Housing & Economic Development Committee Meeting
Tuesday, November 19, 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 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/81287382094?pwd=TUtFQUp4bkc1MGZ1YUplckhHM1JlUT09
Passcode: 129504
Or One tap mobile :
+13092053325,,81287382094# US
+13126266799,,81287382094# US (Chicago)
Or Telephone:
Dial(for higher quality, dial a number based on your current location):
+1 309 205 3325 US
+1 312 626 6799 US (Chicago)
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+1 929 205 6099 US (New York)
+1 301 715 8592 US (Washington DC)
+1 305 224 1968 US
+1 507 473 4847 US
+1 564 217 2000 US
+1 669 444 9171 US
+1 669 900 6833 US (San Jose)
+1 689 278 1000 US
+1 719 359 4580 US
+1 253 205 0468 US
+1 253 215 8782 US (Tacoma)
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Webinar ID: 812 8738 2094
International numbers available: https://portlandmaine-gov.zoom.us/u/kcnUdJ7dNq

1. **Review and accept Minutes of previous meeting held on October 22, 2024.**

a. See attached draft meeting Minutes.

2. **(Public Comment) Review and vote on a recommendation to the City Council to issue Request for Proposals to lease and develop City-owned property abutting the Barron Center for Affordable Housing Development. (Michael Goldman/Dena Libner/Greg Watson)**

a. See attached Memorandum and backup.

3. **(Public Comment) Review of FYE2024 TIF Annual Report and vote to forward to the City Council as a communication. (Greg Watson)**

a. See attached Memorandum and FYE2024 TIF Annual Report.

4. **(Public Comment) Review and vote on a recommendation to the City Council to approve the formation of a Social Housing Task Force. (Councilor Kate Sykes)**

a. See attached Memorandum and backup.

5. **Communication Item: Staff Memo Re: Low Income Housing Tax Credit Expiring Use. (Mary Davis)**

a. See attached Memorandum and backup.

<u>Minutes</u>

<u>Remote Housing and Economic Development Committee</u>

<u>October 22, 2024</u>

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, October 22, 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, Assistant City Manager Dena Libner, Corporation Counsel Michael Goldman, Associate Corporation Counsel Avery Dandreta, Permitting and Inspections Department Director Jessica Hanscombe, Business Programs Manager Nancy Martin, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

<u>Item #1: Review and vote to accept the Minutes from the September 17, 2024 Committee meeting</u>

On a motion by Councilor Sykes, seconded by Councilor Rodriguez, the Committee voted 3-0 to accept the Minutes from September 17, 2024.

Councilor Philips joined the meeting at 5:36.

Item #2: Communication Item: 2024 Third Quarter Rent Control Update from the Permitting and Inspections Department

Jessica Hanscombe provided the 2024 Quarter 3 Rent Control Report. Two tables were presented; one broke down application activity undertaken by the Rent Board, and the second provided the type and number of rent control related inspections.

Councilor Sykes asked about the decrease in the number of inspections from quarter two, and Ms. Hanscombe noted that complaints take more time and more information needed from the tenant and landlord. She detailed the process and systems entry. Ms. Hanscombe added that the common complaint was that rent was raised more than the allowable amounts; amounts are different and not the same for all units.

Councilor Sykes asked about proactive enforcement, and Ms. Hanscombe noted quality control where they randomly pick a property and not one property pick failed quality control. Education is also ongoing for both tenants and landlords.

Councilor Sykes would like to see a metric of number of complaints that come in and which were actual violations.

Seeing no further comments/questions, Councilor Chair Ali thanked Ms. Hanscombe for the update.

Item #3: Review and vote on recommendation to the City Council to issue a Request for Proposals to lease and develop of city-owned property located at 1125 Brighton Avenue for affordable housing development.

Greg Watson introduced the request to issue a Request for Proposal (RFP) for the lease/development of up to two sites at 1125 Brighton Avenue. If approved by the Committee, this item would require approval by the full City Council prior to issuance of the RFP.

