

MAINE ANNUAL ACTION PLAN

Program Year 2012

Prepared by:

Maine State Housing Authority
Maine Department of Economic and Community Development

November 2011

Plan Composition

The consolidated plan and state action plan address three grant programs – HOME Investment Partnership Program (HOME), Emergency Shelter Grant (ESG), and Community Development Block Grant (CDBG). In Maine, HOME and ESG are administered by the Maine State Housing Authority (MaineHousing). CDBG is administered by the Department of Economic and Community Development (DECD). For this reason, the Annual Plan is organized into two main sections. The first was prepared by MaineHousing and addresses HOME and ESG, and the second was prepared by DECD and is specific to CDBG.

MaineHousing and DECD work together on many aspects of the Plan, and collaborate on funding priorities related to housing. The statewide public input process is jointly planned and conducted, with public forums held at four locations and representatives of both agencies in attendance.

Maine State Housing Authority (“MaineHousing”) and the Department of Economic and Community Development do not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, age, physical or mental disability, or familial status in the admission or access to or treatment in their programs, activities, or services made available to the public. MaineHousing will provide appropriate communication auxiliary aids and services to persons with disabilities 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: Louise Patenaude, MaineHousing, 353 Water Street, Augusta, ME 04330-4633; Tel: 207-626-4600 or 1-800-452-4668 (voice); 1-800-452-4603 (TTY)



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I. 2012 Action Plan and One Year Use of Funds – HOME and ESG Programs

A. Executive Summary

This action plan identifies community and housing needs, and program strategies for addressing them.

1. Anticipated Use of Funds in 2012

MaineHousing anticipates using funds as follows:

- Rental housing and supportive housing development
 - \$2,795,447 Rental Loan Program & CHDOs
- Home improvement
 - \$1,000,000 Home Repair Program
- Rental assistance
 - \$1,350,000 Stability Through Engagement Program (TBRA)
- Emergency homeless shelter operations & essential services
 - \$771,302 Emergency Solutions Grant

Actual use of funds will depend on a continuing assessment of need, availability of other funding, and MaineHousing’s judgment on the optimal leveraging of funds to meet its objectives.

2. HUD Performance Objectives, Outcomes, and Goals

Rental Loan Program and Community Housing Development Organizations

- Objective: Provide decent affordable housing
- Outcome: Affordability
- Goal: 150 New affordable rental units developed

Supportive Housing Program and Community Housing Development Organizations

- Objective: Create suitable living environments
- Outcome: Availability and accessibility
- Goal: 25 New supportive housing units developed

Home Repair Program

- Objective: Create suitable living environment
- Outcome: Sustainability
- Goal: 45 to 70 homes repaired or replaced

Tenant Based Rental Assistance

- Objective: Provide decent affordable housing
- Outcome: Affordability
- Goal: 150 Households assisted

3. Evaluation of Past Performance

MaineHousing leverages a variety of financial resources, including bonds, tax credits, federal and state block grants, pass through funding, and competitive grants. More than 90,000 Maine households benefited from MaineHousing's programs in 2010 – about 16 percent of households statewide.

During 2010, the federal HOME program and Emergency Shelter Grant (ESG) were very important to MaineHousing's activities, and enabled accomplishments in the following program areas:

- *Rental housing development.* In 2010, MaineHousing financed 242 new family housing units, 112 units of senior housing, and 42 units of supportive housing. In addition, 126 family units, 65 senior units, and 29 supportive units were completed. HOME funds were used in 35% of the new units financed and 7% of the units completed, and were leveraged with low income housing tax credits.
- *Home improvement.* In 2010, MaineHousing financed necessary home repairs in 185 homes, and replaced 7 homes that were beyond repair. HOME was an important source of subsidy in these home repair and replacement efforts. Assistance was also provided to make 82 homes with at-risk children lead safe.
- *Emergency shelter.* MaineHousing helped to finance 42 emergency shelters statewide that together provided 296,675 bednights of service in 2010; the Emergency Shelter Grant was an important part of shelter funding. Using state funds, MaineHousing also financed shelter repairs, assisted low income renters with security deposits, and helped emergency shelters to house people off site when shelters were full.
- *Rental Assistance.* The Rental Assistance Coupon+ Program, also known as Tenant Based Rental Assistance, provided rental assistance coupons to 115 new individuals or families who were homeless and worked with them to develop individualized plans to work toward self sufficiency within two years; HOME was the primary source of funding for this program.

