Housing & Economic Development Committee Meeting
Tuesday, September 19, 2023 at 5:30 PM

MEMBERS
Councilor Pious Ali, Chair
Councilor Roberto Rodríguez
Councilor Mark Dion
Councilor Regina Phillips

To submit written public comment on an agenda item, email edd@portlandmaine.gov. Submissions must be received by 12:00 pm the day before the Housing & Economic Development meeting to guarantee their inclusion in the agenda packet. All submissions must include the commenter's name and legal address. To help ensure your comment is submitted for the correct item, please include the name of the agenda item (see below).

REMOTE ACCESS INFORMATION

The Housing & Economic Development Committee will conduct this meeting remotely via Zoom pursuant to the Remote Meeting Policy adopted by the Portland City Council. Allow your computer to install the free Zoom app to get the best meeting experience. If you are not able to attend live either in person or via Zoom, a recording will be available in the Agenda Center following the meeting.

For public comment via Zoom, you will need to use the "raise your hand" feature. To raise your hand via the telephone, please hit *9. You will be unmuted by the host when it is time for public comment.

Please click the link below to join the webinar:

https://portlandmaine-gov.zoom.us/j/88317133775?pwd=SUwxaXovTU9nMHZrRi9UQmN4YXVQdz09
Passcode: 323082
Or One tap mobile :
+13052241968,,88317133775# US
+13092053325,,88317133775# US
Or Telephone:
Dial(for higher quality, dial a number based on your current location):
+1 305 224 1968 US
+1 309 205 3325 US
+1 312 626 6799 US (Chicago)
+1 646 931 3860 US
+1 929 205 6099 US (New York)
+1 301 715 8592 US (Washington DC)
+1 689 278 1000 US
+1 719 359 4580 US
+1 253 205 0468 US
+1 253 215 8782 US (Tacoma)
+1 346 248 7799 US (Houston)
+1 360 209 5623 US
+1 386 347 5053 US
+1 507 473 4847 US

+1 564 217 2000 US
+1 669 444 9171 US
+1 669 900 6833 US (San Jose)
Webinar ID: 883 1713 3775
International numbers available: https://portlandmaine-gov.zoom.us/u/kzYxPt9Mk

1. **(Public Comment) Review and vote to accept Minutes of previous meeting held on August 15, 2023.**

   a. See attached draft meeting Minutes.

2. **(Public Comment) Review and vote to recommend to the City Council proposed Affordable Housing TIF/CEA and Affordable Housing Development Subsidy – Portland Housing Development Corporation - Riverton Park Project.**

   a. See attached Memo and backup.

3. **Maine Cooperative Development Partners Update**

   a. See attached update.

Minutes

Remote Housing and Economic Development Committee

August 15, 2023

NOTE: This meeting was held via Zoom and can be viewed at this link: http://www.portlandmaine.gov/1695/Economic-Development-Committee These Minutes provide a record of those in attendance, general discussion taking place, and motions made.

A remote meeting of the Housing and Economic Development Committee (HEDC) of the Portland City Council was held on Tuesday, August 15, 2023, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Pious Ali, and members Councilors Mark Dion and Regina Phillips. Committee member Councilor Roberto Rodriguez could not be present. Present from the City staff were Interim Housing and Economic Development Department Director Mary Davis, Public Assembly Facilities Director Andy Downs, Director of Permitting and Inspections Jessica Hanscombe, Parks, Recreation, and Facilities Management Director Ethan Hipple, Assistant City Manager Anne McGuire, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Review and accept Minutes of previous meeting held on June 20, 2023

On motion made by Councilor Phillips, seconded by Councilor Dion, the Committee voted 3-0 to accept the Minutes.

Item #2: Executive Session: Pursuant to 1 M.R.S.A. 405(6)(C) and 5 M.R.S.A. 13119-A, the Committee will go into executive session to provide staff direction on negotiations with USL Soccer proposal at Fitzpatrick Stadium.

A motion was made by Councilor Phillips to go into executive session per the noted citations above; Councilor Dion seconded the motion.

Chair Councilor Ali asked if there was any public comment. There being none, he closed the public comment session and asked for a vote on the motion which passed 3-0 at 5:33 p.m.

Chair Councilor Ali noted for the public that the Committee would come back to public session after the executive session.

On motion made by Councilor Dion, seconded by Councilor Phillips, the Committee voted 3-0 to come out of executive session at 6:23 p.m.

Item #3: Review, consideration, and feedback on proposed revisions to the Outdoor Dining on Public Property Program (sidewalks only).

Ms. Davis opened the item, noting the Permitting and Inspections Director Jessica Hanscombe was also present as her office does the permitting for outdoor dining.

Ms. Davis then noted that her Department staff conducted a survey to determine if there was interest to extend the program to November 30th, with 73 emails sent. The survey was open for 3 weeks with a few email reminders during that time. The response rate was 23% or 17 responses, with 7 strongly in favor of extending the Winter program and November being the month with the highest level of interest. For City staff – Permitting and Public Works, November 30 is the recommended duration because of Winter snow operations on sidewalks and streets, and this recommendation is for sidewalks only, not streets. She then explained that parklets, with a current duration of 4/15 through 10/31, could convert onto sidewalks through November under this proposal; those on the sidewalks could remain through 11/30, currently 11/15, and there would be no additional fees to do this and does not need Council approval.

Councilor Philips noted support for this extended program.

Councilor Chair Ali noted that if there were no sign of snow, would staff by amenable to keeping this open until the first snow.

Ms. Hanscombe said that it is very difficult to extend this on a daily basis, but agreed that this could be evaluated as the November deadline approaches.

Item #4: Public Comment- Review and recommendation to the City Council regarding a proposed Affordable Rental Housing Incentive Program.

Mary Davis presented the proposal to incentives short-term rental (STR) owners to provide long term housing (for up to one year) for individuals and families receiving rental assistance through Section 8 or General Assistance. This would be a temporary program funded through the Jill C. Duson Housing Trust Fund (HTF). It would require an amendment to the 2023 Jill C. Duson Housing Trust Fund Annual Plan to allow up to $130,000 to be utilized for this incentive program. STR owners would not be required to relinquish their STR license. They would need to apply for a Long Term Rental license. The cost of the program would be funded through the annual deposit into the HTF from Permitting and Inspections of short-term rental registration fees less all administrative expenses. For FY2023, that amount was $129,378.47.

The Committee held a discussion regarding the Incentive Program. Members proposed waiving the Long Term Rental registration fee (of $50 per unit), and suggested increasing the funding from the Housing Trust Fund from $130,000 to $150,000, as well as increasing the minimum incentive of $750 for an efficiency apartment to $1,000 (while collapsing the incentives for one, two, and three or more units to stay within the proposed $2,500 limit for three or more bedrooms). Staff noted landlords would not be required to relinquish their Short Term Rental license with the City; however if the landlord chooses to revert back to short term renting, they do need to register the unit as a short term rental for the following year. There are approximately 800 short-term units (unit meaning one-bedroom to a whole apartment).

The Committee noted there is a difference in the amount of funding available to pay rent to landlords through General Assistance versus the amount of Section 8 vouchers. Knowing those difference may allow for modifications to the program to ensure equity in incentive payments.

Councilor Ali opened the public comment session. Seeing none, the public comment session was closed.

On motion made by Councilor Phillips, seconded by Councilor Dion, the Committee voted 3-0 to approve and recommend to the City Council support of the proposed Affordable Rental Housing Incentive Program, and amendment of the 2023 Jill C. Duson Housing Trust Fund Annual Plan to allow up to $150,000 in funding be set aside with an adjusted floor of $1,000 to $2,500 in incentive funding.

Item #5: Reconsideration of changes to the City's Tax Increment Financing Policy-feedback from the Committee regarding additional information needed from staff.

Mary Davis requested feedback from the Housing and Economic Development Committee regarding what additional information they would like to receive prior to their reconsideration of proposed revisions to the City's Tax Increment Financing (TIF) policy in response to the City Council's vote (6-1) on June 26, 2023 to refer the item back to the Housing and Economic Development Committee for reconsideration. The current TIF policy language is "Any firms employed in the construction phase of a TIF-assisted project must compensate all employees the current wage rates and fringe benefits as required under applicable state prevailing wage law under 26 M.R.S.A. §1306, or Portland City Ordinance Ch. 33, §33-1 to 33-12, whichever is greater." The proposed language is "Any firms employed in the construction phase of a TIF-assisted project must compensate all employees the current wage rates and fringe benefits as required under applicable state prevailing wage law under 26 M.R.S.A. §1306, or Portland City Ordinance Ch. 33, §33-1 to 33-12, whichever is greater. **If a project is required to use Davis-Bacon wage rates as a result of another funding source, Davis-Bacon wage rates will suffice to meet this requirement, provided the minimum wage for each job is greater than the Portland City Ordinance Ch.33, §33-1 to 33-12."** When a developer is required to use Davis-Bacon wages (for example, other funding sources such as Project Based Vouchers require using Davis-Bacon wage rates), then the intent of the proposed revision is to allow the developer to also use Davis-Bacon wages for TIF funding (as opposed to using state prevailing wages as currently required). Using one wage rate (Davis-Bacon) decreases the challenges for contractors to identify the appropriate classification (which do not always line-up) and wage determination for each worker during affordable housing construction projects that have multiple funding sources that require Davis-Bacon wages (like Project Based Vouchers) and state prevailing wages (like the current TIF policy).

The Committee held a discussion regarding the proposed revision to the Tax Increment Financing policy. Committee members suggested holding workshops with Councilors, developers, and labors. Workshop specifics would be coordinated by staff who will present a draft proposal during a future meeting of the Housing and Economic Development Committee.

Item #6: Communications: 2023 Work Plan and Schedule

On a motion then made by Councilor Phillips, seconded by Councilor Dion, the Committee voted 3-0 to adjourn the meeting at approximately 7:43 p.m.

Respectively submitted, Lori Paulette and Victoria Volent

CITY OF PORTLAND
Housing and Economic Development Department
Housing and Community Development Division

TO:	Councilor Ali, Chair Members of the Housing and Economic Development Committee
FROM:	Victoria Volent, Housing Program Manager, Housing and Community Development Division
MEETING DATE:	September 19, 2023
SUBJECT:	2023 Affordable Housing and TIF Development Funding Request

Introduction

Portland Housing Development Corporation (PHDC) has submitted for review and a recommendation by the Housing and Economic Development Committee to the City Council, a request for Affordable Housing Tax Increment Financing and Affordable Housing Development funding in response to the release of the *2023 Affordable Housing Development and Tax Increment Financing Application.*

Riverton Park Redevelopment and Renovation

Portland Housing Development Corporation is requesting a loan of $1,500,000 and an Affordable Housing TIF (50% for 30 years) for the rehabilitation of 21 residential buildings with approximately 123 two-story residential townhomes, and the construction of a four story elevator-assisted building with 59 rental units for low income households at Riverton Park.

