

The Maine HOME Fund



What would happen to the Maine economy ... if we made our housing just 10% more affordable than it is today?

Within a year Maine would gain more than 500 jobs, and within five years the gain would exceed 1,500 jobs!

From an economic development point of view, this is like adding a paper mill to Maine's economy.

The gains would be greatest where you might least expect it — in the Western Mountains and Downeast Maine. The reason is that the gains are greatest where housing is least affordable — which tends to be areas with the lowest incomes. On the other side of this page is a map showing projected job gains by county (or groups of counties) in Maine in 2007 and 2011.

Why the gains?

Lower housing costs mean that paychecks can go further. The additional money will have a variety of effects: attracting young people to move to the region, attracting employers, and freeing up more money to be spent on other things in the local economy.

What's it take in public investment to achieve this goal? It would take stimulating production of affordable housing, particularly in regions experiencing a shortage. \$4 million in HOME funds were a part of \$250 million in affordable housing activity in Maine in 2005. That's a start.

The analysis was conducted by Professor Charles Colgan of the Muskie School at the University of Southern Maine, using an economic model provided by Regional Economic Models, Inc. (REMI). The exact methodology is described in an end note.¹

(Endnotes)

¹ The analysis begins with the "affordability index" for 2005 calculated by Bob King at the Maine State Housing Authority. The affordability index refers to the percentage of the median value home in an area that can be afforded by the household with a median income in that same area. The analysis considers interest rates, insurance, and tax costs. A value greater than 1.0 means that the median household can afford more than the median priced home. A value less than 1.0 means that the median household can afford less than the median priced home. Professor Colgan assumed a reduction in the "affordability gap" of 10%, and programmed this as a quality of life improvement in an economic model created by Regional Economic Models, Inc. (REMI). The model shows individual gains by county (or groups of counties) in Maine. The results cannot be aggregated because a gain in one county may come, in part, from another county in Maine. Frank O'Hara of Planning Decisions assisted in the analysis.



Job gains from making Maine housing just 10% more affordable

