

1998

## MSHA Partners, 1st Quarter 1998

Maine State Housing Authority

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### Recommended Citation

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The mission of the Maine State Housing Authority is to assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs.

1st Quarter, 1998

# MSHA Partners

A QUARTERLY PUBLICATION OF THE MAINE STATE HOUSING AUTHORITY



**The Task Force did an outstanding job outlining the scope of problems facing Maine's shelter network today**

## New report shows sharp increase in homelessness, but no new \$\$\$ to help people

Substantial increases in homelessness coupled with no increase in funding have left Maine's system for dealing with homeless people at the breaking point, according to a new report by Maine's Task Force on Homelessness and Housing Opportunities.

The Task Force recommends some short term and some long term measures to combat the problem.

"The Task Force did an outstanding job outlining the scope of problems facing Maine's shelter network today, and recommending sensible solutions to address them," said Task Force Chair Dana Totman, the Deputy Director of the Maine State Housing Authority.

"The Task Force included many of the most knowledgeable and respected professionals and practitioners in the field of homelessness in the state.

"The report is the most complete analysis of Maine homeless shelter activity ever done. It found the system is at the breaking point. We must take serious steps now to avoid a crisis in the near future."

According to the report the number of bednights shelters provided for Maine's homeless population increased 33% between



**Guests prepare for their night at Oxford Street Shelter in Portland**

1993 and 1996, with much of the increase coming from clients with mental illness or substance abuse problems. The increase is a combination of an 18% percent rise in the number of clients served, and a 12% increase in the average length of stay.

Meanwhile, funding stayed flat.

As a short term measure the Task Force recommended a considerable increase in state funding to help shelters cope with the increasing demand. Current funding of \$500,000 per year provides less than 8 percent of the actual cost, the report found. The Task Force recommendation was to increase the state Shelter Operating Subsidy (SOS) amount to \$3.15 million.

Maine's 37 shelters, with a total of 767 beds, serve about 450 people every night. The number of homeless clients served annually increased from 12,031 to 14,219 between 1993 and 1996, the report said. The average stay increased from 10.6 nights to 11.9 nights.

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**The report  
recommended the  
Task Force be  
continued and make  
an annual report  
on the capacity  
of Maine's  
shelter network**

**New Report (continued from previous page)**

Based on the number of clients served by the shelters, the state funding averages \$2.91 per client per night. The cost to the shelters to house the guests, according to data collected by MSHA, averages \$37.25 per night per guest. For guests with mental illness or for victims of domestic violence the costs are substantially greater. The challenge to the shelters is to fill the financial gap between the \$2.91 of revenue and \$37.25 of costs.

The Task Force found emergency shelters have had partial success filling the gap with funds from General Assistance, charities, municipal funding, and other state or federal programs. Nevertheless, the report said, "some shelters are behind in their monthly bills and many have financial liabilities far in excess of assets."

The report attributes much of the increase in the homeless shelter population to serving more people who have mental illness or substance abuse problems, or both. It found 55% of all clients in 1997 were identified as having mental illness and/or substance abuse problems.

The Task Force report noted that some critical system improvements should occur for a longer term solution to the problem of homelessness. Key recommendations included providing more training for shelter workers and those assisting the homeless; developing plans to connect the homeless to mental health and substance abuse services; and encouraging development of supportive housing.

The Legislature created the Task Force on Homelessness and Housing Opportunities in 1989. Legislation in 1997 reconfigured the Task Force, reducing membership from 21 members to 12 and including key policy makers and state officials as members. The members are listed below. The Task Force had three mandates: recommend ways to provide housing assistance to homeless persons with mental illness or substance abuse problems; recommend changes to licensing requirements for homeless shelters; and identify the future role of the Task Force.

The report recommended the Task Force be continued and make an annual report on the capacity of Maine's shelter network to serve the needs of Maine's homeless people. As for licensing requirements, the Task Force found that transitional shelters and supportive housing face detailed and inconsistent requirements. It recommended licensing be streamlined consistent with recommendations from a separate study conducted by a Physical Licensing Working Group created by members of the Governor's Cabinet.