The Riverton Park Redevelopment and Rehabilitation project (182 units in total) would include 130 units at 50% AMI ((i.e. $47,350 for two people), 25 units at 60% AMI (i.e. $56,800 for two people), 16 units at 80% AMI (i.e. $66,250 for two people), and 11 market rate units. The total bedroom count is; 8 studio, 13 one-bedroom, 36 two-bedroom, 69 three-bedroom, 30 four-bedroom, 20 five-bedroom, and 6 six-bedroom apartments. Rehabilitation includes the demolition of the existing administrative building and the redevelopment of a larger Neighborhood Center to provide space for the Boys & Girls Club, Portland Housing Study Center, and a Teen Center. The Neighborhood Center would include a multipurpose recreational gymnasium, community kitchen, food & clothing pantry, conference room, residents service coordination office, and community policing liaison office. A new maintenance building would also be included in the redevelopment project. The project proposes to create new community gardens, a new recreation field, a new community plaza, playground space, walking trails through forested areas, and upgrade the existing playground at Riverton Park. The four story building would meet or exceed Portland's Green Building Ordinance through Passive House building standards.

This project is seeking permanent mortgage, construction financing and a 4% Low Income Housing Tax Credit and tax-exempt debt with Maine Housing.

The applicant received Planning Board approval during their May 23, 2023 public hearing.

According to the developer's application:

Built in 1972, this Public Housing community faces a long backlog of capital improvements due to chronic HUD underfunding, normal wear-and-tear from large families, and five-decades without a significant renovation. Major building systems, including building exteriors and mechanical, have reached the end of their useful life and necessitate replacement. Finishes, fixtures and millwork in units are old, worn and cause high maintenance burden. Accessibility upgrades are needed to better accommodate those with disabilities. Frequent maintenance issues and inefficient building exteriors contribute to high property operating expenses and utility costs. Though reasonably maintained by dedicated maintenance staff, only renovation will preserve these homes as healthy, safe, accessible, energy-efficient and affordable for the long-term.

Riverton Park serves predominantly low-income, BIPOC and/or New Mainer residents. Nearly a dozen languages are spoken in Riverton Park. PHA has developed close partnerships with Boys & Girls Club (B&GC), Opportunity Alliance, Greater Portland Health Center (GPH), and many more to offer on-site services. However, there is insufficient space for resident service delivery. For instance, while there are over 300 youth under 18 years living at Riverton Park today, the after-school program spaces are extremely undersized. There is also no active outdoor field or indoor recreational space at the property. As a result, service providers cannot always serve everyone seeking to participate. The small GPH clinic currently operating at Riverton Park cannot attend to all persons seeking preventative and basic medical care due to lack of capacity. Although many of our residents are food insecure and depend on local food programs, there is no dedicated pantry for distributing food and clothing donations.

The proposed scope of work will resolve all existing building issues noted above. The rehabilitation scope includes but not limited to: upgrade building envelopes; install continuous exterior insulation; replace roofs and windows; replace old boilers; install new ventilation system; create new accessible units; improve sitework and handicap ramps; renovate unit interiors with new finishes, flooring, fixtures, cabinets and paint; convert all gas ranges to electric; install new energy-efficient and water-efficient fixtures; and replace front stoops and add rear stoops.

Site work improvements throughout the property include but not limited to: replace curbing, sidewalks and pathways; improve pedestrian and bicycle infrastructure; replace obsolete utility lines; improve site accessibility for persons with disabilities; repave parking lots; improve water drainage away from buildings; enhance landscaping; add community gardens; and improve site lighting. To promote active lifestyles, a new recreational field and playground are proposed as well as rehabilitation of the existing basketball court. To promote social interaction and community solidarity, an outdoor plaza with a performance stage and seating areas is located between the Neighborhood Center and Building 1.

Requested Amount of Affordable Housing Development Funding

- PHDC is requesting $1,500,000 for the Riverton Park Redevelopment & Rehabilitation project ($8,241 per unit). To fill the funding gap and maintain an acceptable loan-to-value (LTV) ratio on MaineHousing debt, PHDC is proposing structuring the funding as a non-recourse, amortizing, cash flow-contingent note with a 20-year term and a 0% interest rate that does not accrue. As cash flow becomes available, the City would receive available debt service payments, up to $75,000 annually. The City loan would be subordinate to MaineHousing's interest, PHDC Deferred Development Fee, PHDC Sponsor Loan and General Partner Asset Management Fee.

PHDC proposes prepayment be allowed anytime without penalty. If a balance exists at loan maturity (year 20), refinancing or a balloon payment would be due.

- Based on the underwriting review, staff is recommending a loan in the amount of no more than $1,500,000, with a 30 year term, 3% interest, interest accrual, and payment deferred for 6 years, then payable out of cashflow capped at $75,000/year. Payment in waterfall prior to Portland Housing Authority Seller Note. The $1,500,000 request would be comprised of $589,897 of HOME funding and $910,103 in Housing Trust funding.

- PHDC is also requesting 50% Affordable Housing Tax Increment Financing for 30 years. The underwriting review recommendation (see attached) is for a 50% AHTIF for 20 years. Staff is recommending a 50% AHTIF for 20 years.

Affordable Housing Tax Increment Financing

If approved as proposed (50% for 20 years), the Affordable Housing TIF financing would be provided through a Credit Enhancement Agreement at 50% of the increased assessed value tax revenue, currently estimated at a 20-year annual average of $172,987, with an estimated total of $3,459,750 in captured increased assessed value tax revenue returned to the project/developer to off-set project operating costs. The proposed project would be taxable, with an estimated annual assessment of $20,514,320 and estimated annual tax of $142,392 at the current 23FY millage rate of .01388. The estimated increased assessed value is also $20,514,320 or $410,286,400 over the 20 year term of the district based on an Original Assessed Value of $0.00. The increased taxable value, currently estimated at a 20-year annual average of $172,987, with an estimated total of $3,459,750, will be non-captured general fund revenue. TIF projections and proposed district map are included in the backup to this memo.

Financial Impact

Fifty (50%) percent of the increased assessed value tax revenue would be captured increased assessed value tax revenue returned to the project/developer through a Credit Enhancement Agreement. The remaining non-captured revenue from the increased assessed value of fifty (50%) percent (approximately $3,459,750 over the 20-year term) will be general fund revenue. The Credit Enhancement Agreement would return approximately $3,459,750 in captured increased assessed value tax revenue to the project/developer (averaged at $172,987 annually over twenty years) to support the cashflow of the project Non-captured general fund revenues are estimated at $3,459,750 (average at $172,987 annually over twenty years).

	Captured Revenue to Developer (assumes 2% increase/year to mill rate) (Tax Dollars returned to the Developer's District Account)	Captured Revenue Returned to City (assumes 2% increase/year to mill rate) (Tax Dollars returned to the City's District Account)	Non -Captured General Fund Revenue (Tax Dollars in General Fund)
20 Year TIF Total	$3,459,750	$0	$3,459,750
20 Year Average	$172,987	$0	$172,987

With the tax sheltering benefits of TIF Districts, overall savings to the City during the term of the district averages an estimated annual amount of $84,633 +, or $1,692,659 + over the life of the district.

	1. Sheltered Valuation (same as Captured Valuation	2. Avoided Loss of State Aid for Education	3. Avoided Loss of State Municipal Revenue Sharing	4. Avoided Increase in County Tax	5. Total Avoided Impacts (2+3+4)
20 Year TIF Total	$205,143,200	$1,296,505	$295,316	$100,838	$1,692,659
20 Year Average	$10,257,160	$64,825	$14,766	$5,042	$84,633

Staff Recommendations

- A loan in the amount of no more than $1,500,000, with a 30 year term, 3% interest, interest accrual, and payment deferred for 6 years, then payable out of cashflow capped at $75,000/year. Payment in waterfall prior to Portland Housing Authority Seller Note. The $1,500,000 request would be comprised of $589,897 of HOME funding and $910,103 in Housing Trust funding.
- Affordable Housing Tax Increment Financing/Credit Enhancement Agreement with terms of 20 years at 50%.

Prior to loan closing and TIF finalization, underwriting recommends the satisfactory review of:

1. Appraisal supporting building price, which separates land value;
2. Market Study to demonstrate demand for 80% AMI units at projected rents;
3. All standard construction loan conditions, including satisfactory review of final contract with General Contractor consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.

And because of the extraordinary construction contingency, estimating adjustors, and cost escalators, that 25% of any actual construction cost savings reduce the City loan.

The TIF recommendation, with some units at less than LIHTC maximum rents, is explicitly intended to not set a precedent for future underwriting. Rather, underwriting is recommending a policy be developed before the next funding cycle.

Attachments:
Riverton Park Redevelopment and Renovation: Project Summary
Riverton Park Redevelopment and Renovation: Underwriting memo
Riverton Park Redevelopment and Renovation: Development Schedule
Riverton Park Redevelopment and Renovation: TIF Projection Table
Riverton Park Redevelopment and Renovation: Tax Shifts – Avoided Formula Impacts

B. Project Information

Completed by tplante@porthouse.org on 5/15/2023 4:26 PM

Case Id: 30406
Name: Portland Housing Development Corporation -
Address: 2 Riverton Drive, Portland, ME 04103

B. Project Information

Please provide the following information.

B.1. Property Address
2 Riverton Drive Portland, ME 04103

B.2. Project Name
Riverton Park Redevelopment & Renovation

B.3. Tax chart, block, and lot number
327-B-12

B.4. Zoning Designation
B-2 and R-5a

B.5. Is the requested funding type HOME/HTF?
Yes

B.6. Requested amount of Affordable Housing Development Funding
$1,500,000.00

B.7. Is the requested funding type AHTIF?
Yes

AHTIF Terms:
This application requests the creation of an AHTIF district and a Credit Enhancement Agreement to convey 50% of the incremental taxable revenue for the entire property towards operating support for the project for a term of 30 years.