Comparable accomplishments are expected in 2011 and 2012.

4. Summary of Citizen Participation

In collaboration with DECD, MaineHousing:

- Held four public forums at locations statewide: Augusta, Bangor, Biddeford, and Presque Isle.
 - In addition to formal notices in six major newspapers, and on both agency websites, notice was provided to hundreds of stakeholders on agency stakeholder lists by email, and by regular mail in instances where email addresses were unavailable.
- Offered to accept additional input by phone, mail, and email, without constraint.
- Held a public hearing in Augusta.
 - Public notice was provided in the State newspaper.

A variety of comments were received – comments on the importance of existing programs, market conditions and housing needs, and general questions and ideas. A complete list of comments received is provided in Appendix B.

Regarding the importance of existing programs:

- A representative from Alpha One thanked MaineHousing for funding the HomeRetro Program. They are now working with MaineHousing to expand the program without additional funds. They also have an aging in place program. Home evaluations are done for seniors to determine what modifications could be made to help them stay in their homes. Alpha One also is looking at developing a handyman program to provide home safety assistance for seniors; four of their staff are Aging in Place certified and they have occupational therapists on staff as well.
- MaineHousing should fund more home repair; recent reductions are a problem.
- MaineHousing’s Supportive Housing Development Program appears to be financing about 60 new units per year, but the need is huge. What about reducing the subsidy amounts per unit, so that more housing units can be funded?

Regarding additional questions and ideas:

- Does MaineHousing see any new housing priorities in the future?
- People in rural areas want to be served locally vs. in cities. More assistance from their families may also be available.
- Do the Department of Economic and Community Development (DECD) and MaineHousing meet with each other regarding policy models for service centers? What solutions are there for communities that don’t qualify for Rural Development funding because of geography?

B. Action Plans

1. HOME Program

Spending priorities planned for the use of HOME funds include:

- Rental housing and supportive housing development, through the Rental Loan Program and Community Housing Development Organizations – \$2,795,447
- Home improvement through the Home Repair Program – \$1,000,000
- Rental assistance, through the Stability Through Engagement Program (Tenant Based Rental Assistance) – \$1,350,000

This assumes that the HOME funding allocation will be at a level comparable to 2011. If funding is increased or decreased, the program allocations will be adjusted accordingly. Depending on the change, reallocations may not be proportional.

MaineHousing plans to use \$571,716 for HOME eligible administrative and planning costs. This represents the 10 percent permitted by the HOME Program Final Rule.

A general overview of the continuing programs that will benefit from HOME is provided below. More detailed information is available upon request.

a. Programs to be funded in 2012

i. Rental housing and supportive housing development, through the Rental Loan Program and Community Housing Development Organizations (CHDOs)

The **Rental Loan Program** (RLP) provides long-term mortgage financing at attractive interest rates for development of affordable rental housing in projects of five or more units.

One goal of the RLP is to provide mortgage financing that enables federal low income housing tax credits to be utilized.

Program objectives are:

- Maximize use of tax exempt bonds to develop affordable housing.
- Provide affordable mortgage financing that enables developers to utilize low income housing tax credits.
- Provide below-market, 30 year fixed rate notes that enable project viability.
- Provide capital for preservation of existing rental housing.

