FINAL

Minutes

Remote Housing and Economic Development Committee

July 16, 2024

NOTE: This meeting was held via Zoom and can be viewed at this link: htpps://portlandme.portal.civicclerk.com 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, July 16, 2024, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Councilor Pious Ali, and members Councilors Roberto Rodriguez and Kate Sykes; member Councilor Regina Phillips could not be present. Present from the City staff were Associate Corporation Counsel Avery Dandreta, Housing and Community Development Division Director Mary Davis, Planner Nell Donaldson, Inspections and Permitting Director Jessica Hanscombe, Planning and Urban Development Director Kevin Kraft, Assistant City Manager Dena Libner, Principal Administrative Officer Lori Paulette, Planner Zach Powell, Housing Program Manager Victoria Volent, and Housing and Economic Development Department Director Greg Watson.

Item #1: Review and accept Minutes of previous meeting held on July 2, 2024.

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

Item #2: Presentation of 2023 Annual Housing Report

Mr. Watson noted that this is the work of both the Housing and Economic Development Department and the Planning and Urban Development Department, thanking Kevin Kraft and

Victoria Volent for their efforts in compiling the report. Mr. Kraft will highlight the planning side of the report and Ms. Volent will highlight the funding aspects.

Mr. Kraft also thanked Nell Donaldson and Zachary Powell who assisted in the Report's preparation. He noted that year 2023 saw the highest totals in 13 years for housing approvals, with the Planning Board reviewing three-family units or more. There were 1,281 new units approved – 1,212 by the Planning Board and 69 administratively. He noted the breakdown at 436 ownership units, 845 rental units, and 570 affordable units. The downtown saw the most significant amount of rental units. He then described the bedroom make up, affordability levels, and various locations. Mr. Kraft then noted that approvals do have an expiration and there have been a number of requests to extend, mostly for financial reasons. Staff will keep track of these and the Housing Dashboard will be updated quarterly.

Ms. Volent then described the sources of funds as being local and Federal. The HOME program is the Federal source of funding in the form of block grants, for which the program has subsidized over 1,500 housing units since year 2000. Locally, there is the Jill C. Duson Housing Trust Fund (HTF), as well as the Affordable Housing Tax Increment Financing (AHTIF) program. Ms. Volent noted that the HTF is funded by City Council appropriations, Inclusionary Zoning, and any remaining revenue not used to fund short-term rental related administrative costs. She then described the various subsidized and non-subsidized projects in 2023 and noted that the Housing Report provides details on income limits based on household size and maximum rents that may be charged based on bedroom count. Lastly, Ms. Volent noted the impacts of funding cuts, inflation, and increased construction costs. The latter of which is an example of "trade costs", i.e., all labor and material costs divided by the total number of units. In July of 2023, trade costs were $244,000; September, $299,000; and, December $339,000.

Lastly, Ms. Volent pointed out that the Housing and Community Development Division is responsible for monitoring to ensure compliance with program regulations, Federal and State Statute, grant requirements, and terms and conditions of grant awards. This is a growing demand on staff resources to ensure compliance.

Councilor Sykes thanked staff for this incredible amount of work. She inquired about 2015 compared to 2023, and Mr. Kraft noted that had to do with the Midtown Project in 2015.

Councilor Sykes inquired about a regular report to keep track of approvals, permits therefor, and completion of projects.

Councilor Rodriguez appreciated this report and the Housing Dashboard, and Re-Code – the latter of which seems to help the housing market get better. He noted that would like to better understand off-site Inclusionary Zoning (IZ) units.

Mr. Kraft noted that there is an option of having the IZ units within the building itself or have units off-site within the neighborhood which can be in multiple sites. The 89 Elm Street project was the first project that had them tied into one building. Whether this was the intention of IZ will be further looked at through the recode process.

Chair Ali noted that that should be further looked into. The Report is great work and perhaps mid-year have a report indicating which projects are moving forward to be built.

Item #3: Policy Discussion: Parklet/Outdoor Dining Program (Councilor Roberto Rodriguez)

Mr. Watson noted that the City/City Council extended outdoor dining with the onset of COVID. In 2023, a survey was conducted to determine the level of interest in outdoor dining through late Fall/early Winter.

Ms. Hanscombe continued on that point noting that 70 businesses were surveyed, but less than 10 wanted it through November, which is currently the end date, being November 30th.

Councilor Sykes asked if the parklets were open to the public, and Ms. Hanscombe noted that they had to be patrons of the establishment. There is an open area on Dana Street with picnic tables where the public can eat, with Councilor Sykes adding that perhaps more areas like that could be created.

Councilor Rodriguez noted that he was not aware of that survey. He agreed that for snow plowing/removal the current outdoor dining season does seem to be working and suggested that staff continue to assess and ask businesses for their thoughts.

Chair Ali agreed.

Item #4: 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 discuss negotiations and provide guidance to staff)

Greg Watson provided an overview on staff's recommendation that each affordable housing development project requesting an affordable housing TIF during the current round of funding be funded at 75% for 30 years to reflect the conversation that unfolded during the Council meeting on Monday night. The recommendation places all of the applicants seeking funding in the MaineHousing QAP on equal footing. Similarly, the interest rate for any loan would be set at zero percent.

Mary Davis presented the TIF funding request from the 42 Atlantic Street project. In keeping with staff's recommendation that each affordable housing development project have a Credit Enhancement Agreement at 75% for 30 years, Mary presented the terms of the TIF based on the recommendation as opposed to underwriting's recommendation of 75% for 20 year and 25% for 10 years. The developer, Dan Black, was available to answer questions.

Councilor Sykes asked a clarifying question in regards to supportive services and was told 42 Atlantic would receive supportive services from the City's social services department as well the nonprofit organization Through These Doors.