The site would need to be rezoned from R-5 to B-2 Business Zone to accommodate moderate to high-density housing. The RFP emphasizes engagement with the surrounding neighborhood on the issues of density, extent and character of open space, neighborhood compatibility and associated impacts related to any development. The selected proposal would best demonstrate the development team's successful engagement of the public in other projects, incorporation of public feedback collected as part of a robust engagement process, and the team's capacity to complete the project in a successful and timely manner. Development of the site(s) is intended to increase the availability of affordable housing for Portland residents who are experiencing homelessness. A minimum of 50% of total units developed at each site must be reserved for referrals from the City of Portland Social Services office. Preference would be given to proposals that dedicate a higher percentage for this purpose.

Councilor Rodriguez had clarifying questions regarding Exhibit A (the site plan), and the safety issue noted in the RFP. Greg Watson noted, a portion of the parking spaces located in "development site 1" would be relocated throughout the larger site. Parking for current and future users would be provided per city ordinance. The hatched section within "development site 2" is parking that would remain. In regards to safety, Dean Libner indicated developers would need to demonstrate how they would mitigate impacts on the surrounding neighborhoods through tenant and neighborhood engagement.

Councilor Phillips asked if the Barron Center staff had provided input on the proposal to which Dena Libner noted the Barron Center Administrator Mary Beth Daigneault has been involved and is a strong advocate for the safety and interests of employees and residents of the Barron Center. Councilor Philips asked what the other 50% of the tenants would look like to which Greg Watson noted the expectation would be mixed income households earning up to 80% AMI. Councilor Phillips inquired into available support services for tenants that were previously unsheltered to which Dena Libner responded that the developers would need to show their previous success in providing similar type housing with services. Councilor Phillips noted the RFP should address on-site parking. And Councilor Phillips indicated there should be a concerted effort to really and truly reach out to developers of color, giving them exactly the same opportunities that we're giving a lot of the white developers. To that end, Councilor Phillips would like to know who is going to be on the review team; who is going to ensure community engagement is occurring; who is going to ensure developers of color have the same opportunities.

Councilor Sykes supports issuing a construction loan for the eventual proposal. Greg Watson noted the City is not in the position to be a construction lender, however, as the Council reviews adopting social housing policies, then those policies could be incorporated into the RFP. Councilor Sykes would also prefer a healthy neighborhood which includes more mixed income with some market rates, some middle and some low income households, and less unsheltered individuals as currently proposed.

Councilor Rodriguez also supports a mixed-income neighborhood when determining the AMI levels for the RFP.

Councilor Phillips would like more information before redefining the proposed requirement that a minimum of 50% of total units developed at each site must be reserved for referrals from the City of Portland Social Services office.

The Committee requested more information about the potential population to be housed, and the surrounding neighborhood demographics prior to a vote.

Councilor Ali opened the meeting to public comment.

Richard Niles (33 Celebration Court) asked if any other properties were looked at, and noted the site is not suitable as many homes, and Celebration Court are in the backyard of the proposed site. He does support housing for people aged 55 plus.

Dr. Derryan Plante (79 Holm Ave.) objects to the proposal to construct a homeless shelter across from her home. She noted safety as a concern along with the presence of drugs, discarded needles and other hazardous materials. She also noted housing first develops have failed in every city across the country. Treatment should be offered first to address the root cause of homelessness. The proposed facilities should be placed in locations where they will not negatively affect the well being and safety of existing residential areas.

Chris Carleton (30 Bancroft St) as the owner of Allspeed Cyclery & Snow on Brighton Avenue, the proposed site is a stone's throw away, and, though sympathetic for the unhoused population, there's a point in time where it just becomes a lot of work for business owners and families to be on the lookout and be on the defense. When Allspeed was located in the Bayside area, there were several incidents earlier this spring when people passed out on the front door, attempted theft, and people bringing weapons into the shop. He opposes the project. Safety is an important concern.

