Housing & Economic Development Committee Meeting
Tuesday, September 17, 2024 at 5:30 PM

MEMBERS
Councilor Pious Ali, Chair
Councilor Roberto Rodríguez
Councilor Regina Phillips
Councilor Kate Sykes

To submit written public comment on an agenda item, email mdavis@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:
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Webinar ID: 812 8738 2094

1. **Review and accept Minutes of previous meetings held on August 20, 2024, and September 3, 2024.**

   a. See attached draft Minutes for August 20, 2024, meeting.

   b. See attached draft Minutes for September 3, 2024, meeting.

2. **Office of Economic Opportunity: Natural Helpers Presentation**

3. **Social Housing Discussion: Councilor Sykes Presentation**

   a. Social Housing Slide Show

Next Meeting Date: October 1, 2024

Minutes

Remote Housing and Economic Development Committee

August 20, 2024

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 20, 2024, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Pious Ali, and members, Roberto Rodriguez, and Kate Sykes. Present from the City staff were Housing and Economic Development Department Director Greg Watson, Housing and Community Development Division Director Mary Davis, Corporation Counsel Michael Goldman, Associate Corporation Counsel Avery Dandreta, Assistant City Manager Dena Libner, Business Programs Manager Nancy Martin, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Review and accept Minutes of previous meeting held on July 16, 2024

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

Item #2: Review and Recommendation to the City Council regarding Affordable Housing Project for Youth and Family Outreach at 331-337 Cumberland Avenue (Public Comment will be taken)

Greg Watson provided an overview of the proposed development and funding request from Youth and Family Outreach for 331-337 Cumberland Avenue. The proposal has been in the works for a number of years and ran into a number of issues during COVID. Cost overruns necessitated putting the project on hold. YFO is now ready to move the proposal forward and is requesting a subsidy funding loan in the amount of $1,080,000 to construct a new 60 unit rental housing development and child care facility within one building.

Mary Davis indicated the previously approved Affordable Housing Tax Increment Financing (AHTIF) District and Credit Enhancement Agreement would need to be amended with MaineHousing to reflect the new plans by Youth and Family Outreach to construct a 60 unit rental housing development with a space for a childcare center. The project would include 60-units, 29 of which would be affordable to households at or below 50% of the area median income ($51,000 for a two-person household), 19 of which would be affordable to households at or below 60% of the area median income ($61,200 for a two-person household) and 12 market rate units (including 4 studios, 24 one bedrooms, 22 two-bedrooms and 10 three-bedrooms).

The current approved development district includes a slightly different unit mix (36 units at or below 50% of the area median income, 12 units at or below 60% of the area median income and 12 units at market rate) and would need to be amended to reflect the proposed new development program. Also to be updated is the name of the development entity. The new developer is YFO Resource HUB LP. YFO is partnering with Developers Collaborative who will act as the development guide but will not have ownership in the project.

The underwriting recommendation includes a loan in the amount of up to $1,080,000, at zero interest, over a 30- year term, with repayment of 10% of cashflow above MaineHousing's required $500/unit cash flow balance (as confirmed by MaineHousing underwriting), in the first

5 years of operations, followed by 30% of cashflow until the loan is fully retired. The underwriting memo also notes that the TIF continues to be necessary to keep the debt service coverage ratio within acceptable limits. Staff recommends approval of a loan from the Jill C. Duson Housing Trust Fund conditioned on the satisfactory review of the items outlined in the underwriting memo based on the terms provided in the same memo.

The Committee asked clarifying questions regarding parking (parking was addressed during the public hearing conducted by the Planning Board); and the historical status of the on-site chapel building (the Preble Street Chapel is not located within a historic district, and is not a locally designated historic landmark, and is therefore not protected from demolition). Members indicated their support for this revitalizing project and the need for early childhood care.

Councilor Ali opened the meeting to public comment.

George Rheault (28 Hanover Street)- stated it's pretty clear the council has not done any actual work on this; there has been a tremendous amount of misinformation tonight. He further indicated there was no need to take action this evening and that there will certainly be litigation. He is against demolition of the chapel. Also, Bayside is not a nice place to live. The idea this is a nice place to create community is sad. He is disappointed the Committee has not done its work.

Councilor Ali closed the public comment period.