B.8. Total number of housing units to be constructed:
59

B.9. Total number of housing units to be rehabilitated:
123

B.10. Total Number of market rate units:
11

B.11. Total number of deed restricted units:
171

B.12. Total number of Units at 120% AMI:
0

B.13. Total number of Units at 110% AMI:
0

B.14. Total number of Units at 100% AMI:
0

B.15. Total number of Units at 80% AMI:
16

B.16. Total number of Units at 60% AMI:
25

B.17. Total number of Units at 50% AMI:
130

B.18. Total number of Units at 40% AMI:
0

B.19. Housing Type
Rental

B.20. Total number of studio/efficiency units:
8

B.21. Total number of one-bedroom units:
13

B.22. Total number of two-bedroom units:
36

B.23. Total number of three-bedroom units
69

B.24. Total number of four-bedroom units
30

B.25. Total number of five-bedroom units
20

B.26. Property Manager
Portland Housing Authority

B.27. When is construction expected to begin?
04/01/2023

B.28. Please use the box below to answer the remaining questions and provide a narrative description of the project that includes:

- **Description of municipal housing need and how the development addresses that need;**
- **Requested amount of Affordable Housing Development Funding;**
- **Description of how City's participation is financially necessary in order for the project to proceed;**
- **Description of allowed uses in the zone;**
- **Description of residential and non-residential uses in the area;**
- **Description of accessory uses relating to residential use, if any;**
- **Indicate if this project requires relocation of existing commercial or residential tenants;**
- **Description of relocation plan for persons temporarily or permanently displaced by development activities;**
- **Description of how the development is consistent with the Comprehensive Plan**
- **Description of how housing and facilities in the development will be operated after completion;**
- **Description of planned uses of tax increment revenues from the district (AHTIF projects only).**

PROJECT OVERVIEW

The Riverton Park Redevelopment & Rehabilitation project is a bold opportunity to preserve 123 existing units and create 59 new units of mixed-income affordable family rental apartments that will be energy-efficient, resilient and beautiful. The project will include 130 units at 50% of Area Median Income (AMI) that enjoy Project-Based Vouchers (PBV) to ensure Very- and Extremely-Low Income households pay no more than 30% of income towards housing costs. The project will establish a mixed-income spectrum of affordability at Riverton Park: 171 affordable homes will be restricted at 50%–80% AMI and 11 apartments will set be market rate. The rehabilitation will modernize existing townhome apartments that suffer from energy-inefficient HVAC systems, poor building exteriors, and failing finishes and fixtures, among other issues. The construction of a new multifamily building with 59 apartments will add 41 net new dwelling units to the property. A new Neighborhood Center will be constructed to greatly expand on-site resident services and finally meet the considerable service needs of families. It will create a larger Greater Portland Health Clinic to enhance the health and wellbeing of the whole Riverton community. The project will also improve pedestrian and bike infrastructure, social gathering spaces, recreational facilities, and accessibility for persons with disabilities at Riverton Park.

This Public Housing community was built during Urban Renewal as an isolated community on the outskirts of Portland for many poor, displaced families. Riverton Park has been underserved and underfunded by HUD for decades. Its cul-de-sac design segregates it from surrounding neighborhoods, making it vulnerable to crime. PHA hears from our partners and residents daily that better quality apartments and more educational, healthcare, youth development and food access services will help our families secure their basic needs and boost self-sufficiency. This project will take on long-standing inequities that have afflicted this community, whose population is comprised predominantly of ELI families, BIPOC residents and New Mainers. The Neighborhood Center will greatly enhance and expand resident service offerings and improve delivery. The new GPH Clinic will strengthen the connection between housing, health and equity. The renovation and new construction will create sustainable, energy-efficient and mixed-income apartments. The project will be an all-encompassing transformation and recontextualization of the Riverton Park community that will benefit Portlanders for decades to come. There is tremendous demand for vouchered rental homes and resident services, and this project meets that need. We look forward to City support for this important effort.

Riverton Park is a near-shovel ready project. The project has been in pre-development since 2018, secured zoning approval in 2022, and will obtain Planning Board approval within 1-2 months. Portland Housing expects to close the project and commence construction within the next 10-12 months.

****
DESCRIPTION OF MUNICIPAL HOUSING NEED AND HOW THE DEVELOPMENT ADDRESSES THAT NEED
Built in 1972, this Public Housing community faces a long backlog of capital improvements due to chronic HUD underfunding, normal wear-and-tear from large families, and five-decades without a significant renovation. Major building systems, including building exteriors and mechanical, have reached the end of their useful life and necessitate replacement. Finishes, fixtures and millwork in units are old, worn and cause high maintenance burden. Accessibility upgrades are needed to better accommodate those with disabilities. Frequent maintenance issues and inefficient building exteriors contribute to high property operating expenses and utility costs. Though reasonably maintained by dedicated maintenance staff, only renovation will preserve these homes as healthy, safe, accessible, energy-efficient and affordable for the long-term.

Riverton Park serves predominantly low-income, BIPOC and/or New Mainer residents. Nearly a dozen languages are spoken in Riverton Park. PHA has developed close partnerships with Boys & Girls Club (B&GC), Opportunity Alliance, Greater Portland Health Center (GPH), and many more to offer on-site services. However, there is insufficient space for resident service delivery. For instance, while there are over 300 youth under 18 years living at Riverton Park today, the after-school program spaces are extremely undersized. There is also no active outdoor field or indoor recreational space at the property. As a result, service providers cannot always serve everyone seeking to participate. The small GPH clinic currently operating at Riverton Park cannot attend to all persons seeking preventative and basic medical care due to lack of capacity. Although many of our residents are food insecure and depend on local food programs, there is no dedicated pantry for distributing food and clothing donations.

When envisioning major changes to Riverton Park, Portland Housing and our experienced team of design and construction professionals contemplate all features and factors of the property. Notable among them are the numerous steep slopes, forests and wetlands that reduce the site’s developable land by over 5 acres. The property’s irregular shape and surrounding uses, such as Route 95, are also minded. As an affordable housing project utilizing private and public dollars, efficient use of limited funds is imperative, especially during this era of rapidly escalating construction costs. The project as currently proposed is the maximum scope of work achievable – any additional scope incurred risks financial infeasibility.

Our predevelopment process centers Riverton Park families, prioritizes resident engagement and equity, and considers potential impacts to them. We have held resident meetings regularly for over four years to update them on status, plans and next steps. PHA is committed to accommodating our residents throughout this project, evaluating and accommodating their needs, notifying in advance about all plans and relocations, securing temporary housing options, coordinating all relocation activity, paying for all reasonable relocation expenses and temporary housing, minimizing impacts to families and especially children, and complying with all applicable relocation laws and regulations. During construction, PHA will temporarily house as many families in on-site in vacant units as possible.

The Riverton Park Redevelopment & Rehabilitation project aims to preserve and expand Portland’s stock of affordable homes, enhance resident services, and better connect Riverton Park with surrounding neighborhoods. The project program includes:

A. Demolition of 4 existing buildings with 24 units closest to Forest Avenue, and redevelopment with a single, 4-story multifamily building with 59 units (“Building 1”). Its ground-floor will house PHA Management offices, a new GPH clinic, and two small neighborhood retail bays. This building aims to be built to Passive House standards, the world’s most energy-efficient building standard.
B. Rehabilitation of 21 residential buildings with approximately 123 two-story residential townhomes. The proposed scope of work will resolve all existing building issues noted above. The rehabilitation scope includes but not limited to: upgrade building envelopes; install continuous exterior insulation; replace roofs and windows; replace old boilers; install new ventilation system; create new accessible units; improve sitework and handicap ramps; renovate unit interiors with new finishes, flooring, fixtures, cabinets and paint; convert all gas ranges to electric; install new energy-efficient and water-efficient fixtures; and replace front stoops and add rear stoops.

C. Demolition of the existing administration building, and redevelopment with a significantly larger new Neighborhood Center for resident services in the same location. This will house spaces for the B&GC, PHA Study Center, and a Teen Center. It will also include a Multipurpose Recreational Gymnasium, Community Kitchen, Food & Clothing Pantry, Conference Room, Resident Service Coordination (RSC) office, and community policing liaison office. Its design and programming have been based on extensive conversations and multiple meetings with residents and service partners over the past four years.
D. New construction of a Maintenance Building. PHA Facilities currently operate out of an undersized maintenance shop within the existing admin building that is slated for demolition.
E. Site work improvements throughout the property include but not limited to: replace curbing, sidewalks and pathways; improve pedestrian and bicycle infrastructure; replace obsolete utility lines; improve site accessibility for persons with disabilities; repave parking lots; improve water drainage away from buildings; enhance landscaping; add community gardens; and improve site lighting. To promote active lifestyles, a new recreational field and playground are proposed as well as rehabilitation of the existing basketball court. To promote social interaction and community solidarity, an outdoor plaza with a performance stage and seating areas is located between the Neighborhood Center and Building 1.

11 market rate units will be scattered throughout the property to promote economic diversity. Market and affordable units will be identical (i.e. no difference in square footages, appliances, finishes).

****
REQUESTED AMOUNT OF AFFORDABLE HOUSING DEVELOPMENT FUNDING
$1,500,000 is requested for the Riverton Park Redevelopment & Rehabilitation project ($8,241 per unit).

To fill the funding gap and maintain an acceptable loan-to-value (LTV) ratio on MaineHousing debt, we propose structuring this loan as a non-recourse, amortizing, cash flow-contingent note with a 20-year term and a 0% interest rate that does not accrue. As cash flow becomes available, the City would receive available debt service payments, up to $75,000 annually. City loan will subordinate to MaineHousing's interest, PHDC Deferred Development Fee, PHDC Sponsor Loan and General Partner Asset Management Fee.

We propose prepayment be allowed anytime without penalty. If balance exists at loan maturity (year 20), balloon payment will be due or refinancing.

****
DESCRIPTION OF HOW CITY'S PARTICIPATION IS FINANCIALLY NECESSARY IN ORDER FOR THE PROJECT TO PROCEED
The Riverton Park pro forma has a 1.15 Debt Service Coverage Ratio (DSCR) in year 1. The project cannot support additional MaineHousing permanent loan amount as it is at maximum loan-to-value (LTV) ratio. PHA will commit a significant amount of our own funds and investment to realize this priority project. The City's participation is necessary to fill the remaining funding gap and make this project financially feasible. Without this funding, the Riverton Park Redevelopment & Rehabilitation project could not proceed as currently envisioned.

The development budget costs and operating expenses are reasonable, in-line with comparable projects, and reflect actual market conditions, which has seen unprecedented inflation during the past 24 months. All development budget and operating expense line items comply with applicable City of Portland and MaineHousing guidelines.