Annika Moor (Advocacy Team Leader of Preble Street) thank the committee for setting aside 50% of the units for individuals experiencing homelessness, and would like to expand the proposal to include anyone staying at an emergency shelter in Portland or anyone experiencing unsheltered homeless in Portland. This will incentivize more people to enter and receive services.

Claude Rwaganje (Prosperity Maine) supports housing development, and asks the Committee to alter the language of the RFP to include developing the land for new workforce members of the Portland community who can take advantage of job opportunities within Rock Row, the Barron Center, and other nearby businesses. Secondly, the City and MaineHousing should discuss the use of the site prior to issuance of the RFP to ensure the financial support from MaineHousing.

Jay Waterman (Portland Housing Authority) asked for clarification regarding the language in the RFP concerning the 50% referral from social services division. Any language that allows a preference for a higher proportion of unhoused individuals, such as the model of somewhere between 20% formerly homeless and a housing first project is an untested model. The success of proposing a higher percentage of unhoused individuals (greater than 50%) without providing housing first services is concerning. Also asked for clarification as to who would provide services; would it include the City of Portland, or would it be more like a Preble Street in a housing first model?

Wendy Crosier (66 Holm Ave.) would like clarification as to proposed make-up of the tenants based on income and if there would be separate buildings on the separate sites.

Councilor Ali closed public comment.

Councilor Ali asked staff if the proposal is for a shelter to which Dena Libner indicated it is not.

Councilor Sykes asked if the proposal is for a housing first development to which Dena Libner noted, this is first and foremost an affordable housing development. The RFP would require less than 50% of total units developed at each site to be reserved for unhoused individuals. And referrals would not by from Portland’s homeless service center, but rather from social services which would provide a much broader client base. Staff will bring back a revised RFP to the Committee at a future meeting.

Councilor Sykes would like to receive demographic data for the surrounding neighborhood to be reflected in the tenant make-up within the two proposed buildings. She asked if the RFP could be drafted and released without defining the desired income-level. Per Michael Goldman the current RFP allows for the broad discretion of the Council.

The Committee discussed not sending this item to the Council.

On a motion by Council Sykes, second by Councilor Phillips, the Committee voted 4-0 to postpone discussion to November 19.

Item #4: Staff update on the Downtown Arts District, and feedback received from the business community

Mr. Watson gave a high-level update on the issues that the Downtown arts district is facing. Staff have met with stakeholders and conducted a survey with approximately 60% of those surveyed responding, noting Ms. Martin would go through the survey results.

Ms. Martin noted that the survey included business owners and property owners, with more responses received from business owners than property owners. She then went through her slides that were posted on the website for this Agenda packet.

Councilor Sykes asked about the storefront vacancies, noting that a vacancy property ordinance is needed where there would be fees for vacant property.

Mr. Watson noted that there were many reasons for storefront vacancies and suggested that perhaps could be a method for pop-up businesses to go in those spaces, or artists displaying their art that could alleviate the perception of a vacancy. Staff is working with various City departments for an approach to public improvements like lighting, wayfinding, improving the streetscape for a better look and feel. Staff has also discussed a vacancy ordinance and this will be on a future Committee Agenda.

Item #5: Discussion regarding the formation of a Social Housing Task Force

Councilor Sykes indicated she has not had time to work on this item and would like to postpone the discussion until the next meeting. Greg Watson noted staff is reviewing previous task forces that could potentially be used as a benchmark on how the Social Housing Task Force could come together. People in the development community have indicated their desire to participate. Michael Goldman added that the formation details from the Committee would be forwarded to the Council as a recommendation for final approval.

Item #6: Discussion regarding proposed amendments to Chapter 33, regarding increasing Portland's minimum wage and eliminating Portland's sub-minimum wage for service employees.