On motion made by Councilor Sykes, seconded by Councilor Rodriguez, the Committee voted 3-0 to recommend to the City Council approval of an amendment to the 337 Cumberland Avenue Affordable Housing Development and Tax Increment Financing District and the Municipal Development Program for the District, regarding changes to the unit affordability and revenue generated as noted in the staff presentation.

On motion made by Councilor Sykes, seconded by Councilor Rodriguez, the Committee voted 3-0 to recommend to the City Council approval of an amendment to 337 Cumberland Avenue Affordable Housing Credit Enhancement Agreement to reflect the current development entity of YFO Resource HUB LP.

Councilor Ali opened the meeting to public comment.

George Rheault (28 Hanover Street)- inquired into; how the development would comply with the Green New Deal; relocation costs; $500,000 mortgage from the purchase of the Maria's Restaurant; and the historic concerns.

Councilor Ali closed the public comment period.

In response to Committee request, staff noted a condition of receiving funding from the city is compliance with Chapter 6, Section 6-167 thru 168. Per their submission, the developer intends to comply with the Green Building Ordinance.

On motion made by Councilor Rodriguez, seconded by Councilor Sykes, the Committee voted 3-0 to recommend to the City Council approval of an amendment to CEA.

Item #3: Verbal update regarding Purchase and Sale Agreement with The Hemlock House for its purchase of the former Fort McKinley Hospital Property, a tax-acquired property.

Mr. Watson noted this is just an update and no executive session is needed. Staff is engaged with the potential purchaser, The Hemlock House, and negotiating to arrive at a Purchase and Sale Agreement for this Committee's review and recommendation to the City Council, targeting the September 3rd meeting.

Item #4: Discussion of proposed vacancy ordinance for the Downtown/Arts District area.

Mr. Watson said that this is an initial conversation for direction from the Committee. Staff have met with the Congress Street/Arts District Solutions Group ("Group"), comprised of a number of stakeholders in this area of the downtown. This Group is concerned with the overall condition and appearance of Congress Street and Portland Arts District. Staff, with support from this Committee, would move forward to address these challenges using the "carrots and sticks" formula, i.e., carrots being City support through incentives, and sticks being an ordinance to address vacant storefronts. He then noted that Nancy Martin, Business Programs Manager, will go through some slides to define the problem and possible paths forward.

Ms. Martin noted, as she went through her slide deck, that there are creative ways to work with property owners, such as artwork in empty storefronts, signage, planters, wayfinding, loans and grants to encourage exterior building improvements, and commercial vacancy policies. She also noted that the national downtown vacancy rate in 2020 was 5% to 7%. Ms. Martin also noted that she conducted her own unscientific research and walked Congress Street from Monument Square to High Street and counted 10 empty storefronts out of 50, meaning a 20% vacancy rate. These vacancies and their domino effects have caught the attention of the Group, and staff proposes a pilot project for this area.

Seeing no further questions/comments, on motion made by Councilor Sykes, seconded by Councilor Rodriguez, the Committee voted 3-0 to adjourn at 6:30 p.m.

Next meeting is September 3, 2024

Respectively submitted,

Lori Paulette and Victoria Volent

Minutes

Remote Housing and Economic Development Committee

September 3, 2024

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, September 3, 2024, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Pious Ali, and members, Regina Phillips, and Kate Sykes. Present from the City staff were Housing and Economic Development Department Director Greg Watson, Housing and Community Development Division Director Mary Davis, Corporation Counsel Michael Goldman, Associate Corporation Counsel Avery Dandreta, Compliance Officer Heidi McCarthy, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Review and Recommendation to the City Council to approve the Amendment to the Purchase and Sale Agreement with Maine Cooperative Development Partners regarding 165 Lambert Street (also known as Lambert Woods South); and the Share Loan Terms. (Public Comment will be taken) NOTE: Pursuant to 1 M.R.S.A. 405(6)(C) and 5 M.R.S.A. 13119-A, the Committee may go into executive session to review proprietary confidential information and provide direction to staff regarding negotiations.