****
DESCRIPTION OF ALLOWED USES IN THE ZONE
The portion of the parcel closest to Forest Avenue is zoned B-2 Community Business, which allows for residential uses, accessory uses, neighborhood retail, and a health clinic. The majority of the parcel is zoned R-5A Residential, which allows for residential uses and accessory uses, including the Neighborhood Center and Maintenance Building. The proposed project fully complies with current zoning – including density/lot area, height, setbacks, lot coverage, frontage, floor area, etc. – and does not require any further rezoning amendments.

****

DESCRIPTION OF RESIDENTIAL AND NON-RESIDENTIAL USES IN THE AREA;
Riverton Park is surrounded by residential uses and Forest Ave to its north; I95 to its east; light industrial uses to its south; and residential and light industrial uses to its west.

****

DESCRIPTION OF ACCESSORY USES RELATING TO RESIDENTIAL USE, IF ANY
Riverton Park is primarily residential use. The property will also include accessory uses, including the Neighborhood Center, Maintenance Building, GPH clinic, and two small retail bays.

The new Neighborhood Center represents a significant expansion of resident service space at Riverton Park. PHA hears from our partners and residents daily that more resident services – educational, healthcare, youth development and food access services, in particular – will help our families secure their basic needs and boost self-sufficiency. Of the 109 current Riverton Park households, 55% are Extremely Low Income (ELI) and 23% are Very Low Income (VLI), according to HUD income limits. This diverse community is comprised of 65% Black/African American residents, 5% Asian residents, and 30% white residents. Nearly half of all Riverton Park residents are New Mainers. As an isolated, far-flung community, this Neighborhood Center is necessary to adequately providing services to this community that serves many disadvantaged persons. This project component is key to a prosperous and equitable Riverton Park. See Exhibit “15 – Evidence of Commitment of Resident Services” for more information on service need and offerings at Riverton Park.

****

INDICATE IF THIS PROJECT REQUIRES RELOCATION OF EXISTING COMMERCIAL OR RESIDENTIAL TENANTS
All Riverton Park households must relocate while construction work occurs. All relocation activity will be carried out in compliance with all federal, state and local relocation requirements, as well as PHA’s Relocation Plan for the Project. It is anticipated most Circle #1 households will relocate into off-site apartments and given the option to return to the Project once there is an appropriate available unit. Depending on the needs of the household and the availability of comparable dwellings, off-site relocations may be to a public housing unit, a non-public housing or a non-voucher-assisted unit. For households in Circles #2-#6, we anticipate most or all to relocate into vacant on-site units. Many households may move only once. No permanent involuntary displacement of residents will occur.

****

DESCRIPTION OF RELOCATION PLAN FOR PERSONS TEMPORARILY OR PERMANENTLY DISPLACED BY DEVELOPMENT ACTIVITIES
The PHA Relocation Plan for this project can be found in the “19 - Relocation Plan and Budget” attachment. As part of the planning process, PHA will assess the characteristics and needs of each covered household by conducting a pre-relocation survey during individual meetings. The assessment will be updated periodically to ensure that complete and correct information is available. PHA has a full-time Resident Transition Specialist (RTS) who will survey all households about needs/preferences prior to starting the project, coordinate all relocation activity, coordinate all movers and relocation vendors, act as tenants’ PHA main point-of-contact, send relocation notices, and assist with preparations and relocation services and assistance, among other duties. PHA will coordinate moves and movers, and pay for all movers, packing supplies, packing assistance, and all relocation expenses, including any reasonable relocation costs that residents incur, such as utility transfer/connection fees. Since the construction schedule and sequencing are not final, relocation move schedules have not yet been determined. All relocation activity will be carried out in compliance with all federal, state and local relocation requirements.

****

DESCRIPTION OF HOW THE DEVELOPMENT IS CONSISTENT WITH THE COMPREHENSIVE PLAN
Policy Guide: Environment
7. Support Sustainable Land Use & Transportation Policies

• “Continue to develop land use policies which support complete neighborhoods.” – The project will provide Riverton Park with more affordable units, higher quality housing stock, community gathering places and plazas, community healthcare clinic, convenient resident service delivery spaces, recreation and green spaces, improved pedestrian infrastructure, and neighborhood retail opportunities. The project will allow more families to live close to services and transit (a METRO bus stop is located within 100 feet of the property along Forest Ave). Together, the Riverton Park Redevelopment and Rehabilitation project will support greater resident health and wellbeing, environmental sustainability, energy-efficiency, green energy production, community connectivity and walkability, youth development and education, entrepreneurialism, community services, accessibility, aging-in-place, and – last but certainly not least – affordability.

Policy Guide: Housing
3. Remove Housing Barriers
• “Evaluate whether current zoning allows for new development consistent with historic patterns of form, density, and/or use, as well as whether it allows for priority growth areas.” – Riverton Park currently contains multifamily rental apartments and associated services. The project proposes to modestly increase the overall number of rental units available to 182 units from 141, while also expanding services. The majority of these net new units and services will be in the area closest to the Forest Avenue corridor and the Forest/Riverside intersection, a priority growth node for evaluation in Portland’s Plan 2030.
4. Promote Sustainability
• “Encourage energy efficiency in new construction and rehabilitation of our housing stock.” – The rehabilitation will significantly improve the energy-efficiency of existing buildings through new and upgraded windows, doors, roofing, continuous exterior insulation, air sealing, and mechanical/heating equipment. The new multifamily building, Building 1, will be significantly more efficient than a code-built building and aims to achieve Passive House certification, the world's leading standard in energy-efficient construction. The project will add rooftop solar photovoltaic (PV) panels to generate clean, renewable energy for the property. It will also include Electric Vehicle (EV) charging stations and low- or no-VOC materials.
8. Support Age-Friendly Housing Options
• “Create, promote, and facilitate safe, affordable, and practical housing solutions that will meet the evolving needs of Portland residents as they age.” – The project will create approximately 19 accessible units for persons with a physical disability. At least 2% of units will serve persons with a sight- or hearing-impairment. To facilitate aging in place, the new multifamily building will be elevatored and include a diversity of unit sizes, ranging from studios to three-bedroom units. Sitework will improve accessible routes throughout the site. Many resident services offered and community events at Riverton Park will be intergenerational and assist with aging-in-place. A full-time Resident Services Coordination (RSC) will also be available to assist older adults, including connecting them to local service providers as their needs evolve.
9. Adapt Affordable Housing
• “Assess the capacity of existing affordable housing developments, many of which were built over four decades ago, to adapt to current best practices by improving energy efficiency and physical and social connections to surrounding neighborhoods.” – The project will contribute to the physical revitalization of this deeply affordable multifamily community built in the early-70’s, which will significantly improve building energy-efficiency. The project will improve neighborhood connectivity to surrounding neighborhoods through the potential road extension of Pinewood Drive to Waldron Way. This will help reduce Riverton Park’s isolation caused by suburban-style cul-de-sacs in the short-term and, over the long-term, speculatively, help lay the foundation for potential street grid interventions.
• “Pursue new opportunities for increased energy efficiency, increased densities, mixed incomes, and greater connectivity to surrounding neighborhoods.” – The project will increase energy-efficiency of the community (see “4. Promote Sustainability” above). The project will increase residential densities of the community to approximately 183 units from 141 units currently. The project will turn Riverton Park into a mixed-income community by increasing the number of affordable homes to 165 units while also adding 17 market-rate units. The project will improve connectivity to surrounding neighborhoods through the potential road extension of Pinewood Drive to Waldron Way (see “9. Adapt Affordable Housing” above).

Policy Guide: Economy
2. Support Local Business Retention & Recruitment
• "Pursue policies that create, nurture, and retain local businesses." – A small neighborhood retail space is envisioned to encourage entrepreneurship among Riverton Park residents, offer additional services/amenities to this neighborhood, and/or incubate small local businesses.
• "Support job creation and business growth through public initiatives, and private, institutional, and regional partnerships." – PHA will draw on our extensive community partnerships to promote economic opportunities and/or small business incubation for the Riverton Park community, using the Community Center and neighborhood retail space to further these goals.

Policy Guide: Recreation & Open Space
4. Ensure Equity
• "Pursue opportunities, in collaboration with partners, to create new open spaces in areas that are currently underserved." – The project will create a new community plaza, recreation field, playground space, and basketball court at Riverton Park. Our on-site resident service partners will also utilize these spaces, including the Boys & Girls Club, Opportunity Alliance and others.
• "Distribute community gardens, playgrounds, fields, public art, historic resources, and other program elements where the demand and need are greatest, and periodically assess demands and needs." – The project proposes to create new community gardens, a new recreation field, a new community plaza, playground space, walking trails through forested areas, and upgrade the existing playground at Riverton Park.

Future Land Use
Priority Nodes & Corridors
• "Priority nodes and corridors indicate areas that would be appropriate for new development to provide needed housing, businesses, and services proximate to transit, or areas that otherwise warrant some examination of potential for positive change in form and/or function." – The project is located off of Forest Avenue, a Priority Corridor, and very close to the Forest Avenue/Riverside Drive intersection, a Priority Node. A METRO Transit Stop is located on Forest Avenue within 100 feet of the Riverton property.

****
DESCRIPTION OF HOW HOUSING AND FACILITIES IN THE DEVELOPMENT WILL BE OPERATED AFTER COMPLETION
Portland Housing Authority (PHA) will continue to manage Riverton Park following completion. PHA operates over 1,000 affordable homes in the City. Thanks to this scale and over 75 years of management experience, PHA has the capacity and expertise to successfully operate Riverton Park as a LIHTC and voucher property, and ensure its long-term upkeep and maintenance as a source of quality, affordable homes for Portlanders. No uncorrected 8823's have ever been issued to PHA. PHA has received a variety of physical inspection scores across its diverse portfolio. For all recently developed and renovated properties, PHA has consistently scored above-average or excellent. For older public housing properties, many have received satisfactory scores, including Riverton Park, PHA invests resources into resolving issues immediately and aims to rehabilitate it's entire portfolio of public housing in the coming years. See exhibit "9 – Team Summary Description" for more information on PHA.

****
DESCRIPTION OF PLANNED USES OF TAX INCREMENT REVENUES FROM THE DISTRICT (AHTIF PROJECTS ONLY)
This application requests the creation of an AHTIF District and a Credit Enhancement Agreement to convey 50% of the incremental taxable revenue for the entire property towards operating support for the project for a term of 30 years. This will reduce operating expenses to this affordable property and allow it to carry additional MaineHousing debt to finance the rehabilitation of 123 units, new construction of 59 units, and creation of a new Neighborhood Center. Without an AHTIF District, the Riverton Park Redevelopment & Rehabilitation project could not proceed.