***Members of the Task Force on Homelessness and Housing Opportunities:***

**Nancy Bouchard** - Associate Commissioner, Department of Corrections

**Mary-Anne Chalila** - Director, Bangor Health & Welfare Department

**Kevin Concannon** - Commissioner, Department of Human Services

**Tracy Cooley** - Executive Director, Maine Coalition for Family Crisis Services

**Donald Gean** - Executive Director, York County Shelters, Inc.

**Jessica Harnar** - Executive Director, Coastal Economic Development Corporation

**Helen Hemminger** - Executive Director, Tedford Shelter

**Valerie Landry** - Commissioner, Department of Labor

**Melodie Peet** - Commissioner, Department of Mental Health, Mental Retardation and Substance Abuse Services

**Mark Swan** - Executive Director, Preble Street Resource Center

**Dana Totman (Chair)** - Deputy Director, Maine State Housing Authority

**Daniel Vachon** - Public Member, Rotary International

For copies of the report, contact the Maine State Housing Authority, 353 Water Street, Augusta, ME 04330; Tel: (207) 626-4600



## Affordable Housing Conference News

The Maine State Housing Authority is seeking nominations for awards that will be presented at the 1998 Governor's Affordable Housing Conference April 8 at the Downtown Holiday Inn in Portland. Nominations should be of Maine people or organizations who have made a significant contribution to serving the housing needs of one (or more) of the five housing needs groups. These five are: first time homebuyers; low income homeowners; low income renters; persons with special needs; and homeless people. An award will also be presented in a general "other" category to an individual or organization who made a significant contribution to the cause of affordable housing.

Nominations should be one typewritten page or less in length and explain the qualifications and reasons why the organization or individual should receive an award. Send nominations by **March 13, 1998**, to:

**Dana Totman, Deputy Director, Maine State Housing Authority, 353 Water Street, Augusta, ME 04330-4633**

If you know of an individual or organization that deserves recognition for the work they have done -- including your own organization or yourself personally -- please send us the name for consideration. MSHA will use a panel of judges to select the award winners.

### New York Times writer to be keynote speaker

Michael Winerip, a staff writer for the New York Times Magazine and author of books about housing and persons with mental illness, will be the featured speaker at the 1998 Governor's Affordable Housing Conference.

Winerip has written extensively about mental illness and housing. His 1994 book "9 Highland Road: Sane Living for the Mentally Ill" is an in-depth look at a group home in Long Island serving persons with mental illness. Winerip is a 1974 graduate of Harvard University. He has worked as a reporter, columnist, and national education reporter.



**Happy 1st Time Homebuyers Diane and Larry Vinal talk with their real estate agent**

## Housing Authority exceeded goals in 1997

The Housing Authority helped more Maine people obtain decent housing in 1997 than it had hoped to help at the start of the year. "The Housing Authority had another exceptional year in 1997, one in which we exceeded the goals we established for ourselves in nearly every housing category," said MSHA Director David Lakari.

category	goal	actual
1st Time Homebuyer	2000	<b>2257</b>
Repair/FIXME	1300	<b>1167</b>
Low-Income Rental	410	<b>873</b>

"The credit goes to the dedication of our staff, the cooperation of our partners, and the support we have received from the Maine Legislature and Maine's Congressional delegation in Washington."

Overall, MSHA's production programs financed affordable housing for more than 5,000 Maine families in 1997.

The Housing Authority programs helped 2,257 low and moderate income families buy their first homes. This increased the number of loans in the agency's single-family loan portfolio to 15,363 and more than \$790 million.

Other programs helped 1,167 low income homeowners make needed home repairs, financed apartments for 697 low income families, and financed development of 176 units for people with special housing needs. MSHA financing for emergency shelters helped them provide 140,612 nights of housing for Maine people who were homeless.