This program is a companion to the Low Income Tax Credit (LIHTC) program, and provides subsidized financing to enable use of tax credits. When an RLP loan is used in conjunction with the 9% tax credits, interest rate subsidy is provided by funds from the HOME program. Match is provided through below market rate loans – the present value of the interest savings. When RLP financing is used in conjunction with the 4% credits, interest rate subsidy is generally provided by bond revenues. Administrative guidance for the Rental Loan Program is provided through the Rental Loan Program Guide which is available at www.mainehousing.org. Administrative guidance for the Low Income Housing Tax Credit Program is provided through a rule making process which is required to establish the Allocation of State Ceiling for Low Income Housing Tax Credit.

The **Supportive Housing Program** (SHP) provides reduced interest rate financing and subsidy funding to eligible nonprofit developers to create housing for low and very low income persons with special needs.

The goal of the SHP is to finance projects that provide affordable supportive housing to people who are homeless and people with special needs.

Program objectives are:

- Provide low-cost capital to nonprofit developers who can't afford conventional financing.
- Enable social service providers to better serve some of Maine's neediest clients in a stable housing situation.

The subsidy awarded in this program is currently provided by the Housing Opportunities for Maine (HOME) Fund. Administrative guidance for the Supportive Housing Program is provided through the Supportive Housing Program Guide which is available upon request.

Most affordable rental housing is developed for people earning less than 60% of area median income. The current affordable housing portfolio of more than 18,000 units may seem large until you consider that 71,000 rental households in Maine earn less than 60% of area median income (AMI).

The need for affordable supportive housing in Maine is also large. There are about:

- 86,500 people with physical disabilities
- 55,000 people with severe mental illness
- 40-60 new HIV cases per year
- 1,800 people who are chronically homeless
- 12,500 people who are victims of domestic violence annually

ii. Home improvement through the Home Repair Program

MaineHousing offers most of its home repair assistance through a unique collaboration of state and federal agencies that provide 1% mortgages or 0% deferred forgivable mortgages (i.e. 0% interest rate with no monthly payment) to low-income homeowners to fund basic home repairs. The assistance may be used for a variety of home rehab needs, such as heating and electrical repairs, roof and structural repairs, repair or replacement of substandard or failed septic systems, and other health and safety improvements. MaineHousing also funds Alpha One's **Home Retro Program** which provides home accessibility improvements.

The goal of the Home Repair Program is to make necessary home repairs achievable and affordable for low income homeowners.

Program objectives are:

- Provide efficient consumer access to multiple state and federal financing programs via a single application through Community Action Program (CAP) agencies.
- Enable home improvements or replacements for 45 to 70 homes.

The MaineHousing programs accessed through the collaboration have been financed with a combination of federal HOME Partnership Program and state HOME Fund money and are offered to consumers through CAP agencies. Home Retro is funded by the state HOME Fund. Match is provided by bond financing and cash. Administrative guidance for the Home Repair Program is provided through the Home Repair Program Guide and Single Family Home Improvement Rule which are available upon request.

With the 7th oldest housing stock in the nation and the 31st lowest median household income, the unmet need for home improvement assistance is substantial. There are an estimated 55,000 substandard homes in Maine – homes that lack complete plumbing, complete kitchen, or are mobile homes constructed before 1976, or some combination thereof. Approximately 350,000 homes likely have lead paint, and more than 1/3 of these house children under the age of 6 who may be at risk from lead paint hazards.

iii. Rental assistance, through the Stability Through Engagement Program (STEP, Tenant Based Rental Assistance)

STEP is designed to provide short term rental assistance for 3-6 months to help individuals and families achieve housing stability. The focus is on rapidly re-housing people who are homeless and referred by a shelter in one of the six counties where the program is offered. STEP is currently offered in Androscoggin, Cumberland, Kennebec, Knox, Penobscot, and York Counties.

