HOUSING & COMMUNITY DEVELOPMENT COMMITTEE
DATE: July 22, 2015
TIME: 5:30 pm – 7:30 pm
LOCATION: COUNCIL CHAMBERS, 2nd Floor, City Hall

1. Agenda Packet July 22, 2015 Housing & Community Development Committee

   Documents: 07.22.2015 PACKET.PDF

Public Comment will be accepted on action items.
Councilor Kevin Donoghue, Chair
Next Meeting Date: September 9, 2015

HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

DATE: **July 22, 2015 (Wednesday)**
TIME: **5:30 p.m. – 7:30 p.m.**
LOCATION: **Council Chambers, Second Floor**
Portland City Hall

A G E N D A

1. Review and Recommendation to City Council award of bid and amended terms sale for the redevelopment of 65 Munjoy Street – See enclosed Memorandum from Mary Davis.

a. Pursuant to 1 M.R.S.A. 405(6)(C) and (F) and 5 M.R.S.A. 13119-A, the Committee may go into executive session to discuss negotiations on this real estate disposition and provide direction to staff.
b.

Public Comment will be accepted on action items.

Next Meeting Date: September 9, 2015 **Councilor Kevin Donoghue, Chair**

Mary Davis
Division Director, Housing & Community Development Division

TO: Councilor Donoghue, Chair
Members of the Housing and Community Development Committee

FROM: Mary Davis, Division Director
Housing and Community Development Division

DATE: July 17, 2015

SUBJECT: Review and Recommendation to City Council of award of bid and amended terms of sale for the redevelopment of 65 Munjoy Street (former Adam's School Parking Lot) (Pursuant to 1 M.R.S.A. 405(6) (C) and (F) and 5 M.R.S.A. 13119-A, the Committee may go into executive session to discuss negotiations on this real estate disposition and provide direction to staff.)

SUMMARY

At the July 8th meeting, the Committee voted 4-0 to recommend to the City Council terms for the sale of city-owned property at 65 Munjoy Street. The committee's approval included an amendment that would require four of the units be sold to first time homebuyers.

Since the July 8th meeting, staff has met and spoken with the developer several times regarding their concern with the first time homebuyer requirement. The developer expressed concern that the amendment has placed the project in serious jeopardy and may force them to withdraw their proposal.

Staff is seeking guidance and feedback from the committee.

STAFF ANALYSIS

In our discussions with the developer since July 8th, staff has been working to outline the parameters and benchmarks regarding the first-time homebuyer units. The developer will not commit to a first time homebuyer requirement that is included in any of the transaction document such as the Purchase and Sale Agreement, Housing Trust Fund Agreement and/or deed restrictions.

The developer has proposed a sales and marketing plan that provides a preference to first time homebuyers and will make a verbal commitment to make reasonable efforts to market the project to first time homebuyers under the following parameters:

(1) Publically marketing the project to households at or below 120% of the area median income with no restriction toward one class of buyer over another

(2) Directly market to known potential first time homebuyers participating in Avesta's homeownership education programs.
(3) Evaluate all interested buyers as the present themselves and rapidly identify all potential first-time homebuyers.
(4) Work closely with their sales agent, City housing staff, Avesta's Homeownership Center and local lenders to provide first time homebuyers with every possible support and opportunity to succeed.
(5) To the extent that they can qualify first time homebuyers at full list price, in a timely manner without jeopardizing the financial feasibility of the overall project or turning away any other viable offer, they will apply preference and choose to contract with that buyer over a non-first time homebuyer.

Staff is comfortable with (1) through (4) noted above but suggested benchmarks for (5) that establish timeframes to meet the terms of the sale as recommended by the Committee. Understanding that the developer's construction lender requires a certain number of "pre-sales" before closing on the construction loan, staff suggested that the first four potential homebuyers would not be required to be first time homebuyers. Staff suggested a time table, as outlined below, which would be incorporated into the appropriate transaction documents such as the Purchase and Sale Agreement, Housing Trust Fund Agreement and/or deed restrictions.

(1) During the regulatory approval and permitting phase, the marketing plan outlined in (1) through (4) above would occur. (For discussion purposes we talked about a time frame of September through December).
(2) The next phase would include preparing and assembling the documentation for the construction lender leading to a construction loan closing. (For discussion purposes we talked about a time frame of January through March, with construction loan closing in April).
(3) If by the end of the first 30-45 days noted in (2), if the developer was unable to identify four first time homebuyers, the requirement would be lifted. The developer would be required to provide the City with documentation of their efforts to identify first-time homebuyers.

Staff is committed to providing any assistance necessary to identify first time homebuyers. To that end, staff has spoken with several area banks that offer portfolio loan programs that require a 10-15% downpayment. These lenders have experience working with the HomePort Program, the City's former first time homebuyer downpayment assistance program. Staff also spoke with staff at the Maine State Housing Authority. MaineHousing currently has a pilot program that can offer private mortgage insurance for borrowers who make less than a 20% downpayment. MaineHousing indicated a willingness to work with the City and other local lenders to offer a financing package for purchasers. This package could include local lenders that have access to the Federal Home Loan Banks Equity Builder program, however that program is only available to households earning less than 80% of the area median income. In order for MaineHousing to provide financing in this development, the project affordability covenants would have to include a provision that allows for the covenants to be extinguished upon foreclosure or a deed in lieu of foreclosure.

The City may also consider offering down payment assistance to the purchasers who are first time homebuyers. This type of assistance may be allowable under the Housing Trust Fund Ordinance. A five (5%) percent down payment on a one-bedroom unit would range from $11,250 to $11,750, for a two-bedroom unit the amount would be approximately $13,700 and for a three bedroom unit, approximately $14,900.

Staff believes this project will be extremely attractive to first time home buyers. The May report from the Maine Association of Realtors shows that the median sales price in Cumberland County rose by 1.7% since May of 2014 and the number of units sold has risen almost 18% in the same time frame. These market pressures make it increasingly challenging for first time homebuyers to enter the market. The healthy growth of Portland includes providing housing for a variety of households, including first time homebuyers, making requirements like the one proposed for this project all the more important.

Staff is seeking direction from the Committee on how best to proceed forward.