

An Analysis of the Economic Impacts of a Proposed Affordable Housing Program for Maine

Prepared for

Maine Affordable Housing Coalition



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Introduction and Results

The Maine Affordable Housing Coalition has proposed a \$60 million bond issue that will, in combination with other state, federal and private funds, be used to expand the stock of affordable housing in Maine through construction, rehabilitation, and weatherization projects. The total amount estimated to be invested is \$587.94 million. The Maine Center for Business and Economic Research (MCBER) at the University of Southern Maine was asked to estimate the potential economic impacts from the expenditure of these funds over the period 2010-2011.

To conduct this analysis, MCBER employed a set of econometric models of the Maine economy that have been developed by Regional Economic Models Inc. of Amherst, MA and are maintained by MCBER. These economic models are employed throughout the U.S. for this type of analysis, and have been used in Maine since 1982. MCBER has conducted this type of analysis for a number of state, local, and private sector clients.

Based on the assumptions described below, the results of the analysis show that:

- Affordable housing expenditures of this magnitude will result in the creation or maintenance of 5,800 jobs in Maine each year during 2010-2011.
- Of these jobs, 4,200 will be direct project related jobs in construction, design, legal, financing, and related services. 2,500 will be “new jobs” in construction that would not exist without the program expenditures.
- An estimated 1,700 jobs in professional and technical service industries will be supported by the program. Most of these jobs will be existing jobs that are supported by program expenditures; an unknown number of these jobs may be “saved” in the sense that overall economic conditions might have required the elimination of the jobs but for the housing program.
- The remaining 1,600 jobs will be “indirect” or “multiplier” jobs in a variety of industries that either provide inputs to the construction/weatherization projects or are supported by spending related to the direct jobs. The majority of these jobs will not be new jobs but existing jobs maintained by the program.
- The \$60 million bond issue will comprise 11% of the total funding available and will support 460 jobs each year directly in project work and a total of 630 jobs each year including the multiplier.
- Over the two years of the program, wages in Maine will increase by a total of \$343 million, of which \$233 million will be paid to people directly involved in construction and related activities.
- Personal income, including wages, distributed profits, and income from self employment will increase by \$429 million.

- State sales and income taxes will increase by \$22 million, of which \$13 million will be in income taxes and \$9 million in sales taxes.
- It is expected that projects will be undertaken throughout the state roughly in proportion to population. The resulting impact in the economic regions¹ analyzed by the models are:

	Employment (Average Per Year)			Wages (\$ Millions) (Total All Years)		
	Project	Indirect	Total	Project	Indirect	Total
Aroostook	241	61	302	\$8.42	\$3.85	\$12.27
Eastern Maine	756	275	1031	\$39.29	\$17.16	\$56.45
Western Maine	554	197	751	\$27.80	\$13.25	\$41.05
Midcoast	494	176	669	\$21.53	\$10.16	\$31.69
Kennebec Valley	342	164	506	\$21.52	\$10.45	\$31.97
Cumberland	897	501	1398	\$75.70	\$40.15	\$115.85
York	868	240	1108	\$38.96	\$14.50	\$53.46
TOTAL	4153	1614	5766	\$233.22	\$109.51	\$342.73

Inputs and Assumptions

Funding for the affordable housing program will come from a combination of public and private funds. Details on the funding assumptions are available from the Maine Affordable Housing Coalition. The general categories of funds are displayed in the following table, which shows that the Affordable Housing Coalition estimates that \$8.80 in other funds will be leveraged for every \$1 of the \$60 million bond issue.

	\$ Millions
Maine Bond Proceeds	\$60.00
Federal Stimulus Funds	\$67.44
Other Federal Funds	\$46.00
Other State Funds	\$14.00
Private Equity	\$103.50
Private Debt	\$297.00
TOTAL	\$587.94

¹ Eastern Maine= Penobscot, Piscataquis, Hancock, and Washington Counties; Western Maine= Androscoggin, Franklin, and Oxford Counties; Midcoast=Waldo, Knox, Lincoln, Sagadahoc; Kennebec Valley= Kennebec, Somerset. All other counties as indicated.

Of the total of \$587.94 million to be made available, \$498.8 million dollars will go to contract construction activities related to new housing, rehabilitation, weatherization, and replacement of pre-1976 mobile homes. A total of \$53.1 million will go to professional and technical services such as design, legal, finance, and related services needed to implement the program. The balance of \$36.1 million will go to land acquisition and reserve funds. This balance is not included in the economic impact since land acquisition does not change the level of economic activity and the amount that might be spent from a reserve pool is unknown.

The total of \$551.92 million in construction and professional/technical services was assumed to be spent equally in 2010 and 2011.

These totals were distributed through the seven regions in the economic models based on two assumptions. The first was that construction expenditures on affordable housing would be distributed roughly in proportion to the population of each county/region. The second was that professional and technical services funds would be distributed to the regions based on each region's share of employment in this sector.² The following table shows the distribution of population and professional & technical services employment.

	Population	Professional & Technical Services Employment
Aroostook	5.5%	1.8%
Eastern Maine	19.1%	18.4%
Western Maine	14.7%	9.5%
Midcoast	11.5%	7.4%
Kennebec Valley	13.1%	8.1%
Cumberland	20.9%	39.7%
York	15.3%	15.2%

Interpretative Notes

The economic impacts related to large construction programs have certain unique features which should be noted. Construction jobs are a combination of employment in firms, often with essentially year round full time characteristics, and other jobs that are short term. Such short term jobs may also be with firms or may be through self employment. Construction workers may work at many "jobs" throughout the year, and this analysis counts jobs rather than individual people. It is likely that fewer people will be employed than the number of jobs indicated, but this does not lessen the economic impact. The jobs in professional and technical services affected by the program are more likely to be full time jobs that are created or saved.

² Population data for 2007 from the American Community Survey. Professional and Technical Services employment for 2007 from the Maine Department of Labor.