Urban Ventures

To:	Mary Davis, City of Portland
From:	Anne Boynton, Urban Ventures, Inc.
Re:	Riverton Park new construction and renovation; PHDC
Date:	September 15, 2023

Portland Housing Development Corporation (PHDC) requests a loan of $1,500,000 and a 50% TIF for 20 years to support the proposed new construction and renovation of Portland Housing Authority's Riverton Park site. In this multifaceted 182 unit redevelopment, four structures will be demolished to allow construction of a new multifamily building with 59 apartments, adding a net of 41 new dwelling units to the property. A new Neighborhood Center will also be built, providing purpose-built space for an expanded Greater Portland Health Center location, Boys and Girls Club programming space, a teen center, and multiple other service-oriented uses. A maintenance shop is also planned for the site. 123 existing residential units will be fully renovated, and site improvements will include improved accessibility features and new recreation facilities including playground, ball field, and outdoor gathering space.

The $1.5 million loan request is $8,242/affordable unit. The requested terms are 20 year, 6 years of zero interest, then 3% interest, with repayment from cashflow capped at $75,000/year, with a balloon at year 20. PHDC requests repayment begin after retirement of PHDC's developer fee loan (approximately 6 years after occupancy).

The $1.5 million loan will be reduced after completion of construction by 25% of the construction savings and unspent contingency.

PHDC initially requested a 50% TIF for 30 years, which has a projected value of $5,776,571. This is $31,739 per affordable unit. The 30 year TIF does not meet the standard of "financial necessity." After further conversation with PHDC, PHDC revised its request to a 50% TIF for 20 years, which has a projected value of $3,459,752 which the City recommends. This is $19,010 per affordable unit, and reserves for the City's General Fund over $2.3 million in revenue relative to a 30 year TIF. A 20 year TIF meets the standard of "financial necessity" because the 20 year term is necessary to secure the syndicator's LIHTC commitment, with a TIF in place for the duration of the syndicator's investment. A 20 year TIF covers a 2 year construction period, the 15 year compliance period, and 3 years to unwind the tax credit partnership.

Sources and Uses

Sources:		Uses:	
Maine State 1st Mortgage	$44,358,738	Building 1 New Construction	20,275,264
City of Portland	$1,500,000	Residential Renovation	24,812,587
LIHTC Net Equity	$38,263,655	Neighborhood & Maint. Buildings	7,143,540
Deferred Developer Fee (PHDC)	$3,000,000	Site Work	5,809,252
Seller Note (PHA)	$28,450,000	Soft Costs:	11,108,717
Interim Operating Income	$1,300,000	Acquisition	29,250,000
		Reserves:	3,150,500

		Hard & Soft Cost Contingency	10,322,533
		Developer Fee:	$5,000,000
Total Sources:	$116,872,393	Total Uses:	$116,872,393

PHDC has submitted applications to Maine Housing for permanent mortgage, construction financing and 4% (non-competitive) LIHTC allocation.

PHDC has secured a letter of understanding from WNC & Associates at $.885/LIHTC and $1.00/Energy Credits (solar). This is document details the business terms and is much stronger than a letter of interest. WNC's estimated LIHTC equity amount is higher than included in the City budget projections by $570,579 because WNC underwrote eligible basis more aggressively, generating higher projected return to the project. This underwriting memo uses the more conservative estimate of eligible basis, however, if the additional basis is available, those additional tax credit proceeds will reduce the need for construction contingency, 25% of which will be used to reduce the City loan.

Deferred developer fee loan of $3 million enhances the LIHTC award (and is projected to be repaid to PHDC over the 1st 6 years of operations.)

The Seller Note is for the value of the buildings only, and will be finally determined by an appraisal of the improvements. The sales price of the buildings (which makes up $156,319 of the total development cost per unit) is an important part of generating LIHTC basis in this 4% project, making up 27% of the eligible LIHTC basis. PHA plans to retain ownership of the land. PHA has submitted a cost analysis projecting just over $2 million in net operating income will be available during the development period, which they have discounted by 35% for uncertainty regarding the phasing of construction and pace of rent up.

For analysis of "Uses," see Development Budget.

Development Budget

On the face of it, the total development cost per unit looks too high, at $642,156 per unit. However, that includes the cost of extensive community services space and PHDC/PHA maintenance building. The direct construction expense for the ancillary interior community service spaces is $59,148/unit and the cost for site work costs (which includes significant exterior community amenities) is $31,919/unit. The acquisition price adds an average of $156,319 per unit. The acquisition cost, as noted above, increases the LIHTC award and, ultimately, is capped by the appraised value. Taking those "extraordinary" costs into account, the cost per unit is similar to other applicants in this round.

Construction Costs:

Construction costs are based on a construction estimate by Zachau Construction dated 4/4/23. This estimate includes provision for prevailing wage labor costs. The April estimate has been adjusted for a change in HVAC systems, and a plug figure is being used for the maintenance workshop, which is being redesigned and speced to fit the budget cap.

Green: The new residential building will be built to Passive House standards and include hybrid VRF HVAC for each living room in residential units. Rooftop solar is included, with about half the total cost covered by green energy tax credits. The townhouses will be renovated in compliance with City's Green Code requirements, and will not include AC). The Neighborhood Center will also be built to City Code (no additional green certifications), and will include AC provided by energy efficient VRF heat pump system which will allow the Center to function as a cooling station for townhouse residents in the event of heat emergencies.

The rehabilitation scope for the townhouses includes upgrade building envelopes and insulation; replace roofs and windows; replace old boilers and install new ventilation system; create new accessible units; improve sitework and handicap ramps; renovate unit interiors with new finishes, flooring, fixtures, cabinets and paint; convert all gas ranges to electric; install new energy-efficient and water-efficient fixtures; and replace front stoops and add rear stoops.

Site work improvements include new curbs & sidewalks to improve pedestrian and bicycle infrastructure and improve accessibility for persons with disabilities; repave parking lots; improve water drainage away from buildings; add community gardens; and improve site lighting. Outdoor community spaces include a new recreational field and playground, rehabilitation of the existing basketball court and an outdoor plaza with a performance stage and seating area.

A Phase I has been conducted, which recommended additional follow up for lead paint and asbestos. Both follow up studies have been conducted. The asbestos report found asbestos containing floor tiles, joint compound, mastic and ceiling texture in some areas. PHDC reports that all recommended abatement procedures are incorporated into the scope of work. A lead screening was also conducted which found no lead based paint.

Soft Costs:

Total soft costs are reasonable at $61,367 per unit. Developer fee of $5 million is a high total dollar amount, but only 4.6% of Total Development Cost, excluding reserves and developer fee. This is a highly complex project which has required more intensive staffing over a longer period than a typical development (in predevelopment since 2018), so the total dollar figure is not unreasonable, and generates basis for the LIHTC award.

A satisfactory relocation plan and budget has been submitted for this project. Each existing tenant will need to be relocated, and most will need to be relocated twice. Off site relocation will be needed for an estimated 18 households, while an estimated 94 households will relocate within the site as construction progresses. PHA will staff the relocation management process with their Resident Transition Specialist/Relocation Coordinator, and $60,000 in salary expense is built into the relocation budget.

Contingency:

The developer hard cost contingency, contractor contingency and contractor cost escalators are quite high at 17.7% of hard costs. Minimum industry standard (and typical, prior to pandemic) is 5% for new construction and 10% for renovation. Considering that 47% of construction hard costs are renovation (and typically budgeted a 10% contingency) while 53% of hard costs are new construction (typically budgeted a 5% contingency), the pre-pandemic "industry standard" would be 7.5% (rounding up) or $4,350,000, not the $10,262,533 currently budgeted. However, given the continued uncertainty of price escalation and supply chain difficulties, this is a good time for additional contingency, especially on the renovation which is extensive but not "down to the studs" gut rehab. The City has requested, and PHDC has agreed, that 25% of any construction cost savings be used to reduce the City loan.

The soft cost total includes a soft cost contingency of $60,000, less than 1% of soft costs and far too slender for this complex project at this stage of development. This risk is mitigated by PHDC's substantial available resources to cover unexpected costs, see Developer Financial Analysis below.

Acquisition:

The public has an interest in insuring that publicly funded projects purchase the property for no more than the market value. This review is especially important in cases like this one where the seller plays multiple roles in the transaction, where PHA controlled entities are both the seller and the buyer. PHA proposes to retain ownership of the land, selling the only the improvements to PHDC. The final acquisition price will be determined by an appraisal closer to closing. An appraisal from February 2022 generally supports the price range currently projected. An acceptable appraisal, separating land from building value, which supports the acquisition price is a recommended condition of closing.

Operating Budget & 20 Year Cashflow Projection

Project Income:

There will be a total of 182 residential units in this mixed income development. Eighteen units will serve households at up to 80% AMI (10% of units). Six of the 80% units will be in the new building, while 12 will be in the renovated townhouses, offering affordable rental units for moderate income larger households needing 2 – 5 bedrooms. Thirty-four units will be affordable to residents at 60% AMI (19% of units). Project Based Vouchers will support 130 units, affordable to households up to 50% AMI.

Rents for the 60% units (LIHTC without additional operating subsidy) are budgeted at the maximum allowable LIHTC rate for each unit type. The rents for the 80% units are adjusted to market conditions, all below the maximum "affordable" calculation for households at 80% AMI. The larger units (2+ bedrooms) also have projected rents under the Fair Market Rent for their unit type. (Note that rents set below LIHTC maximums makes TIF sizing difficult, and is not intended to set underwriting precedent, as described in the recommendations.)

A market study has not been submitted for this development; review of a satisfactory market study to justify the projected 80% rents is a recommended condition of closing. Portland Housing Authority's experience in the Portland market amply demonstrates the need, and effective demand, for the 50% and 60% affordable units. Portland Housing Authority has a waiting list of 1,020 households for their roughly 1,000 Portland area units, and an occupancy rate of 98%. However, given the absence of a market study to support demand for the 80% AMI units in this location, I have underwritten the 80% units with a 7.5% vacancy rate

Operating Expense

The per unit operating expense of $10,610 is high by industry standards. However, this includes almost all utilities (tenants pay plug electric only) and reflects the full tax bill ($1,868/unit). The supportive services budget is large at $147,250 but appropriate for the high need, extremely low income and very low income households. The budget includes a full time Resident Services Coordinator, extensive education programming for children, teens and adults, and a community policing station. Utilities look high at $2,352 per unit but that includes 123 townhouse units, with up to 6 bedrooms, plus 18,804 square feet of service space. Given the very large units and the community service space included in the utility cost, per unit cost is not as relevant as cost/square foot. The utility cost is $2.46 per square foot of conditioned space per year, which is reasonable given the construction types. The maintenance budget of $2,106 per unit per year is reasonable, especially considering so many of these are LARGE family units, plus extensive community service space. This property will sustain substantial wear and tear. Despite the high "list price" per unit, the operating costs considered as a whole are reasonable given the needs of the project.