These programs don't tell the entire MSHA story, though. Other programs helped weatherize homes or fix heating systems for 1,500 low income families, and provided heating assistance to more than 38,000 very low income households.

More than 12,000 low and very low income seniors and families spent the year living in affordable housing MSHA financed in previous years and in which it still oversees the management of the housing. Nearly 3,500 very low income Maine people lived in private apartments subsidized with federal rental certificates or vouchers that the Housing Authority secured for Maine people.

"This is the second year in a row our production programs have exceeded goals and financed affordable housing and home repairs for more than 5,000 Maine citizens," Lakari said. "It will be very difficult to sustain this level for 1998, though, unless we receive significantly more support from the State Legislature and Congress."

A combination of flat or reduced funding has eroded the Housing Authority's ability to finance affordable single and multi-family housing, the Director noted. ■



# Housing Authority establishes goals for 1998

**T**he Housing Authority, as it has in the previous few years, has established production goals for 1998. The goals include targets for number of families assisted in buying their first homes; number of affordable apartments created for low income people and people with special needs; number of low income homeowners assisted with home repairs; and number of homeless people assisted. With less money available, the Housing Authority has reduced several production goals for 1998.

"It's unrealistic to think we can maintain our current extraordinary production levels unless the state and federal governments significantly increase their support for housing," said MSHA Director David Lakari. "Over the past several years funding for housing programs has either been cut, or eroded by inflation."

This year the total production goals are:

- 2000 1st time homebuyers
- 1200 home repairs
- 125 special needs beds
- 345 low income apartments

The Housing Authority's most flexible subsidy fund, the state Housing Opportunities for Maine (HOME) fund, has been slashed in half. The HOME fund is financed by the Real Estate Transfer Tax. Initially, half the state share of the transfer tax (45% of the total tax) went to the state HOME fund. Now, only one quarter of the state share goes to the fund.

State funding to support homeless shelters has remained flat at \$500,000 since 1989. A recent study of homelessness recommended increasing the financing to \$3.15 million.

The federal limits on tax-exempt revenue bonds that Maine can issue has remained static at \$150 million for more than a decade. These are bonds the Housing Authority and several other agencies, such as the Finance Authority of Maine, sell to raise capital for loans. The \$150 million is insufficient to finance current needs. For the first time ever, the Housing Authority was forced to sell taxable bonds in 1997 to finance homes for first time homebuyers.

The federal Low Income Housing Tax Credit, which subsidizes affordable rental housing, has remained at about \$1.5 million a year for several years. Its value has been eroded by inflation, though. Legislation has been introduced in Congress to increase the amount for each state. In Maine it would raise the credit amount to about \$2 million a year. ■

## New program prevents loss of existing subsidized housing

**T**he Maine State Housing Authority has developed a new demonstration program designed to help save some existing subsidized rental housing in Maine. The Preservation Demonstration Program (PDP) provides economic incentives to maintain the properties as affordable rental housing, despite the loss of federal rental assistance.

"Over the next several years maintaining the current stock of subsidized rental housing will be one of our top priorities and greatest challenges," said MSHA Director David Lakari.

"The federal Department of Housing and Urban Development is anxious to reduce or eliminate its subsidies to these properties. Our challenge will be to maintain the thousands of units at risk of losing their subsidy as affordable housing for the very low income elderly and families that occupy them."

continued on next page



**The subsidy resources**

**simply are insufficient**

**to continue programs**

**at current levels**





#### New program prevents loss, (continued)

The pilot program targets MSHA-financed apartments that carry a high interest rate mortgage (9% or higher) and meet certain other requirements. The program could affect as many as 71 developments and require up to \$22 million in financing.

Among the financing options available for maintaining the units are straight purchase of the property, and purchase and rehab of the apartment building.

HUD's decision to eliminate or reduce subsidies primarily affects apartments financed through the deep subsidy Section 8 New Construction/Substantial Rehabilitation program. This federal program was active in developing housing from the 1970's through the early 1980's. The apartments were provided long term federal rental assistance.

