole or in part, principal, interest, sinking fund payments or other costs on bonds issued by the authority under section 4864 for the purposes of this program; and
- F. In any other reasonable manner to support the purposes of the program.

2. Sources of funds. The fund consists of:

- A. All money transferred to the fund pursuant to Title 36, section 4641-B, subsection 4-A;
- B. Subject to any pledge, contract or other obligation under this subchapter, any money the authority receives in repayment of advances from the fund;
- C. Subject to any pledge, contract or other obligation under this subchapter, all interest, dividends and pecuniary gains from the investment of money of the fund; and
- D. Any other money available to the authority and directed by the authority to be paid into the fund.

3. Fund as security. Money in the fund may, in whole or in part, be pledged or transferred and deposited as security for and applied in payment of principal of, interest on or redemption premiums on bonds issued under section 4864 for the purposes of this subchapter.

4. Division of fund. The authority may divide the fund into any separate accounts that it finds necessary to accomplish the purposes of this subchapter.

5. Reporting. Not later than March 1, 2011 and March 1st of each year thereafter, the director of the authority shall report to the joint standing committee of the Legislature having jurisdiction over affordable housing matters on the status of the fund. The report must include, but is not limited to, the amount of revenue bonds issued under this subchapter, 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.

§ 4864. Bonds

Beginning in fiscal year 2010-11, pursuant to its authority under this chapter, the authority may issue revenue bonds from time to time, to be known as Maine Energy, Housing and Economic Recovery Fund revenue bonds, to carry out the purposes of the program. Notwithstanding any other provision of law, the authority may have in the aggregate principal amount outstanding at any one time Maine Energy, Housing and Economic Recovery Fund revenue bonds up to but not exceeding \$200,000,000, excluding refunding bonds. The authority may issue in any fiscal year revenue bonds under this subchapter in an amount of \$30,000,000 or more, as determined appropriate by the authority for the purposes of the program.

Sec. E-2. 36 MRSA §4641-B, sub-§4, as repealed and replaced by PL 2007, c. 539, Pt. WW, §2, is repealed.

Sec. E-3. 36 MRSA §4641-B, sub-§4-A is enacted to read:

4-A. Distribution of State's share of proceeds. The State Tax Assessor shall pay all net receipts received pursuant to this section to the Treasurer of State and shall at the same time provide the Treasurer of State with documentation showing the amount of revenues derived from the tax imposed by section 4641-A, subsection 1 and the amount of revenues derived from the tax imposed by section 4641-A, subsection 2.

A. In fiscal year 2009-10, the Treasurer of State shall:

(1) Credit to the General Fund 50% of the revenues derived from the tax imposed by section 4641-A, subsection 1; and

(2) Credit an additional \$3,320,000 of the revenues derived from the tax imposed by section 4641-A, subsection 1 to the General Fund, after which the Treasurer of State shall pay on a monthly basis the remaining revenues derived from the tax imposed by section 4641-A, subsection 1 to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853.

B. In fiscal year 2010-11, the Treasurer of State shall:

(1) Credit to the General Fund 50% of the revenues derived from the tax imposed by section 4641-A, subsection 1; and

(2) Credit an additional \$3,720,000 of the revenues derived from the tax imposed by section 4641-A, subsection 1 to the General Fund, after which the Treasurer of State shall pay on a monthly basis the remaining revenues derived from the tax imposed by section 4641-A, subsection 1 to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853.

C. In fiscal year 2011-12, the Treasurer of State shall credit the revenues derived from the tax imposed pursuant to section 4641-A, subsection 1 in accordance with this paragraph.

(1) At the beginning of the fiscal year, the Maine State Housing Authority shall certify to the Treasurer of State the amount that is necessary and sufficient to meet the authority's obligations relating to bonds issued or planned to be issued by the authority under Title 30-A, section 4864.