30 Year Cashflow & Debt Service Coverage Ratio (DSCR)

Debt service coverage ratio measures the operating margin of a project. After paying all projected operating expenses, by how much does net operating income exceed mandatory mortgage payments? A DSCR of 1.00 would exactly cover the mortgage lenders required payments. A DSCR of 1.15 means net operating income exceeds required mortgage payments by 15%. Maine Housing's minimum required year 1 DSCR is 1.15. Commercial lenders typically require 1.2 or even higher, if they have doubts about the projected income stream or expenses. A project with a significant base of Project Based Vouchers might have even lower DSCR requirements, as Project Based Vouchers are generally seen as a more secure revenue stream than rental income from low income residents. DSCR is a core tool for mortgage underwriting to insure there is operating margin to meet unexpected circumstances (while still meeting the mortgage payment)

A TIF supports a project over time by returning real estate taxes to the owner, which improves the net operating income, increasing the DSCR and providing both the lender and the owner margin for potential unforeseen circumstances.

The critical question for TIF sizing is, "How much margin is "Financially Necessary?" which is the statutory language for TIF approval.

Using industry standard 2% and 3% inflators:

With TIF as originally requested (50%, 30 year, projected value $5,776,571): The cashflow projections show a 1.15 debt service coverage ratio in the first full year of operations. By year 21, the DSCR is a very comfortable 1.49, and continues climbing to 1.67 at the end of year 30, an *annual* cashflow of over $1.89 million.

With the TIF as recommended (50%, 20 year, projected value $3,459,752): Taking into account the 2 year construction period, cashflow is 1.15 in year one of operations and identical to the requested TIF until the end of year 18. Then in year 19, cashflow makes a single modest downward adjustment when the TIF ends -- from 1.46 in year 18 to a still high 1.41 in year 19. Thereafter, cashflow again climbs steadily. Even without the TIF, by year 30 the *annual* cashflow is over $1.6 million. This meets the definition of "Financial Necessity" as it provides sufficient operating support to meet the cashflow expectations of the syndicator and the first mortgage lender

Developer Financials

Portland Housing Authority has submitted audits for FY 2020, 2021 and 2022. The audits include primary (consolidated) entities, which include PHDC, and also reports on "Discrete Component Entities" projects controlled by PHA but reflected separately in the audit. Their fiscal year ends 6/30.

For PHA (consolidated entities), 2022 was a very strong year operationally. Their audit as of 6/30/22 shows strong financial health, with current assets of $33.8 million and current liabilities of $2.8 mill, for a very strong current ratio of 12. The Quick Ratio (cash and cash equivalents divided by current liabilities) is a remarkably healthy 4.6. Net position is quite strong at $22.3 million. PHA operating revenue was up 2.65% while core operating expenses (admin, maintenance, utilities) were reduced. Perhaps not surprising for the time period (7/21-6/22) tenant services expense ballooned 43%.

"Discrete Component Entities" (Bayside Anchor, 58 Boyd, and Washington Gardens) adds substantial additional net position to the already very strong financial picture. The combined net position of the "Discrete Component Entities" is $11.2 million, bringing the total combined net position to almost $33.5 million.

In 2022, revenue grew by $1,704,489 (3.99% over '21), while expenses grew by $1,679,217 (4.16% over '21. In the rapidly rising cost environment of FY22, that's evidence of good cost containment.

Managements income/expense report May 31, 2023 (unaudited) suggest another strong year for PHA, with income above budget by 5% YTD and expenses below budget by 3% YTD for net operating income of $3,102,273 YTD (prior to cashflow adjustments).

Impact of pandemic: Consistent with the strong financial report, PHDC reports that the pandemic has not led to significant declines in rent revenue for PHA or PHDC. The unwinding of pandemic supports to residents caused an uptick in delinquencies and evictions at the end of the eviction moratorium, but operating conditions have since normalized.

Overall, PHA has very strong financial health. This developer has the financial capacity to intervene in a development facing unexpected set backs and/or cost over-runs to keep the development process moving forward. Their financial strength as an organization mitigates the risk of the thin soft cost contingency.

Recommendations :

The developer must at minimum meet three primary criteria for an AHTIF approval:

1. Community Need: "…site specific AHTIF designations must address an identified community need."

PHDC proposes to redevelop an underinvested site, deeply renovating and creating a total of 182 units of housing for households at 50-80% AM. Affordable housing is identified as a community need in Portland's Plan 2030 and the City Council's 2020 Common Goals

2. Financial Necessity: "The applicant must demonstrate the City's participation is financially necessary in order for the project to proceed."

The financial projections demonstrate that a TIF will be necessary for the project to proceed. The TIF functions to support the cashflow of the project and demonstrates a cashflow cushion to the mortgage lender to meet the lender's underwriting standards, in this case Maine Housing's requirement of 1.15 DSCR. A 50% TIF for 20 years comfortably meets the financial need of the project. Relative to a 50% TIF for 30 years, the 20 year TIF reserves for the City's General Fund over

$2.3 million in tax revenue which the project does not need to meet either the syndicator or Maine Housing's underwriting standards. While a TIF is demonstrably necessary in the early years of the project, a TIF is not needed after year 20.

3. Financial Capacity: "The applicant must demonstrate financial capacity to support their project."

PHA and PHDC have demonstrated the financial capacity to support their project through the their strong organizational financials (see Developer Financials above) and letter of understanding from their selected syndicator with good pricing, demonstrating the syndicators strong positive evaluation of the project.

This is an appropriate redevelopment, making good use of a complicated site by a developer with the development experience and financial resources to make the project successful.

I recommend a loan in the amount of no more than $1,500,000, with a 30 year term, 3% interest, interest accrual and payment deferred for 6 years, then payable out of cashflow capped at $75,000/year. Payment in waterfall prior to PHA Seller Note.

I also recommend a 50% TIF for 20 years.

Both loan and TIF recommendations with the following conditions:

Prior to loan closing and TIF finalization, satisfactory review of:

1. Appraisal supporting building price, which separates land value;
2. Market Study to demonstrate demand for 80% AMI units at projected rents;
3. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.

Because of the extraordinary construction contingency, estimating adjustors, and cost escalators, and the possibility of additional LIHTC credits, I recommend that 25% of any actual construction cost savings and unused construction contingency reduce the City loan.

The TIF sizing for this project is based on rental income projections below the maximum amount PHDC could charge for the 80% units. Generically, projecting rents below LIHTC maximums makes TIF sizing difficult, since the owner could increase rents and then no longer need a TIF as large as was approved. At what rent levels to underwrite a TIF request is an important underwriting criteria for the City to develop and use consistently, both for fairness to project developers and to protect the public interest in sizing the TIF subsidy to meet the statutory standards. I recommend this TIF with some units at less than LIHTC maximum rents with the explicit intention that this does not set precedent for future underwriting, and that a policy be developed before the next funding cycle.

Project Completion Schedule

Activity	Actual/Scheduled Date Month/Year
A. SITE	
Option/Contract	09/10/19
Site Acquisition	04/01/24
Zoning Approval	06/06/22
Site Analysis	06/01/22
B. FINANCING	
Construction Loan Commitment	12/01/23
Permanent Loan Commitment	12/01/23
Other Sources Committed	10/01/23
C. PLANS AND SPECIFICATIONS	
50%	03/01/23
90%	09/01/23
100%	01/15/24
D. CONSTRUCTION LOAN CLOSING	04/01/24
E. CONSTRUCTION START	04/15/24
F. COMPLETION OF CONSTRUCTION	09/15/26
G. LEASE-UP	
Initial Lease-up	09/15/26
Sustained (95%) Occupancy	12/31/26

Please account for application processing - approximately 60 days from the application due date.

City of Portland - TIF Model
Riverton Park
OAV as of 3/31/2023: $0, Assessor Chart, Block, & Lot No. 327 B012001
9-Aug-23

City of Portland- TIF Projection Table - Riverton Park										
TIF Year	**Tax Year- April 1**	**Increased Assessed Value Real Prop.**	**% of Value Captured**	**Captured Valuation**	**Projected Mill Rate**	**Total Projected New Taxes Captured**	**Captured Revenue to Business Project Account**	**Captured Revenue to Municipal Project Account**	**City Non-Captured General Fund Revenues**	**OAV Taxes General Fund Revenue**
1	2024	$20,514,320	50.00%	$10,257,160	13.88	$142,392	$142,392	$0	$142,392	$0
2	2025	$20,514,320	50.00%	$10,257,160	14.16	$145,240	$145,240	$0	$145,240	$0
3	2026	$20,514,320	50.00%	$10,257,160	14.44	$148,145	$148,145	$0	$148,145	$0
4	2027	$20,514,320	50.00%	$10,257,160	14.73	$151,107	$151,107	$0	$151,107	$0
5	2028	$20,514,320	50.00%	$10,257,160	15.03	$154,130	$154,130	$0	$154,130	$0
6	2029	$20,514,320	50.00%	$10,257,160	15.33	$157,212	$157,212	$0	$157,212	$0
7	2030	$20,514,320	50.00%	$10,257,160	15.63	$160,356	$160,356	$0	$160,356	$0
8	2031	$20,514,320	50.00%	$10,257,160	15.95	$163,564	$163,564	$0	$163,564	$0
9	2032	$20,514,320	50.00%	$10,257,160	16.27	$166,835	$166,835	$0	$166,835	$0
10	2033	$20,514,320	50.00%	$10,257,160	16.59	$170,172	$170,172	$0	$170,172	$0
11	2034	$20,514,320	50.00%	$10,257,160	16.92	$173,575	$173,575	$0	$173,575	$0
12	2035	$20,514,320	50.00%	$10,257,160	17.26	$177,046	$177,046	$0	$177,046	$0
13	2036	$20,514,320	50.00%	$10,257,160	17.61	$180,587	$180,587	$0	$180,587	$0
14	2037	$20,514,320	50.00%	$10,257,160	17.96	$184,199	$184,199	$0	$184,199	$0
15	2038	$20,514,320	50.00%	$10,257,160	18.32	$187,883	$187,883	$0	$187,883	$0
16	2039	$20,514,320	50.00%	$10,257,160	18.68	$191,641	$191,641	$0	$191,641	$0
17	2040	$20,514,320	50.00%	$10,257,160	19.06	$195,474	$195,474	$0	$195,474	$0
18	2041	$20,514,320	50.00%	$10,257,160	19.44	$199,383	$199,383	$0	$199,383	$0
19	2042	$20,514,320	50.00%	$10,257,160	19.83	$203,371	$203,371	$0	$203,371	$0
20	2043	$20,514,320	50.00%	$10,257,160	20.22	$207,438	$207,438	$0	$207,438	$0
20 Year TIF Total		**$410,286,400**		**$205,143,200**		**$3,459,750**	**$3,459,750**	**$0**	**$3,459,750**	**$0**
20 Year TIF Average		**$20,514,320**		**$10,257,160**		**$172,987**	**$172,987**	**$0**	**$172,987**	**$0**