MSHA alone financed about 160 such projects, with more than 5,000 affordable apartment units for Maine's low income seniors and families.

Based on experience with the Demonstration Program, MSHA may expand it in the future to include other federally assisted developments. ■

## Housing Authority, Federal Bank agreement saves \$\$\$ for Maine homebuyers

Cooperation between the Maine State Housing Authority and the Federal Home Loan Bank of Boston (FHLBB) resulted in savings of \$150,000 that will help the Housing Authority maintain below market rate mortgage loans for first time homebuyers. In December, MSHA sold \$40 million in taxable bonds, all of which were purchased by the FHLBB. It was the first time the Housing Authority sold taxable bonds to raise capital for its first time homebuyer loans, and the first time the agency sold bonds to the FHLBB.

"Ordinarily we sell tax-exempt bonds to raise capital for our first time homebuyer mortgages, but our program in 1997 was so successful we ran up against the federally imposed limit on tax-exempt bonds," explained MSHA Director David Lakari. "We faced the choice of selling taxable bonds, or halting the program.

"Fortunately, the FHLBB stepped in and purchased the entire \$40 million bond issue, saving us at least \$150,000 and allowing us to maintain low interest rates on our home loans. In January, MSHA's rate was reduced to 6.25%, one of the lowest interest rates ever."

"I know from experience how important the first time homebuyer program is to the people of Maine and to the Housing Authority," said Maine House Speaker Elizabeth Mitchell, the chair of the FHLBB, and a former MSHA Director. "I'm very pleased that we at the FHLBB made a contribution to the program's continued success."

Twenty of the lenders participating in the MSHA's first time homebuyer program are also members of the Home Loan Bank of Boston. "Making homeownership possible for New Englanders is something we strive for at the Home Loan Bank of Boston," said Michael A. Jessee, president and chief executive officer. "I'm pleased that this bond sale will help make homeownership more affordable for hundreds of Maine families."

MSHA's first time homebuyer loans assisted more than 2,200 Maine families buy homes with \$140 million in loans in 1997.

The Federal Home Loan Bank of Boston is a member-owned wholesale bank for housing finance in the 6 New England states. MSHA is qualified as a non-member borrower of the bank. ■

**Our program  
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imposed limit on  
tax-exempt bonds**

## *Director's Column* by David Lakari, Director, MSHA

It is difficult to find anything good to say about the ice storm that crippled Maine in early January. It did, however, give a majority of Maine people an idea of what a minority of our citizens must live with on a daily basis.

For a few days, a week, or two weeks, many Maine people were suddenly without power. Their homes were cold and dark as they relied on temporary heat sources, such as wood stoves, fireplaces or small kerosene heaters. People with wells generally were without water. There was no refrigeration to store food, and no stove with which to cook food. There was no hot water with which to bathe or to wash dishes or clothes.

It was a trying experience, even for a few days.

For a minority of our citizens, this situation isn't something that lasts for a short time. It is their life. Some live all winter, every winter, with no running water. Others may have inadequate heat. There are low income homeowners whose electrical system is so poor that they are often without any power. Others may be forced to shut off power because they can't afford to pay the utility bill.



Census data from 1990 indicates nearly 21,000 Maine year-round homes lack complete plumbing facilities. Nearly 15,000 lack complete kitchens. Maine ranks 6th among cold weather states in terms of fuel usage, partially due to the fact that many homes in the state were built prior to a time when insulation became common. Nearly 35% of all homes in Maine were built before 1939. Nationally, only 18% of homes are that age.

Overall, the Housing Authority estimates there are more than 50,000 Maine low income homeowners whose homes have one or more of these problems, and do not have the money to make the repairs.

It is these citizens our FIX ME program helps. More than 1,100 Maine people were assisted in 1997.

If you were without power for an extended period during the ice storm of 1998, you have an inkling of what the remaining 50,000 citizens face every day and you know why we need a program like FIX ME to help them. ■

# MSHA

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