(2) On a monthly basis the Treasurer of State shall apply 50% of the revenues in accordance with this subparagraph. The Treasurer shall first pay revenues available under this subparagraph to the Maine State Housing Authority, which shall deposit the funds in the Maine Energy, Housing and Economic Recovery Fund established in Title 30-A, section 4863, until the amount paid equals the amount certified by the Maine State Housing Authority under subparagraph (1), after which the Treasurer of State shall credit any remaining revenues available under this subparagraph to the General Fund.

(3) On a monthly basis the Treasurer of State shall apply 50% of the revenues in accordance with this subparagraph. The Treasurer of State shall first credit \$3,830,000 of the revenues available under this subparagraph to the General Fund, after which the Treasurer of State shall pay any remaining revenues available under this subparagraph to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853.

D. In fiscal year 2012-13, the Treasurer of State shall credit the revenues derived from the tax imposed pursuant to section 4641-A, subsection 1 in accordance with this paragraph.

(1) At the beginning of the fiscal year, the Maine State Housing Authority shall certify to the Treasurer of State the amount that is necessary and sufficient to meet the authority's obligations relating to bonds issued or planned to be issued by the authority under Title 30-A, section 4864.

(2) On a monthly basis the Treasurer of State shall apply 50% of the revenues in accordance with this subparagraph. The Treasurer shall first pay revenues available under this subparagraph to the Maine State Housing Authority, which shall deposit the funds in the Maine Energy, Housing and Economic Recovery Fund established in Title 30-A, section 4863, until the amount paid equals the amount certified by the Maine State Housing Authority under subparagraph (1), after which the Treasurer of State shall credit any remaining revenues available under this subparagraph to the General Fund.

(3) On a monthly basis the Treasurer of State shall apply 50% of the revenues in accordance with this subparagraph. The Treasurer of State shall first credit \$3,950,000 of the revenues available under this subparagraph to the General Fund, after which the Treasurer of State shall

pay any remaining revenues available under this subparagraph to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853.

E. In fiscal year 2013-14 and each fiscal year thereafter, the Treasurer of State shall credit the revenues derived from the tax imposed pursuant to section 4641-A, subsection 1 in accordance with this paragraph.

(1) At the beginning of the fiscal year, the Maine State Housing Authority shall certify to the Treasurer of State the amount that is necessary and sufficient to meet the authority's obligations relating to bonds issued or planned to be issued by the authority under Title 30-A, section 4864.

(2) On a monthly basis the Treasurer of State shall apply 50% of the revenues in accordance with this subparagraph. The Treasurer shall first pay revenues available under this subparagraph to the Maine State Housing Authority, which shall deposit the funds in the Maine Energy, Housing and Economic Recovery Fund established in Title 30-A, section 4863, until the amount paid equals the amount certified by the Maine State Housing Authority under subparagraph (1), after which the Treasurer of State shall credit any remaining revenues available under this subparagraph to the General Fund.

(3) On a monthly basis, the Treasurer of State shall credit 50% of the revenue to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853.

E. Neither the Governor nor the Legislature may divert the revenues payable to the Housing Opportunities for Maine Fund to any other fund or for any other use. Any proposal to enact or amend a law to allow distribution of less than 1/2 of the revenues derived from the tax imposed by section 4641-A, subsection 1 to the Housing Opportunities for Maine Fund established in Title 30-A, section 4853, as adjusted under this subsection, must be submitted to the Legislative Council and to the joint standing committee of the Legislature having jurisdiction over affordable housing matters at least 30 days prior to any vote or public hearing on the proposal.

G. The Treasurer of State shall credit to the General Fund all of the revenues derived from the tax imposed by section 4641-A, subsection 2.

Sec. E-4. Report. By March 1, 2010, the Director of the Maine State Housing Authority shall report to the Joint Standing Committee on Business and Economic Development regarding the authority's actions taken to implement the provisions of the Maine Revised Statutes, Title 30-A, chapter 201, subchapter 7-A.