Tax Shifts-Avoided Formula Impacts from Sheltering of Valuation: City of Portland- TIF Model - Riverton Park

50% Sheltered - 20 years - 50% to Developer Project Account - 50% to City Development Account

TIF Year	Tax Year-April 1	Total Added Valuation	Sheltered Valuation	Avoided Formula Impacts from Sheltering of Valuation			
				Avoided Loss of State Aid to for Education	Avoided Loss of State Municipal Revenue Sharing	Avoided Increase in County Tax	Total Avoided Impacts
1	2023	$20,514,320	$10,257,160	$0	$14,766	$5,042	$19,808
2	2024	$20,514,320	$10,257,160	$0	$14,766	$5,042	$19,808
3	2025	$20,514,320	$10,257,160	$0	$14,766	$5,042	$19,808
4	2026	$20,514,320	$10,257,160	$27,011	$14,766	$5,042	$46,818
5	2027	$20,514,320	$10,257,160	$54,021	$14,766	$5,042	$73,829
6	2028	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
7	2029	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
8	2030	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
9	2031	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
10	2032	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
11	2033	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
12	2034	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
13	2035	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
14	2036	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
15	2037	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
16	2038	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
17	2039	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
18	2040	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
19	2041	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
20	2042	$20,514,320	$10,257,160	$81,032	$14,766	$5,042	$100,839
20 Year TIF Total		**$410,286,400**	**$205,143,200**	**$1,296,505**	**$295,316**	**$100,838**	**$1,692,659**
20 Year TIF Average		**$20,514,320**	**$10,257,160**	**$64,825**	**$14,766**	**$5,042**	**$84,633**

Maine Cooperative
Development Partners

Update to the HEDC and Portland City Council on Maine Cooperative Development Partners Housing Projects—August 2023

Introduction

IN 2020, PORTLAND'S CITY COUNCIL TOOK A BOLD, VISIONARY STEP: creating a competition offering development teams city-owned land in exchange for pioneering new models of housing that will be affordable to middle-income families in perpetuity.

The city council chose Maine Cooperative Development Partners (MCDP) as its partner for three sites, now known as **Lambert North**, co-developed with Preservation of Affordable Housing (POAH), **Lambert South**, and **Dougherty Commons**, which has three parts: **Dougherty Apartments**, **Dougherty Condos**, and **45 Dougherty**, developed by the Szanton Company. The city and MCDP with the Szanton Company signed purchase and sale agreements that specified the maximum price to residents for the homes and the minimum number of family units, and provided a low land price and extended timeline so that we could have the time to accomplish these goals.

We are honored that we were chosen to carry out this mission, and pleased to give an update.

THREE YEARS LATER, we are delighted to have successfully incorporated the city's goals and values in our design and to have received site plan approval for five developments on three sites.

Innovation to create new models of affordability requires a lot of patience, conversation, research, and *time*. For this, we are grateful to Mary Davis and her staff, and to neighbors, prospective residents, city councilors, planning board members, cooperatives in other states, and financiers and foundations for meeting with us many, many times as we craft a solution that will be best for Portland and its residents long into the future.

V8

We are now finalizing financing for the projects and have submitted requests to the Housing and Economic Development Committee for both Housing Trust Fund (HTF) and Tax Increment Financing. Commitment from the city will allow us to finalize our financing.

- **We have split our sites into (5) developments with separate financing structures** to allow us to accomplish the city's goals, using a diverse combination of MaineHousing funds, HUD guarantee, conventional employer financing, CDFI loans, Portland Housing Trust Funds, and TIFs.
- **The result is 287 units:** (152) being developed by MCDP directly, (63) by our partners the Szanton Company, and (72) developed by Preservation of Affordable Housing (POAH) and MCDP.
- **We are requesting** about $55,000 per unit from the city for the MCDP projects, and MaineHousing is providing on average over $200,000 per unit for the MCDP and POAH projects.
- **The majority of our HTF request is for a loan, not grant.**

Your support will bring to fruition the city's original 2020 RFP goals and result in (287) green, permanently affordable, transit-oriented homes for a broad range of families and household types, and provide a model that can be replicated with less effort and subsidy in the future.

Without your support, the projects will start to run into deadlines that may require restructuring, added costs, and risk the loss of green design, affordability standards, and family units.

Lambert Woods—view along mews

Background

THE CITY'S 2020 RFP PROCESS requested the creation of new model of housing that would be:

- **Mixed income and mixed age and household type**, i.e. not just low income, or just elderly or just single people—our projects include many 3-bedroom homes for families.

- **Permanently affordable.** "Affordable" typically means rents are not more than 30% of the income for a given income band; all the properties will have agreements with the city to maintain affordability over the long term.

  At Lambert South Coop and Dougherty Condos the monthly costs are capped, and may be lower as they are based on actual expenses and will not go up with the market or when a household's income increases. In all projects, when one family moves out, another family has to be within income limits and is charged a monthly amount based on their income band.

- **Subsidies are generally available** for households below the 60% Area Median Income (AMI) level, but households earning more struggle in today's housing market. The two LIHTC projects target households below the 60% level, and the three MCDP projects target a mix of households from 50%–100% AMI. In 2023 dollars, that means a person living alone in our projects could earn $32,550–$65,100, and a family of four could earn $59,150–$118,300.

- **Innovative Ownership Models.** Knowing that innovation would be required to achieve those goals, the city actively encouraged innovative models such as cooperatives. In addition to the LIHTC developments, our projects include a limited-equity housing cooperative, deed-restricted workforce apartments, and deed-restricted affordable condos.

All of our projects are mixed-age and meet the 30% affordability measure; and three of the five projects utilize innovative ownership types to accomplish the remainder of the targets above.

In addition to the city's requirements, our team committed to high levels of:

- **Green building design:** Our designs meet the Green New Deal requirements.

- **Engagement with neighborhoods:** We've held dozens of community meetings.

- **Community-oriented spaces:** We designed shared community spaces for residents to use and get to know each other.

- **Democratic governance:** The cooperative and condos will have democratic governance.

- **Environmental stewardship:** We clustered buildings to preserve 25 acres of woods and wetlands, and to make them accessible to the public through trails.

WHAT WE LEARNED COULD INCREASE HOUSING PRODUCTION in the future: Part of the reason Portland doesn't have a variety of affordable housing models is that innovating new models takes extra time and money.

Here are some of the challenges we faced and what would make it easier to build affordable middle-income housing in the future:

1. **City, state or non-profits could provide loans with steady interest rates.** Over the course of three years, interest rates rose from below 3% to over 6%. That's a difference in several million dollars, and the difference between a *project making money* and *not getting built at all*.

   As we've committed to affordability targets, we can't just pass along rising costs to residents. In this case we are asking for Housing Trust Funds to fill part of the gap, but in the future we would love to see the city or state provide financing with consistently low interest rates.

2. **State and city could subsidize workforce housing and shared equity models.** Most workforce housing requires $80k+ in subsidy per unit, and MaineHousing doesn't currently subsidize shared equity models. MaineHousing also doesn't subsidize rental projects in urban areas serving households over 60% of Area Median Income (AMI). In the meantime, we are asking the city to fill in with Housing Trust Funds.

3. **Market demand is strong.** There's great demand and enthusiasm for the limited-equity models. With almost no advertising, we have over 250 inquiries and over fifty $500 deposits.

4. **A larger HTF loan can be more useful than smaller HTF grant.**
Banks typically loan a percentage of the project costs—say 80%—and traditionally this gap is filled with expensive private equity. Banks also require projects to show operating surpluses to reduce their risk. Taking a larger HTF amount as a loan makes financial sense because the project can take less private equity up front and repay the city over time out of operating surpluses or refinancing events. This reduces the cost of the housing and allows the Housing Trust Fund to be recycled.

5. **HTF and TIF are somewhat interchangeable.**
We could lower our HTF request if we could have an initial 100% TIF, which could scale back to 75% after some years.

6. **Combining diversity of housing models allows for innovation.**
We started thinking all three sites would have the same new model. However, we found it more feasible to accomplish the city's goals by diversifying our financing, which reduced risk and maximized use of available resources. Innovating new models takes enormous amounts of time and money, and we found that incorporating some more conventional development has allowed us to put resources into innovations. As a result, the city will have multiple financing types to learn from and replicate in the future.

IF WE ARE NOT ABLE TO GET THE FUNDING we need, it's possible the project could continue but would require changes that compromise the city's original vision. Some options include:

- **Redesign** from several 2- and 3-story buildings into one 5-story building—a redesign would cost several hundred thousand dollars, and not meet the city's RFP requirement that designs fit the neighborhood context.

- **Eliminate** most of the 3-bedroom homes currently in the agreement with the city and replace with 1-bedroom homes that are more profitable, though don't serve families.

- **Eliminate affordability** restrictions currently in the agreement with the city.

- **Increase share prices** for residents at Lambert South from roughly $22,000 to $70,000.

All of the above will cause delays, added expense, and increased risk of not completing this much-needed housing. In addition, any of these changes would require planning board and or city council action, which may not be successful.

Projects Summaries & Housing Trust Fund (HTF) and Tax Increment Financing (TIF) Requests

DOUGHERTY COMMONS includes three sub-developments:

- **45 Dougherty** is being developed by the Szanton Company and has (63) units of Low Income Housing Tax Credit (LIHTC) apartments affordable to households earning 60% or less of Area Median Income (AMI). They have submitted a TIF request separately.

On the MCDP side of the Dougherty Commons (62 total homes), we are breaking the sixty-two homes into two projects to enable some support from MaineHousing.

