FINAL

Minutes

Remote Housing and Economic Development Committee

May 21, 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, May 21, 2024, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Pious Ali, and members Councilors Regina Phillips, Roberto Rodriguez, and Kate Sykes. Present from the City Council were Councilors Anna Bullett and April Fournier. Present from City staff were Housing and Economic Development Department Director Greg Watson, Housing and Community Development Division Director Mary Davis, Corporation Counsel Avery Dandreta, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Review and accept Minutes of previous meeting held on May 7, 2024

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

Councilor Phillips joined the meeting after acceptance of the minutes.

Item #2: Developer Forum

Councilor Ali and Greg Watson provided an introduction to the Developer Forum.

Greg Watson was the first speaker; he provided an overview of the State of Maine Tax Increment Financing (TIF) program; benefits of utilizing TIF programs; and Portland's use of area-wide TIF districts versus site-specific TIF Districts. Within the broader discussion was an explanation of: allowable uses of TIF revenue; the amount of revenue generated by various TIF projects; a presentation of the Portland Peninsula TIF map; an explanation of what a TIF is; and how TIF works.

Mark Wiesendanger, the Maine State Housing Authority Director of Development, introduced the work conducted by MaineHousing towards creating affordable housing through public-private partnerships. MaineHousing uses several different program such as the Low Income Housing Tax Credit (LIHTC) Program which has created the greatest number of affordable housing units in Maine by providing subsidies to developers in the form of Federal tax credits. In return, developers must reserve a portion of the units to people with lower incomes. LIHTC can be linked with other funding sources such as the Federal HOME program and the local Housing Trust Fund, as well as MaineHousing 0% deferred loans. It is a competitive process to receive tax credits from MaineHousing based on HUD and IRS requirements outlined within the Qualified Allocation Plan. MaineHousing determines the need for affordable housing within the state. Avesta Housing is their largest developer partner. Of the 95 pipeline projects with MaineHousing, thirteen of those projects are located in Portland. Another MaineHousing affordable housing program is the Affordable Home Ownership Program created to assist with subdivision development (which also means condominiums located in the same building). This is a subsidy that goes directly to developers in return for the promise to create homeownership units at the maximum price limits and sold to households earning up to 120% of the area median income. A third affordable housing program is the Supportive Housing Program which assists with creating housing for people with specific housing needs (from disabilities to experiencing homelessness) that earn less than 30% AMI. MaineHousing is trying to create as much housing possible with the limited resources available. During his presentation, Mark noted that there are times a project has been approved by the local Planning Board that contains design elements MaineHousing will not pay for. Subsequently, the project needs to go back to the Planning Board for amendment which adds time and costs to the project. Local municipalities can assist with this problem within their land use ordinance. Mark finished his presentation by mentioning the 2023 State of Maine Housing Production Needs Study, MaineHousing Housing Needs portal, and the technical assistance to housing advocates provided by the Genesis Fund.

Jay Waterman, the Real Estate Director of the Portland Housing Authority (PHA) provided a brief history of the PHA noting they house over 6,000 people within 1,100 units in over twenty properties in Portland, and provide more than 2,000 housing vouchers. Jay discussed how conversion from public housing means the creation of permanently affordable, non-profit owned, project-based voucher housing using the LIHTC program. Challenges faced by PHA include: construction costs (2015 hard construction costs were $145/SF, today they are over $300/SF); reduction in HUD capital projects funding (i.e. 40% below the funding level of 2011); complexity with subsidy funding (i.e. capital stack); and lack of funding for supportive services for the unhoused (30-40 percent of all applicants for vouchers are homeless).

Brian Kilgallen, Development Officer of Community Housing of Maine (CHOM), and Patrick Hess, Director of Real Estate Development of Avesta, representdc non-profit developers. Patrick Hess began with an introduction of who Avesta is (over 1,000 units in Portland) then spoke of the challenges facing real estate development including: the rise in construction costs; the rise in interest rates; and traditional funding sources not keeping pace. Per Brian Kilgallen, CHOM has 89 affordable housing units in Portland, and more than 1,000 units spread throughout the state. A new project takes about four years to complete. During that time, the developer takes on the risk (at their own expense) that the project will be approved and constructed. Brian concluded by thanking the City and the Council for holding the forum.