Council Ali surveyed members regarding entering into executive session. Seeing no one, Councilor Ali then opened the meeting to public comment.

Zack Barowitz (22 Huntress Street)- is in support of staff's recommendation of a 75% and 30 year TIF term.

George Rheault (28 Hanover Street)- expressed support for the amended funding request for 42 Atlantic and noted because the project is within the historic district, there are additional expenses and burdens associated with the project. Additionally, this project is only happening because of the good work of LD 2003.

Wendy Cherubini (99 Federal Street)- supports the project as a perfect fit for Atlantic Street. It is the kind of infill housing we need.

Seeing no further comments, the public comment period was closed.

On motion made by Councilor Rodriguez, seconded by Councilor Sykes, the Committee voted 3-0 to accept the Credit Enhancement Agreement for 42 Atlantic Street at 75% for 30 years.

Mary Davis next presented the funding request from Avesta Housing regarding 197 and 207 Oxford Street. Avesta is requesting $650,000 in capital subsidy funding, and Affordable Housing Tax Increment Financing at 75% for 30 years. Staff supports the request but noted the available Housing Trust Fund balance would only support a loan of just under $610,000;

subsequently the motion for the Committee's consideration is worded as "up to $650,000". The proposed AHTIF District is located in the Bayside Area-wide Tax Increment Financing District thus requiring a motion to recommend the City Council remove the parcel from the Bayside District. The developer, Catherine Elliot is available to answer questions.

The Committee had clarifying questions regarding; the relationship of the project in conjunction with the redevelopment efforts of the developer, Reveler, who is the current owner of the 197 and 207 Oxford Street parcels, and; the Congressional Earmark allocation. Mary Davis confirmed Reveler is the current property owner, but Avesta would purchase the property at the loan closing, while the Congressional Earmark was taken into consideration during underwriting.

The Committee held a discussion regarding the inclusionary zoning requirements of market rate developers, the fee-in-lieu requirement of this project, and the sale of the property from Reveler to Avesta.

Catherine Elliott noted the benefits of the City receiving more affordable units in a subsidized housing proposal compared to the number of affordable units that would be provided under inclusionary zoning. She also noted the Congressional Earmark (a grant of just under $1.5 M), is a cash source to help fund the Housing First component of the development.

Councilor Ali opened the meeting for public comment:

George Rheault (28 Hanover Street)- asked the Committee Chair to recuse himself from the discussions as his landlord is directly related to the project, and asked for more information regarding the Congressional Allocation to confirm the project should be located in Downtown Portland (rather than in the Bayside neighborhood), and further noted the Congressional Allocation money is not properly reflected in the underwriting memo. In regards to Housing

First projects, Mr. Rheault noted during the last Housing First (Huston Commons) project funding discussion, the City Council directed that Housing First development not be located in Bayside due to criminal activity that makes it is a terrible place for people to get back on their feet. Approving the funding of this project would violate that City Council guidance. Mr. Rheault asked that action on this item be postponed due to lack of community engagement.

In response to his request for guidance from Corporation Counsel regarding recusal, Councilor Ali was told it would be worth more of a discussion and to hold off on recusing himself.

Ken Capron (1375 Forest Ave) - thinks what George just identified as a conflict of interest is highly odorous of a conflict of interest and does not see any alternative. He also does not understand why the City wants to drop the interest rate to 0%, and believes the City should be working towards the highest interest rate and not just offering 0% interest rate. He urged the City to negotiate with the developer.

Councilor Ali recused himself from the meeting.

Seeing no further comments, public comment was closed.

The Committee held a discussion regarding the Avesta project and its relationship to the joint site plan, and the time necessary to answer outstanding questions given the 9% tax credit deadline with MaineHousing. Staff outlined the timing and noted the applicant may apply for the 9% tax credits without receiving an Affordable Housing TIF from the City, but then the applicant would not receive the three scoring points associated with the AHTIF which would make their application less competitive.

Committee members noted their concern with the separation of the Inclusionary Zoning units from the market rate units, and their concern that the proposal does not sufficiently meet the site plan developer's responsibility with creating or paying the fee-in-lieu for not creating Inclusionary Zoning units. Staff noted the Planning Board is responsible for ensuring compliance with Inclusionary Zoning while the Council is responsible for decisions regarding city resources (i.e. Housing Trust fund, HOME, and AHTIF).

Given Councilor Ali's recusal, the Committee did not have a quorum and were advised to table the discussion.

Councilor Ali rejoined the meeting.

On a motion made by Councilor Rodriguez, seconded by Councilor Sykes, the Committee voted 3-0 to table the review and recommendation to the City Council regarding the funding request from 197 & 207 Oxford Street until the next meeting of the HEDC.

Item #5: Communication Item: 2024 Quarter 2 Rent Control Update

Greg Watson noted Jessica Hanscombe provided a summary report on Rent Control for the second quarter of the year covering April 1, 2024 through June 30, 2024. The one-page report provides data broken down between applications reviewed by the Rent Board, and inspections conducted by the Housing Safety Department.

Committee members had follow-up questions regarding the outcome of complaints (i.e. what were the findings of the investigations regarding complaints) to ensure the City is effectively fixing problems. The Committee requested the Permitting and Inspections Director provide a narrative in a future HEDC meeting rather than a follow-up via email.

Councilor Ali will forward an email he received on this subject to the Assistant City Manager for response.

On motion made by Councilor Rodriguez, seconded by Councilor Sykes , the Committee voted 3-0 to adjourn the meeting at approximately 7:33 p.m.

Next meeting is TBD.

Respectively submitted, Lori Paulette and Victoria Volent