Greg Watson and Mary Davis introduced this item by noting during the May 7, 2024 HEDC meeting, the Committee voted 4-0 to recommend to the City Council approval of an Affordable Housing Tax Increment Financing District and Credit Enhancement Agreement as well as a loan from the Jill C. Duson Housing Trust Fund for the Lambert Woods South project. The recommendation was conditioned on the completion of several steps, within set deadlines. The deadlines previously approved by the HEDC now require extensions to ensure completion of the required steps. Maine Cooperative Development Partners has proposed the new timeline outlined in the accompanying memo. Staff is seeking Committee input regarding the deadlines connected with the Purchase and Sale Agreement and HEDC financing recommendations, along with approval of the terms for the share loan subsidy.

Councilor Ali asked the Committee if they would like to enter into executive session. On a motion by Councilor Phillips, seconded by Councilor Sykes the Committee voted 3-0 to enter into executive session preceded by a request from Councilor Ali for public comment. Seeing no one, Councilor Ali closed the public comment period.

The Committee returned from executive session at approximately 6:33 p.m.

On a motion by Councilor Sykes, seconded by Councilor Phillips, the Committee voted 3-0 to recommend to the City Council approval of a Second Amendment to the Purchase and Sale Agreement with Maine Cooperative Development Partners LLC for property located at 165 Lambert Street with the terms as outlined in the attached Second Amendment to Purchase and Sale Agreement subject to the timeline included in the backup material preceded by a request from Councilor Ali for public comment. Seeing no one, Councilor Ali closed the public comment period.

On a motion by Councilor Sykes, seconded by Councilor Phillips, the Committee voted 3-0 to recommend to the City Council approval of the terms of the shared subsidy loan program as outlined by staff in attachment B, preceded by a request from Councilor Ali for public comment. Seeing no one, Councilor Ali closed the public comment period.

Item #2: Review and Recommendation to the City Council to approve the Purchase and Sale Agreement with the Hemlock House for its purchase of the former Fort McKinley Hospital Property (a tax-acquired property). Note the Committee may go into Executive Session pursuant to 1 M.R.S.A. 405(6) (C) and 5 M.R.S.A. 13119-A to review proprietary confidential information and provide direction to staff regarding negotiations. (Public Comment will be taken)

Mr. Watson noted that the Committee is familiar with this item through updates but no formal recommendation nor public comment has been received to date. The City Council authorized the original RFP for the redevelopment of the former hospital on April 2022. It was subsequently advertised with no responses received. Due to renewed interest in March this year, it was re-advertised and the City received one response from Hemlock House, with a representative present tonight for any questions.

This property was first tax-acquired in 2003 and had a purchase and sale agreement but the agreement expired in 2019 and has been vacant since 2003 and is in a state of disrepair.

The proposal is consistent with the RFP, and Mr. Watson then described the proposed development of market rate condos, which would include the use of State and Federal historic tax credits. The proposed developer has experience in developing historic properties and also understands the need to work with the Diamond Cove Homeowners Association (DCHA). The tax-acquired property includes the building footprint and the land under the footprint, but abutting property outside that footprint is owned by DCHA. The developer would need to work with DCHA regarding wastewater hookups and share property off of the footprint for that purpose.

Chair Ali asked if the Committee felt the need to go into executive session, and the consensus among members was that there was no need to do so.

Councilor Sykes thanked all for their due diligence in moving forward on this project, noting that it is worthwhile. She then made a motion to forward this to the City Council with a recommendation for approval; Councilor Phillips seconded the motion.

Chair Councilor Ali opened the meeting for public comment and there was none. He then asked for a vote on the motion and it passed 3-0.

Item #3: Communication Item: 2023-2024 HUD Consolidated Annual Performance Report (CAPER)

Greg Watson provided an overview of the 2023-2024 HUD CAPER which is a required annual report to HUD outlining accomplishments and expenditures within a given program year for HUD-funded programs including CDBG, ESG, and HOME. Heidi McCarthy is available to provide a more in-depth reporting of the CAPER. Mary Davis acknowledged the work undertaken by Heidi McCarthy and the Housing and Community Development staff, as well as the City's Health and Human Services Social Services Division, the Portland Housing Authority, and the Cumberland County Community Development Office.

On motion made by Councilor Sykes, seconded by Councilor Phillips, the Committee voted 3-0 to sponsor the 2023-2024 HUD Consolidated Annual Performance Report (CAPER) as a communication item to the City Council.