Amy Cullen of the Szanton Company and Jonathan Culley of Redfern are for-profit developers. Amy Cullen noted the Szanton Company also creates affordable housing. The two major hurdles to overcome when creating affordable housing are site control (which includes the acquisition cost and a seller okay with waiting two years to close) and financing. During the two to six years it takes to bring a project to rent-up, developers are trying to manage risk. Setting predictable expectations assists with managing risk. Portland does this through their RFP process, having an AHTIF policy, holding developer meetings, and timing the funding process with MaineHousing's 9% LIHTC submission deadline. Amy also noted that MaineHousing charges the same fees, and expects the same costs for for-profit developers as non-profit developers. The challenges of building in Portland include the length of time of the process (3 to 5 times longer) to get funding approved and Planning Board approval, and the number and cost of fees. Jonathan Culley creates multi-family housing almost exclusively in Portland for the last 20 years. As a for-profit developer, 75% of their funding is in the form of loans from local banks, and the remaining 25% is from equity investors who expect a 10 to 14 percent return on their investment. Portland is a high demand, low supply community attracting people with good jobs looking for housing. Housing needs to be created for this group, otherwise they will displace people already here. The challenges of building market rate units include high interest rates, land scarcity, high construction costs, regulations (rent control and Inclusionary Zoning), and NIMBYs. To combat these challenges, for-profit developers need to create more units (taller buildings and smaller unit sizes) with less parking. Post COVID, the parking garages in Portland are not filled to capacity due to the fact the workforce that formally used the garages five days a week are now using the garages two or three days a week. There is plenty of capacity in area garages.

Councilor Fournier asked the forum participants what opportunities/conversations could the Council take to encourage housing development? In response, Patrick Hess noted the importance of using the ReCode process to determine where density makes most sense and to closely follow the conversations taking place regarding regional transit. Amy Cullen also supports regional solutions which include public transportation. Mark Wiesendanger noted the misconceptions held by some communities as to what affordable housing is and suggested, to the extent that the Council has had a good experience with a tax credit project, it is very beneficial for Councilors to attend public hearings in other communities to lend their support. Jay Waterman pointed out the misconception that there are no homeless people in neighboring communities, when in reality these communities are outsourcing their homeless problem to Portland. A "boot camp" for neighboring communities to encourage them to learn how to contribute to housing the unhoused or low-income earners was suggested. Brian Kilgallen would support statewide advocacy for more support towards the creation of affordable housing in towns that have used the referendum process to say no to the changes necessary towards create much needed housing.

Councilor Ali opened the meeting to public comment.

Tim Wells of Portland indicated the Green New Deal needs to be modified or the trend will continue to be large developments as opposed to any midsized development. Also, need to address the perception that single family ownership is more satisfying than living in a multifamily apartment. Supports discouraging the creation of single-family homes in the business, R6 or R5 zones through penalty fees for not taking advantage of the allowable density.

Todd Morse, the President of the Urbanist Coalition in Portland, commented on the opportunities under ReCode to increase unit density.

Wendy Cherubini (of Federal Street and a member of the Urbanist Coalition) echoed Todd Morse's comments on ReCode and asking if the City is going far enough to achieve affordable and market rate housing goals.

Liz Trice (of Portland and a member of the Urbanist Coalition) indicated it costs about $30,000 more to develop an accessory dwelling unit (ADU) in Portland than in other towns due to fees associated with sewer, permitting and sprinklers. Also, the rear setbacks in most of the Residential Zones is excessive. The development of four units should not require major site plan review by the Planning Board. Additionally, there is room to densely develop the transportation corridors with better street design. Finally, adopting an Urban Heat Island fee that parallels the storm water fee would discourage replacing natural land cover with pavement, buildings and other surfaces that absorb and retain heat.

Ashley Keenan (of Portland and a member of the Urbanist Coalition) echoed the importance of ReCode, and the importance of creating market rate housing as it leads to more affordable housing. Would also like to know what the City's philosophy is regarding the relationship between transit and density.

Jay Waterman (Portland Housing Authority) noted parts of ReCode do not go far enough in areas of Portland in regards to density, building length, and lot coverage. A lot of the housing PHA would like to build in East Bayside cannot be built under ReCode.

Liz Trice added that she supports Councilor Sykes idea of bringing in lower interest money to buffer some of the developer risk. And speeding up the public and permitting processes to allow building "by right" would also reduce development costs.

Seeing no further comments, Councilor Ali closed the public comment period.

On a motion made by Councilor Phillis, seconded by Councilor Sykes, the Committee voted 4-0 to adjourn the meeting at approximately 7:44 p.m.

Next meeting date to be determined.

Respectively submitted, Victoria Volent