STEP with Recovery is similar and focused on people who are working on recovery from substance abuse issues. Step with Recovery is offered through a collaborative with the Department of Health and Human Services, Office of Substance Abuse and specific substance abuse providers. STEP with Recovery is currently a pilot program offered in Androscoggin, Cumberland, Kennebec, Penobscot, and York Counties.

Program objectives are:

- Assist 150 new households.
- With the assistance of Housing Counselors, evaluate the process for providing services and identify opportunities for improvement.

This program is funded primarily with federal HOME Partnership Program funds. Match is provided through MaineCare. MaineCare (formerly known as Medicaid) provides funds for medical care for income eligible Maine residents. Consumers

access the program through MaineHousing, generally by referral from a network of emergency shelters. Administrative guidance for the STEP Program is provided through the STEP Program Guide which is available upon request.

The unmet need for stable housing is disheartening. At least 7,340 people were homeless in Maine in 2010. Over the past 10 years, shelters funded with assistance from MaineHousing provided over 2.3 million bednights of service.

iv. Non-Allocated Programs: 2012

Appendix D provides descriptions of programs not currently identified to receive specific allocations. Because of limitations upon available housing resources, MaineHousing has not allocated HOME resources to those programs at this time, but reserves the right to make such allocations during this program year. The decision to shift resources will be based on changes in the market and demand for the product that may occur, as well as having surplus available through one of the other programs.

b. Additional HOME Program Requirements

Geographic Distribution

The rental and supportive housing development programs are offered statewide, although the scoring process favors projects in service center communities and near public transportation. The Home repair Program is available statewide. The Stability Through Engagement Program (STEP/TBRA) is geographically targeted. The focus is on rapidly re-housing people who are homeless and referred by a shelter in one of the six counties where the program is offered.

Minority and Women Business Outreach

MaineHousing's procurement policy and program rules include the requirement that all necessary affirmative steps be taken to assure that minority and women owned businesses are used when possible. Outreach to ensure the inclusion of businesses owned by women and minorities includes placing such firms, when qualified, on solicitation mailing lists.

Anti-Poverty

Maine is committed to reducing the number of families living in poverty. Affordable housing is a necessary ingredient in the mix of solutions to bettering the economic status of individuals and families. High poverty areas and communities with high rental costs are targeted in rental assistance, homeless prevention, and supportive housing programs.

Recapture Provisions

The following recapture provisions for the American Dream Downpayment Initiative and the Home Repair Program Home Replacement Projects are taken from their respective Program Guides.

Recapture Provision for American Dream Downpayment Initiative (Maine American Dream Initiative Program).

Recapture. If a default of the loan occurs, the lender [the community action agency administering the loan] will recapture the outstanding balance due under the loan as of the date of the default, except as follows: In the event of a foreclosure of the mortgage or any other mortgage on the property or a transfer in lieu of foreclosure and there are no net proceeds or the net proceeds from the sale of home are not sufficient to pay the outstanding balance of the loan, the amount lender shall recapture shall be limited to the amount of net proceeds from the sale of the home. If the borrower sells the home with the prior written approval of lender and MaineHousing before the end of the term of the loan and there are no net proceeds from the sale or the net proceeds from the sale of the home are not sufficient to pay the outstanding balance due under the loan, the amount lender shall recapture shall be limited to the amount of net proceeds from the sale of the home. For purposes of this section, net proceeds is the sale price of the home less

payment of loans with a superior lien position on the home less any closing costs in connection with the sale of the home.

All loan proceeds recaptured by lender shall be returned to MaineHousing immediately upon receipt of the recaptured proceeds by lender. The program does not provide and MaineHousing in no way guarantees that recaptured program funds will be reallocated to the program or to any particular lender. MaineHousing will review financial statements and records of lender regarding all loan activity for loans originated by lender under the program.