On motion made by Councilor Phillips, seconded by Councilor Syskes, the Committee voted 3-0 to adjourn the meeting at approximately 6:55 p.m.

Next meeting is September 17, 2024.

Respectively submitted, Lori Paulette and Victoria Volent

Social Housing: The Missing Piece in Portland's Housing Production Puzzle?

Kate Sykes, City Councilor Dist. 5

Presentation to the Housing and Economic Development Committee

September 17, 2024

Factors in Portland's Housing Crisis

Demand-Side

Short-term rentals/seasonal homes

Sudden in-migration during pandemic

Surge in asylum seekers

Increasing housing cost burden

Shifting housing needs due to changing labor market participation

Supply-Side

Ageing housing stock

Federal disinvestment in public housing

Low historic production

Exclusionary zoning

High cost of financing

Under Production + Future Need

Table 1: Historic Underproduction and Future Need by Region

Region	*Historic Underproduction*	*Future Need (2021 – 2030)*	*Total*
Coastal	21,200	24,200 – 28,000	45,400 – 49,200
Central Western	13,000	9,700 - 11,700	22,700 – 24,700
Northeastern	4,300	4,000 - 6,100	8,300 – 10,400
Maine	**38,500**	**37,900 - 45,800**	**76,400 – 84,300**

Source: State of Maine Housing Production Needs Study, October 2023

Production Targets

Table 2: Annualized Production Needs Compared to Annual Building Permits by Region

	Total Annual Production Need	*5-year average (2016 - 2021)*	***% Change in Permits***	***Net Change in permits***
Coastal	**5,100 – 5,500**	3,400	**50% - 62%**	**1,700 – 2,100**
Central Western	**2,500 – 2,700**	1,000	**150% - 170%**	**1,500 – 1,700**
Northeastern	**900 – 1,100**	400	**128% - 175%**	**510 - 700**
Maine	**8,500 – 9,300**	4,800	**77% - 94%**	**3,700 – 4,500**

Source: State of Maine Housing Production Needs Study, October 2023

Housing Production in Portland

Source: City of Portland Housing Dashboard

How does Portland produce housing?

Private Development with affordability requirements

Non-Profit Development with Tax Credits (LIHTC) and Housing Trust Funds

HUD/Federal Public Housing through PHA

Section 8 Housing Choice Vouchers

Gaps in the Current System

Portland's Inclusionary Zoning requirements cut into private developer profit margins. Inconsistent municipal zoning regulations can be a factor in driving development away from Portland.

Funding for non-profit housing development (LIHTC) is limited, competitive, and not under our control. Financing costs are high, which reduces the number of units that can be built. Does not produce enough workforce and middle-income housing (missing middle).