- **Dougherty Commons Condos** will have (20) for sale condos with affordability restrictions for households making under 100% of Area Median Income.

  (12) homes will be 3-bedroom townhomes and (8) will be 1-bedroom homes, priced at about $325,000 and $260,000. We are able to use the Maine Housing Affordable Home Ownership Program, which provides $70,000 per unit for the twelve 3-bedroom homes.

Request: $1.5M Housing Trust Fund grant

Dougherty Commons

• **Dougherty Commons Apartments** will have (42) affordable apartments. We will use MaineHousing's Rental Loan Program which requires 20% of homes (9 of 42) to be affordable to very low-income households (50% AMI) and the remaining homes (33 of 42) will be for households earning median income (100% AMI). The Portland Housing Authority will be the property manager. We have site plan approval and a term sheet from a construction lender and CDFI lenders.

Request:

• 75% TIF

• $2.4M in Housing Trust Funds, equal to roughy $57k per home. This will be a loan; the city will receive 90% of operating cash surpluses after repayment of the MaineHealth loan until the funds are paid back.

• Update to Dougherty Commons Purchase and Sale Agreement to allow the new financing and to slightly extend the time until sale of the land.

1 mile

Lambert Woods

- Lambert Woods North (POAH)
- Lambert Woods South (Co-op)

Dougherty Commons

- 45 Dougherty (Szanton)
- Dougherty Apartments
- Dougherty Condos

LAMBERT WOODS SOUTH

On the south side of Washington Avenue, 90 homes will be a Limited-Equity Cooperative using the HUD 213 guarantee loan program. There is a mix of one-bedroom, two-bedroom and three-bedroom units, and all units will be affordable to households earning 100% AMI. Construction and interest rate increases created a financial gap. We are working with local and national foundations to obtain grants or forgivable loans for families from historically excluded groups to lower their initial share price from $22K to closer to zero. Our next step is to receive a formal award of the funds requested from the city so that we can submit the HUD pre-application.

Request:
- 75% TIF
- $4.5M in Housing Trust Funds— equal to about $55k per home

Lambert Woods—View of community space along mews

LAMBERT WOODS NORTH

On the north side of Washington Avenue, we have partnered with Preservation of Affordable Housing (POAH), a non-profit affordable-housing developer with sites across New England. We are planning (72) affordable rental homes, which allows us to use MaineHousing's Low Income Housing Tax Credit (LIHTC) loan program. All units will be at the 60% Area Median Income level. This development has been allocated over $7,000,000 in 0% subsidy funds from MaineHousing and will receive its Notice to Proceed from MaineHousing in August 2023.

Request:

- 75% TIF
- Update P&S for 0 Auburn Street to allow LIHTC development

Lambert Woods—View along mews

Summary of MCDP Sites, Projects and Subsidy Requests

Project	Developer	Homes	Project Size (in $MM)	Ownership Type	Maximum Household Income (AMI)	Maine Housing Grants plus Tax Credits		Portland Housing Trust Fund		TIF
						Total ($MM)	per Home	Total ($MM)	per Home	
45 Dougherty	Szanton	63	$20	LIHTC Apartments	60%	$10.1	$160,317			Yes
Lambert Woods North	MCDP & POAH	72	$28.5	LIHTC Apartments	60%	$17.9	$248,000			Yes
Total LIHTC/ MaineHousing Projects		**135**	**$48.5**			**$28.0**	**$207,081**			
Dougherty Apartments	MCDP	42	$17.6	Price-Restricted Apartments	mix: 100% and 50%			$2.4	$57,143	Yes
Dougherty Condos	MCDP	20	$8.3	Price-Restricted Condo	100%	$0.8	$42,000	$1.5	$75,000	No
Lambert Woods South	MCDP	90	$32.0	Limited-Equity Coop	mix: 100% and 80%			$4.5	$50,000	Yes
Total MCDP/ HTF Projects Only		**152**	**$57.9**			**$0.8**	**$42,000**	**$8.4**	**$55,263**	

MCDP Reservation Process and Underwriting Guidelines for Coops and Condos

Thank you for being interested in our homes! We hope to have you as a neighbor.
Reservations for Lambert Woods South and Dougherty Condos are open with projected occupancy in 2025. There are local, state and federal regulations that apply eligibility, and this document is our current understanding of the process and is subject to change.

First, look at the income numbers below to know what income band you are in and what size unit you would want and be eligible for.

Income and Occupancy Qualifications:

Income limits and rents are adjusted up by HUD in April of each year, so our projects will likely reflect 2024 numbers which could be 10% higher. The income that matters is your Federally Adjusted Gross Income.

2023 Estimated Maximum Income Limits 2023							
AMI	1 Occupant	2 Occupants	3 Occupants	4 Occupants	5 Occupants	6 Occupants	
50%	$41,450	$47,350	$53,250	$59,150	$63,900	$68,650	
60%	$49,740	$56,820	$63,900	$70,980	$76,680	$82,380	
80%	$66,250	$75,700	$85,150	$94,600	$102,200	$109,750	
100%	$82,900	$94,700	$106,500	$118,300	$127,800	$137,300	
120%	$99,400	$113,600	$127,800	$142,000	$153,400	$164,800	
2023 Estimated Maximum Allowed Monthly Housing Expenses, including utilities						**Allowed Unit Size**	
AMI	Studio (1 person)	1 Bedroom (1-2 People)	2 Bedroom (2-4 people)	3 Bedroom (3-7 people)		Studio	1 person
50%	$881	$1,036	$1,184	$1,331		1 Bedroom	1-2 people
60%	$1,057	$1,244	$1,421	$1,598		2 Bedroom	2-4 people
80%	$1,408	$1,656	$1,893	$2,129			
100%	$1,762	$2,073	$2,368	$2,663			
2023 Estimated Minimum Income Requirements							
AMI	Studio	1 BR	2 BR	3 BR			
60%	$31,709	$37,305	$42,615	$47,925			
80%	$42,234	$49,688	$56,775	$63,863			
100%	$52,849	$62,175	$71,025	$79,875			

Minimum Income Requirements is based on an estimate that a maximum 40% of income allowed to be spent on total housing and debt payments, but actual can be 31%-50%, see details below

Reservation Process

Step 1. Pre-Qualification Survey and Reservation Agreement. This survey expresses initial interest and confirms rough eligibility.

Step 2. Initial Deposit. Once we've reviewed your survey, we'll ask you to fill out a form and enter payment for a deposit of $500. Deposits are fully refundable should you change your mind or should a unit not be available for you.

Step 3. Subscription Agreements and Final Deposit. A Subscription Agreement is the legal agreement for you to own your share and have a lease to pay the monthly amount. Starting winter 2023-2024, we will start connecting households to the City of Portland to do income verification.
Condo: Eligible households will be invited to sign choose a specific unit
Coop: Eligible households will be invited to sign a subscription agreement, choose a specific unit, and pay an additional refundable deposit so that total deposits equal 10% of the share price.

Step 4. Final Share Purchase.
Dougherty Condos:
Condos are one bedroom or 3 bedroom. To buy a condo, you will need to get a mortgage and pay a downpayment. We recommend you take a first time homeowners class so you learn about the process of buying a home and become eligible for state programs. You can learn about classes at http://www.mainehomeworks.org/
Lambert Woods South Coops:
Just before move-in, we will contact you to pay the remainder of the full share price, currently estimated at $25,000, depending on the success of our Housing Trust Fund request of the city, interest rates and construction costs, and any grants we are able to access. We are still working out details of share loan and grants programs for those who need financial assistance.

Minimum Income and Approvable Ratio Requirements for Lambert Woods South Coop
Following HUD's rules, qualifying for housing in Lambert Woods South is dependent on the projected ratio of housing expenses to your income, your credit score, and how much debt and cash reserves you have. If your income doesn't match, we encourage you to reach out to Town and Country Federal Credit Union or other organization to improve your financial status. This is a rough guide for how this is calculated.

In the case of a **credit score 500-579 or no credit score**, you qualify for this housing only if the following ratios apply:

- Housing Payments to Income (PTI): max 31%
- Total Fixed Debt Payments to Adjusted Gross Income (DTI): max 43%
- Energy efficient homes may have stretch ratios of 33% PTI and 45% DTI (We expect our homes to qualify as Energy Efficient)

In the case of a **credit score of 580 and above** with…

1. Housing Payments to Income (PTI) is **31%** max and Total Fixed Debt Payments to Adjusted Gross Income (DTI) is **43%** max. Energy efficient homes may have stretch ratios of 33% PTI / 45% DTI to qualify (We expect our homes to qualify)
2. Housing Payments to Income (PTI) can be **37%** max and Total Fixed Debt Payments to Adjusted Gross Income (DTI) can be **47%** if **one** of the following factors apply:
    - Verified and documented cash reserves or Residual income
    - New housing payment is only minimal increase over existing
3. Housing Payments to Income (PTI) can be **40%** max if there are no fixed debts
4. Housing Payments to Income (PTI) can be **40%** max and Total Fixed Debt Payments to Adjusted Gross Income (DTI) can be **50%** if **two** of the following factors apply:
    - Verified and documented cash reserves or Residual income
    - Minimal increase in housing payment
    - Significant additional income not reflected in effective income; and/or

Calculation example: Jenny and Kareem have a gross income of $69,000 and an Adjusted Gross Income (AGI) of $59,000/year, or $4,916/month They have a car payment of $400/month and no other debts. They have a credit score of 600, and it's just the two of them living in the house. Ideally, they'd like a two bedroom home.

1. Because they are a two person household and their AGI is less than $71,520, they would potentially be eligible for a one bedroom for $1,564/month or a two bedroom home for $1,788/month.
2. Because their credit score is over 580, the maximum housing payment they would be allowed to spend is 31% of their income. The cost of a two bedroom home, $1,788 divided by their monthly income of $4,916 is a PTI of 36%, which is higher than the normally allowed max of 31%. When you include their car payment of $400/month, their Total Debt Payments would be $400 + $1,788 = $2,188 divided by $4,916 = 44%, which is higher than the normally allowed max of 43%.
3. Since the PTI and the DTI are higher than normally allowed, they would have to show cash reserves or other income to allow for higher PTI and DTI ratios.
4. Another option would be for them to purchase a share for a one bedroom instead. The cost of a one bedroom home is $1,564 divided by $4,916 = a PTI of 31% which equals the normally allowed max of PTI. Their total debt payments would equal 39%, which is less than the normally allowed max. So without any extra cash reserves or income, Jenny and Kareem would be able to afford a one bedroom. Last updated 8/17/23