FINAL

Minutes

Remote Housing and Economic Development Committee

June 25, 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, June 25, 2024, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Pious Ali, and members Regina Phillips, 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, Director of Permitting and Inspections Jessica Hanscombe, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Review and accept Minutes of previous meeting held on May 21, 2024

On motion made by Councilor Rodriguez, seconded by Councilor Sykes, the Committee voted 4-0 to accept the Minutes.

Item #3 (Taken out of Order): Committee Discussion on proposed amendments to the Short-Term Rental Ordinance.

Greg Watson introduced this item noting a public comment period will be held on this item on the July 2 meeting of the HEDC.

Councilor Sykes presented the draft amendments to Chapter 6, Article 6 regarding Residential Rental Unit Registration Requirements. Policy goals include: restore and/or preserve Portland's existing long-term housing stock; give law-abiding citizens the option use their primary residence as a short term rental; limit the number of non-owner occupied short-term rentals, in proportion to the amount of rental housing stock/vacancy rate; ensure that speculators do not buy up single family homes, including condominiums, to turn them into pseudo hotels; prevent rental arbitrage from eroding long term rental housing stock; protect the year-round community, labor force, and economy on Peaks Island by preserving their existing year-round housing stock; prevent the disruption of the residential character of neighborhoods and buildings; leverage legal precedent that has been set by other communities in requiring booking services to verify registration with the City before charging for services; decrease the threat or harm to public health, safety, or general welfare that results from unlawful vacation rentals; provide greater public transparency into short term rental; and create a clear public complaint process that aids enforcement to the Short Term.

Committee members held a discussion regarding the definition of a healthy number of short term rentals within a community. As a redlined version of the Ordinance will be available during the July 2, HEDC meeting, members will have another opportunity to discuss this item again.

Item #2: Review and Recommendation to the City Council regarding Funding Request received from the Affordable Housing Development and Tax Increment Financing Application. (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 provide staff direction on negotiations for any or all of these items) (Public Comment)

a) Community Housing of Maine (CHOM) – 186 Woodford Street

b) CHOM – 202 Woodford Street

c) Portland Housing Authority – 70 E. Oxford Street

Greg Watson provided a high level overview of the three affordable housing development projects that have been reviewed by underwriting and are ready for further review regarding affordable housing development funding and Tax Increment Financing. There are other applications currently under review with underwriting that may be brought forward at a future meeting.

Mary Davis provided a review of the three affordable housing development projects and their funding requests. Also noted was staff's request that the HEDC recommend the City Council appropriate the use of the additional funding in the Jill C. Duson Housing Trust Fund, which would almost fully fund all applications received to date. The three applications presented this evening are requesting Tax Increment Financing and a total of $1,592,000 in capital funding. These three projects, as proposed, would create a total of 134 affordable and 5 market rate rental units. Timing of approval from the full City Council is of importance as these funding requests also apply for 9% Low Income Housing Tax Increment Financing (LIHTC) from MaineHousing and must meet the filing deadline with MaineHousing.

Community Housing of Maine (CHOM) is requesting an Affordable Housing TIF (75% for 30 years) and subsidy funding of $492,000 to demolish the Parish House connected to the existing Woodfords Church and then construct a four-story elevator-assisted building with 41 rental units for low income households at 186 Woodford Street. The building would be comprised of 13 studio and 28 one-bedroom apartments. Of the 41 units, 16 would be reserved for households earning at or below 60% AMI, and 25 units would be reserved for households earning at or below

50% AMI. Staff is forwarding the recommendation from underwriting of a loan from the Jill C. Duson Housing Trust Fund of up to $492,000 with a maximum term of 30 years at 3% interest, with repayment from 25% of cashflow, and Affordable Housing Tax Increment Financing of 75% for 30 years.

Community Housing of Maine (CHOM) is requesting an Affordable Housing TIF (75% for 30 years) and subsidy funding of $450,000 to convert the existing parking lot at Woodfords Church into 43 one-bedroom apartments for adults aged 55 years and older at 202 Woodford Street. This would be phase two to the redevelopment of the Woodfords Congregational Church site. The building would be comprised of 43 one-bedroom apartments affordable to 17 households earning at or below 60% AMI, and 26 units for households earning at or below 50% AMI. Staff is forwarding the recommendation from underwriting of a loan from the Jill C. Duson Housing Trust Fund of up to $155,511 plus $294,489 in HOME funds with a maximum term of 30 years at 3% interest, with repayment from 25% of cashflow, and Affordable Housing Tax Increment Financing at 50% for 30 years. A representative from CHOM was not able to attend the meeting, but has expressed the concern the project does not work without the full 75% TIF.

Portland Housing Development Corporation (PHDC) is requesting an Affordable Housing TIF (75% for 30 years) and subsidy funding of $650,000 to demolish the four existing ten-unit multi-family buildings located between Cumberland, Oxford, Mayo and Boyd Streets (COMB Block), to construct Phase 1 of a multi-phase project to redevelop the site. During Phase 1, PHDC is proposing to construct a six-story, 55-unit affordable housing building comprised of 5 studio, 15 one-bedroom, 16 two-bedroom, and 19 three-bedroom apartments at 70 East Oxford Street. Units would be affordable to 17 households earning at or below 60%

AMI, 33 households earning at or below 50% AMI, and the remaining 5 units would be market rate housing. Staff is forwarding the recommendation from underwriting of a loan from the Jill C. Duson Housing Trust House in the amount of $650,000 with a 30 year term, 3% interest, payable out of cashflow with a minimum of 10% of cashflow to the City until the sooner of Deferred Developer Fee loan is retired, or 10 year of operations, which ever is first, then 25% of cashflow to the City, and Affordable Housing Tax Increment Financing at 75% for 20 years.