Recapture Provision for Home Repair Program Home Replacement Projects

MaineHousing home replacement deferred/forgivable replacement loans will be limited to a maximum of \$25,000, unless waiver has been granted. These will be 0% deferred/forgivable replacement loans. Loans will be forgiven after five or ten years from date of closing. If owner sells, transfers title or refinances before maturation of the five and ten year terms, the full amount of the loan is due and payable. Lender [the community action agency administering the loan] shall use the deferred/forgivable mortgage deed and promissory note.

Recaptured funds are used to carry out only HOME-eligible activities.

2. Emergency Solutions Grants Program

a. Introduction

The Emergency Solutions Grant (ESG) program is designed to help with the costs of operating shelters, including staff cost; the provision of essential services related to emergency shelter or street outreach, including services concerned with health, employment, housing, mainstream resources and other supports; and housing stabilization services for homeless individuals and families.

This funding opportunity is available to existing emergency shelters throughout the state. ESG funds will be awarded by MaineHousing to homeless shelters sponsored by non-profit organizations and local municipalities. Administrative guidance for the Emergency Solutions Grant Program is provided through the Homeless Programs Rule which is available upon request.

In addition to the ESG funds, MaineHousing also provides State Shelter Assistance Program monies and proceeds from Financial Adjustment Factor program. The total amount of funding is approximately \$3.4 million. The majority of funds will be parceled out to the existing emergency shelters based upon a bednight per diem rate with the remainder being evenly distributed to participating emergency shelter agencies.

Shelters that receive ESG and state funds shall meet basic threshold criteria as outlined in the Homeless Programs Rule, in addition to state and federal regulations:

- i. be a shelter operated by a non-profit corporation in good standing in the State of Maine qualified for tax exemption under 501(c)(3) of the Internal Revenue Code or a municipal corporation;
- ii. provide overnight shelter 365 days per year;
- iii. accept eligible persons regardless of their ability to pay, eligibility for reimbursement or actual reimbursements from any third party source, including local, municipal, state or federal funding sources;
- iv. provide for intake and assessment of homeless persons and offer shelter clients links to appropriate services, including services that help clients move toward appropriate stable housing;
- v. have no lease requirements for shelter clients;
- vi. serve a need which may be demonstrated by community support, regional homeless council support, reporting data and other analyses;
- vii. provide for response to telephone inquiries 24 hours a day;

- viii. timely pay any payments due to MaineHousing and promptly remedy any issues cited by MaineHousing;
- ix. timely submit required reports to MaineHousing;
- x. have the administrative and financial management capacity necessary to operate the shelter and to account for the use of a grant in accordance with this rule;
- xi. not engage in any inherently religious activities, such as worship, religious instruction, or proselytize, as part of the activities and services funded with any grant for activities or services covered by this rule; and if religious activities are offered, they must be offered at a separate time or location from the activities and services covered by this rule; and participation in those religious activities must be voluntary for persons receiving assistance with funds covered by this rule;
- xii. meet any requirements peculiar to the particular grant requested;
- xiii. operate its shelter in compliance with all applicable federal, state, and local building codes, laws, and regulations;
- xiv. operate its shelter free from discrimination on the basis of age, race, color, religion, national origin, physical or mental disability, sexual orientation, or gender in accordance with applicable federal and state fair housing laws; and conform to the Maine minimum shelter standards.
- xv. Provide breakfast or access to breakfast and, if open 24 hours, also provide lunch and dinner or access to lunch and dinner

Agencies not meeting state and federal regulations will not receive funding.

b. Other Uses

In addition to funding emergency shelters, MaineHousing may use ESG funds and state resources to provide grants to agencies for a variety of activities to assist people who are experiencing homelessness or the risk of being homeless, consistent with the Homeless Programs Rule and with the HEARTH Act.

II. 2012 Action Plan and One Year Use of Funds – CDBG

- A. 2012 CDBG Program Statement
- B. Community Development Needs Assessment
- C. Citizen Participation
 - 1. CDBG Response to Comments Received
 - 2. June 2011 Office of Community Development Public Forums Presentation