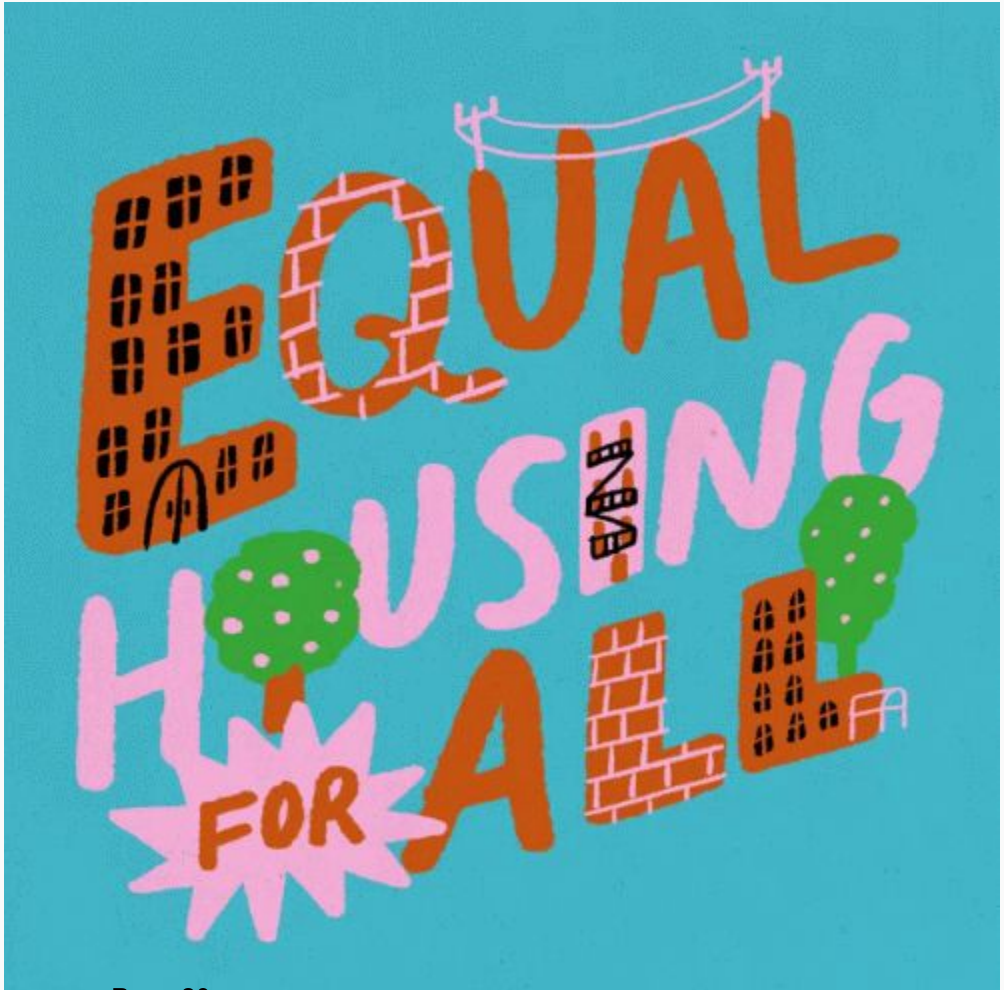
Federal funding for HUD public housing programs has been decimated over decades, leaving Housing Authorities with few options but to convert their holdings to non-profit housing. Housing vouchers are in short supply.

Social Housing is for Everyone

Portland offers public goods as universal benefits such as street plowing, schools, and trash pick-up.

Unfortunately, we don’t treat housing the same way.

Social Housing can change that.



How Does Social Housing Fit in?

Fills a niche that private development and non-profit development can't meet, specifically production of middle-income housing.

Creates mixed income developments that improve safety and promote inclusive communities.

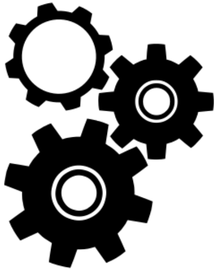
Is not reliant on funding sources used by other types of development, and therefore does not compete with them.

Can be implemented quickly to help us catch up.

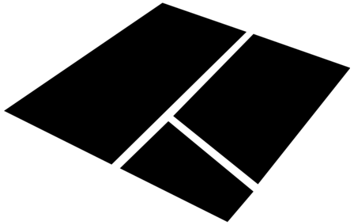
Is revenue neutral, self sustaining, and publicly owned.

The Four Pillars of Social Housing

FINANCING



PUBLIC DEVELOPMENT EXPERTISE



LAND BANKING

PHILOSOPHY

Financing

Portland should leverage our AAA bond rating to build social housing.

Lower financing costs than traditional development loans.

Revenue Bonds Pay for themselves over time because the projects they fund bring in revenue.

Rents paid by mixed income tenants provide the revenue stream to pay off loans and maintain the housing.

As construction loans are paid down, public equity in the project grows and can be leveraged to build more housing.

Portland's Housing Trust Fund should function as a revolving loan fund.

Public Development Expertise

Housing Authorities used to be our public planning agencies for housing

Montgomery County Maryland

Seattle's Social Housing Developer

USM dormitory is social housing

Local developer interest in cooperative housing

Broad public understanding and support

Land Banking

Existing Publicly-Owned Land

Franklin Street Project opportunities

Review Land Bank Best Practices

Philosophy

The City already provides a diverse array of public services: schools, fire protection, public health, recreation.

We are already a lender of start-up funds, in the form of the Portland Development Corporation.

We have a Land Bank commission and have contributed public land to housing development projects.

We already have housing development expertise and expend staff time on complex affordable housing projects.

We can be a developer of social housing, too.