Staff also noted the motion to recommend the City Council remove a portion of 70 East Oxford Street from the Downtown Transit Oriented Development and Omnibus Tax Increment Financing District to allow for the creation of the 70 East Oxford Street Affordable Development and Tax Increment Financing District.

Sarah Tatarczuk of Portland Housing Authority indicated the 75% for 20 year term is not ideal with the competitive 9% Low Income Housing Tax Credit scoring as funding awards can be decided based on 1 or 2 points. Also, any excess cash flow is being used as a key source to reinvest in redevelopment within Portland.

Councilor Sykes indicated MaineHousing's competitive 9% Low Income Housing Tax Credit system of awarding points based on how high a TIF you receive seems to encourage over subsidizing a project. Staff has and will continue to have discussions with MaineHousing regarding this point.

Councilor Sykes inquired into the Developer Fee in the pro forma for 70 East Oxford Street. Per Sarah Tatarczuk of the Portland Housing Authority, the developer fee is $750,000 and the deferred developer fee is $500,000 for a total of $1.25 M. As staff noted, MaineHousing imposes a cap on the Maximum Developer Fee, the Net Developer Fee, and the Deferred

Developer Fee. Per the underwriting review, the "Developer fee of $1,250,000 is reasonable by industry standards at 5.5% of Total Development Cost, excluding reserves and developer fee. It is the only project in this round adding Deferred Developer Fee above the $750,000 developer fee cap imposed by Maine Housing. Given the larger size of the project and complexity of the site, this fee is reasonable." Jay Waterman of the Portland Housing Authority further noted, the additional $500,000 in deferred developer fee will be put into the project to generate more tax credits.

Councilor Phillips asked if there are still people residing within the buildings at the COMB Block, and which households are eligible to live in the new buildings. Per Sara Tatarczuk, the four buildings did house thirty-six households. The majority of households were rehoused in early March; the five remaining households have plans to transfer to other apartments owned by PHA during construction. After construction, PHA plans to relocate these households back into the COMB Block location. And in answer to Councilor Philips question regarding the creation of larger bedroom units, PHA noted they are one of the few developers to offer four and up to six bedroom apartments.

Councilor Sykes noted PHA has bonding authority which would allow them to forgo applying for LIHTCs. Bonding is a more efficient way to finance affordable housing, and is a means to create social housing in-lieu of LIHTC housing. She will not support the project.

Jay Waterman of PHA noted the Maine State Housing Authority controls the bond cap for the state. When PHA asked MSHA if they could issue a bond for this project, MSHA said no.

Councilor Ali asked if members would like to enter into Executive Session. Seeing no one, the Committee did not enter into Executive Session.

Councilor Ali opened the meeting to public comment- seeing none, Councilor Ali closed public comment.

On motion made by Councilor Rodriguez, seconded by Councilor Phillips, the Committee voted 4-0 to recommend to the City Council approval of an amendment to the Funding Budget for the 2024 Jill C. Duson Housing Trust Fund Annual Plan to increase the available funding to $3,041,717.

On motion made by Councilor Rodriguez, seconded by Councilor Phillips, the Committee voted 4-0 to recommend to the City Council approval of a loan from the Jill C. Duson Housing Trust Fund in the amount of $492,000 for the CHOM 186 Woodford Street Phase I Project, with the terms as presented by staff.

On motion made by Councilor Rodriguez, seconded by Councilor Sykes, the Committee voted 4-0 to recommend to the City Council approval of an Affordable Housing Tax Increment Financing District and Credit Enhancement agreement for the CHOM 186 Woodford Street Phase I Project, with the terms as presented by staff of 75% for 30 years.

On motion made by Councilor Rodriguez, seconded by Councilor Sykes, the Committee voted 4-0 to recommend to the City Council approval of a loan in the amount of $450,000 ($294,489 in HOME funds and $155,511 in JCD HTF) for the CHOM 202 Woodford Street Phase II Project, with the terms as presented by staff.

On motion made by Councilor Rodriguez, seconded by Councilor Phillips, the Committee voted 4-0 to recommend to the City Council approval of an Affordable Housing Tax Increment Financing District and Credit Enhancement Agreement for the CHOM 202 Woodford Street Phase II Project, with the terms as presented by staff of 50% for 30 years.

On motion made by Councilor Rodriguez, seconded by Councilor Phillips, the

Committee voted 3-1 to recommend to the City Council approval of a loan from the JCD HTF in the amount of $650,000 for the PHDC 70 East Oxford Street COMB Block Project, with terms as presented by staff.

On motion made by Councilor Rodriguez, seconded by Councilor Phillips, the Committee voted 3-1 to recommend to the City Council to remove a portion of 70 East Oxford Street from the Downtown Transit Oriented Development and Omnibus Tax Increment Financing District.

On motion made by Councilor Rodriguez, seconded by Councilor Phillips, the Committee voted (3-1) to recommend to the City Council approval of an Affordable Housing Tax Increment Financing District and Credit Enhancement Agreement for the PHDC 70 East Oxford Street COMB Block Project, with the terms as presented by staff of 75% for 20 years

On a motion made by Councilor Phillips, seconded by Councilor Rodriguez, the Committee voted 4-0 to adjourn the meeting at approximately 7:19 p.m.

Next meeting is July 2, 2024

Respectively submitted, Victoria Volent