

The Maine HOME Fund



What provides match, glue, gap-filling, and economic stimulation?

The Maine HOME Fund!



In the coming year a \$7.5 million state investment could:

- *Leverage \$52 million in match*
- *Create 570 jobs¹*
- *Pay back \$2.3 million to the General Fund¹*
- *Add \$500,000 annually of local tax revenue¹*

MaineHousing stimulated over \$250 million in investments in 2005. Most of the investment is federal and private money. MaineHousing promotes investment by issuing bonds that are exempt from federal taxes and converting them into low interest loans for first time homebuyers and developers of affordable rental housing; by acting as a pass-through for federal aid and subsidies; and by attracting special federal grant money.

Only a small amount of money at MaineHousing comes from State tax revenues. The funds usually come from a portion of the revenues from the real estate transfer tax. The money is deposited into a program

called the “Maine HOME Fund.” Revenues for the HOME Fund vary from year to year, but are usually not more than \$10 million. In 2005, for instance, only \$4 million of the total of \$250 million in investments stimulated by MaineHousing came from direct HOME Fund spending.

While the amount of money from state revenues is small, it contributes to affordable housing in 3 ways:

- by leveraging additional private investment
- by providing a match for federal grants; and
- by allowing the state to run programs for which there are no other funds available.

Every HOME Fund dollar stimulates \$9 of private investment and creates new affordable apartments.

On the next page there is a sample distribution of how a \$7.5 million State HOME Fund investment might be spent next year, along with its potential impact on the Maine economy.

Assume for a moment that the Maine Legislature passes a \$7.5 million annual HOME Fund allocation for the coming year. Here is a sample distribution:

Only a small amount of money at MaineHousing comes from State tax revenues.

- **\$2.5 million to reduce interest rates and provide downpayment assistance in the first time homebuyer’s program.**

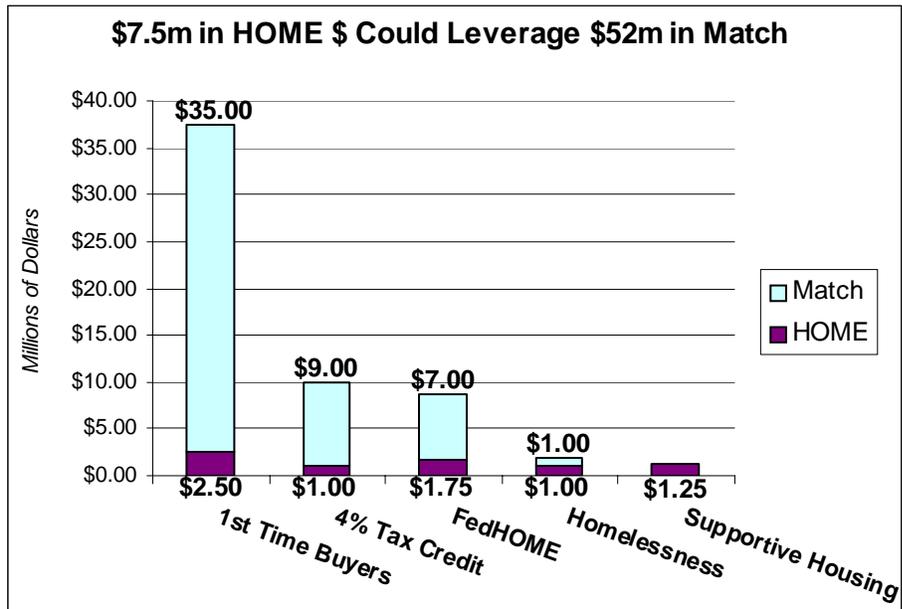
This subsidy lowers the effective interest rate by 1/4% to 3/8%. By lowering the barriers to home buying in this way, MaineHousing increases the program volume by \$30 to \$40 million per year and opens the door to homeownership to an additional 300 to 400 families.

- **\$1.0 million to create rental housing** under the so-called “4%” tax credit. Every HOME Fund dollar stimulates \$9 of private investment and creates new affordable apartments; the only limit to how much of this housing can be built is the amount of HOME money available.

- **\$1.75 million to match a \$7.0 million federal Home Partnership grant** (this money can be used to **promote affordable housing** in a number of ways).

- **\$1.0 million** to match a \$1.0 million federal grant used to provide **housing for people who are homeless.**

- **\$1.25 million** to build supportive housing to help people **with disabilities** live independently.



¹ Planning Decisions estimate, based on multipliers developed by economists Charles Colgan and Charles Lawton