

# A Community Development Work in Process

By Michael Finnegan, Maine State Housing Authority



A banker for life or so I thought. I clearly remember that day in March of 2000 when the phone call came from the Governor's office informing me that my name had been placed on a list of potential candidates to be director of the Maine State Housing Authority. At the time, I was very satisfied with my position as northeast manager of community development finance at Key Bank of Maine. My territory included Maine, New Hampshire, Vermont, and New York, with oversight of five lenders who focused on housing and economic development loan activity that was both profitable and in line with the bank's Community Reinvestment Act objectives.

When the call came, I hesitated while considering the prospect of leaving a 25-year banking career to move to a more bureaucratic and politically ori-

ented position. The appointment would be for a four-year term with no guarantee of reappointment, and it would bring a whole new set of stakeholders to deal with. I thought that, at best, I would be a long shot for the position, as I had not played an active role in state politics. As the interview process unfolded, however, I began to appreciate the position's opportunities.

First, the Maine State Housing Authority, as the state's public housing bank, has a substantial asset base of \$1.7 billion with a positive rating by Moody's (Aa1) and Standard and Poors (AA+). Second, even though it has a very "bank-like" design, it is still a nonprofit with a strong affordable housing mission. The thought of leading a well-endowed nonprofit that mobilizes capital to generate a good social outcome was very enticing. Having served as a board member of Coastal Enterprises, Inc., an effective community development corporation, I was already hooked on the satisfaction one gets from making lending and investment transactions that generate social dividends in housing and job creation. Finally, I learned that the prior Authority administration had built a brain trust of dedicated and mission-driven staff who were poised to bring the agency additional success.

By the time I ended up as a finalist, I was convinced that the position would be a logical career step for a

banker with a community development orientation. I had also become more comfortable with the concept of bringing private banking sector experience to a public finance agency.

The day I received the call confirming the Governor's nomination was a day filled with mixed emotions. I very much valued my career and associations at the bank, and I still had some trepidation as to how a commercial banker would fit in the Housing Authority role. At the same time, I was energized by the prospect of building upon the Authority's past accomplishments.

My first duty on the job was to address all of the employees at an annual staff day and introduce my overall ideas about my role. From that very first day, I was made to feel welcome, and that experience continues to the present.

I devoted my initial months to understanding the Authority's structure and function. Even though it is a state "housing bank," its funding sources differ substantially from a conventional bank. We are primary users of the states' tax-exempt bond cap and managers of the states' allocation of Low-Income Housing Tax Credits. In addition, we receive a mixture of state and federal funding. This amalgam of sources creates a very efficient "cost of funds" that allows the agency to function with a net interest margin objective that would make many conventional bankers envious. On the other hand, because of regulations with tax-exempt bond financing and state and federal financing sources, we must direct our loan programs to specific low-income and targeted populations.

Having underwritten many for-profit and nonprofit entities during my years as a traditional banker, I could see that the Authority needed a "business plan." This would help it to maintain focus on achieving results in housing that were consistent with its overall mission. This would be valuable not only from an internal agency perspective, but also because the strategy would help build a positive profile of accountability with our external stakeholders. We would be better able to demon-

strate our substantial fiduciary responsibility related to the funds we manage and show high accountability and performance to the Governor, legislature, and, most importantly, the citizens of Maine.

To do this, we convened our executive committee at a facilitated retreat. We determined there to be six principal areas of housing focus. These became known as the "emerging issues" of the Maine State Housing Authority:

*Affordability in stressed areas.* This involves addressing the need to produce more affordable rental and ownership units in the state's most costly areas.

*Reducing and working to end homelessness.* With rising numbers of homeless needing the shelter offered by nonprofits, it was apparent that

We then agreed on a process to tackle each issue and produce results. We would start by gathering research and conforming our policy so that we and others would understand our position on each problem and what we wanted to accomplish. Next we would work to translate policy into meaningful programs and identify human, technical, and financial resources to support those programs. Finally we would implement programs in a timely fashion and record outcomes as they occurred.

These work activities are very much "a community development work in process" but we are pleased to report that we are already seeing results for each of the six emerging issues. Of course, all of this occurs in a context of managing assets and maintaining a strong balance sheet and revenue stream for the agency. Maine voters have further supported

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the agency needed to build a strategy to improve the situation.

*Preserving the existing affordable rental housing stock.* The expiration of many Section 8 units in the state calls for an organized and comprehensive rehabilitation and refinance program.

*Housing for frail elderly.* Maine's aging population and Medicare and Medicaid reforms mean that designing and funding new senior residential living alternatives should be a top priority.

*Community revitalization.* Many communities are experiencing deterioration because of sprawl and suburbanization, and so it is appropriate to direct housing capital for downtown revitalization.

*Capacity and capital support for nonprofit housing organizations.* If nonprofits are to maintain their role as strategic partners in affordable housing development for the long haul, our agency must assist them to build and diversify their revenue sources.

our efforts with the passage of a \$12 million general obligation housing bond. We will continue to build on this and other outcomes to assure housing opportunity for every citizen in Maine.

In retrospect, the transition from banker to housing authority director has been very fulfilling. Working in the political arena raises the stakes, but being part of a large and socially oriented organization has tremendous advantages. It is evident to me that the public and private sectors have much to offer each other. Their further collaboration is needed to generate solutions to the complex challenges of affordable housing. ~