Councilor Sykes noted that she was hoping to get this on the ballot, perhaps June 2025.

There was discussion about a have a public comment meeting on this to have all voices at the table, as well as timing for a June ballot. The City Clerk would need to be consulted on the timing. It was also noted that these are two different issues and maybe should be discussed separately, and this could be incorporated into the Committee's 2025 Work Plan.

There being no further discussion, Councilor Sykes made a motion to adjourn, seconded by Councilor Phillips and passed 4-0 at 8:05 p.m.

Next meeting is November 19, 2024.

Respectively submitted, Lori Paulette and Victoria Volent

City of Portland | Executive Department
Dena Libner, *Assistant City Manager*

Staff Memo To:
Housing & Economic Development Committee
Councilor Pious Ali, Chair

DATE

November 19, 2024

AGENDA ITEM

Agenda Item #2 - Consideration of RFP for the Lease/Development of up to Two (2) Sites at 1125 Brighton Avenue

PURPOSE

In furtherance of the 2024 Council Common Goal related to housing affordability and in response to the homelessness crisis, staff have developed a Request for Proposal (RFP) to lease and develop up to two sections of 1125 Brighton Avenue. If approved by the Committee, this item would require approval by the full City Council prior to issuance of the RFP.

The RFP outlines several project priorities, which include:

- A robust community engagement plan, to be developed and led by the successful developer(s);
- Dedicating a minimum percentage of newly developed units to individuals referred by the City of Portland's Social Services Division;
- Prioritization of the safety and well-being of Barron Center residents, as well as residents in the Nason's Corner and Sagamore Village communities.

COMMITTEE WORK PLAN ALIGNMENT

The discussion and development of policy related to affordable housing was included in the Committee's 2024 work plan.

BACKGROUND/ANALYSIS

Staff received guidance from Committee members at the October 22, 2024 Committee meeting. The Committee also welcomed comments from the public at this meeting.

Much of the guidance received from Committee members and feedback received from members of the public is reflected in the latest draft RFP (enclosed). Broad changes are summarized below:

- The minimum percentage of total units reserved for referrals from the City of Portland Social Services office was reduced from 50% to 30%, and no longer incentivizes respondents to propose a set-aside greater than that amount;
- A statement of preference for proposals for 1) mixed income housing that includes housing that is affordable for someone making at or below 80% AMI, and/or 2) permanent supportive housing;
- The addition of definitions for affordable housing, housing first, and permanent supportive housing.

This draft maintains housing first as eligible for consideration. After discussing feedback provided at the October meeting, staff determined that allowing for a broad array of proposals and housing types would help to solicit a greater number of proposals for consideration and increase the chances of identifying a concept that yields the greatest benefits to the City of Portland. However, new language emphasizing the necessity of a documented record of success for applicants proposing a housing first or permanent supportive housing development was added.

Additionally, based on legal guidance, staff did not incorporate a preference for the race, gender, or ethnicity of the successful respondent(s). It is our understanding that, to avoid constitutional challenges to a M/WBE program, a disparity study may be required to identify and document past discrimination in the awarding of municipal contracts, as well as justify action toward remediation. In the absence of a disparity study, staff are currently evaluating procurement practices with the goal of making them more accessible to everyone.

FISCAL IMPACT

The issuance of this RFP and entering into a lease agreement with a successful developer(s) will not have a significant fiscal impact.

CONCLUSION(S)

To advance the Council's goal of affordable housing development and support City efforts to address homelessness, staff request that the Committee consider supporting the issuance of this RFP and recommend it for consideration by the full City Council.

PRIOR COMMITTEE REVIEW

N/A

PREPARED BY

Dena Libner	Greg Watson
Assistant City Manager	Director
Executive Department	Housing & Economic Development

ATTACHMENTS

- Exhibit A (sites proposed for lease/development)
- Exhibit B (proposed RFP)
- Exhibit C (October 22, 2024 staff memo)

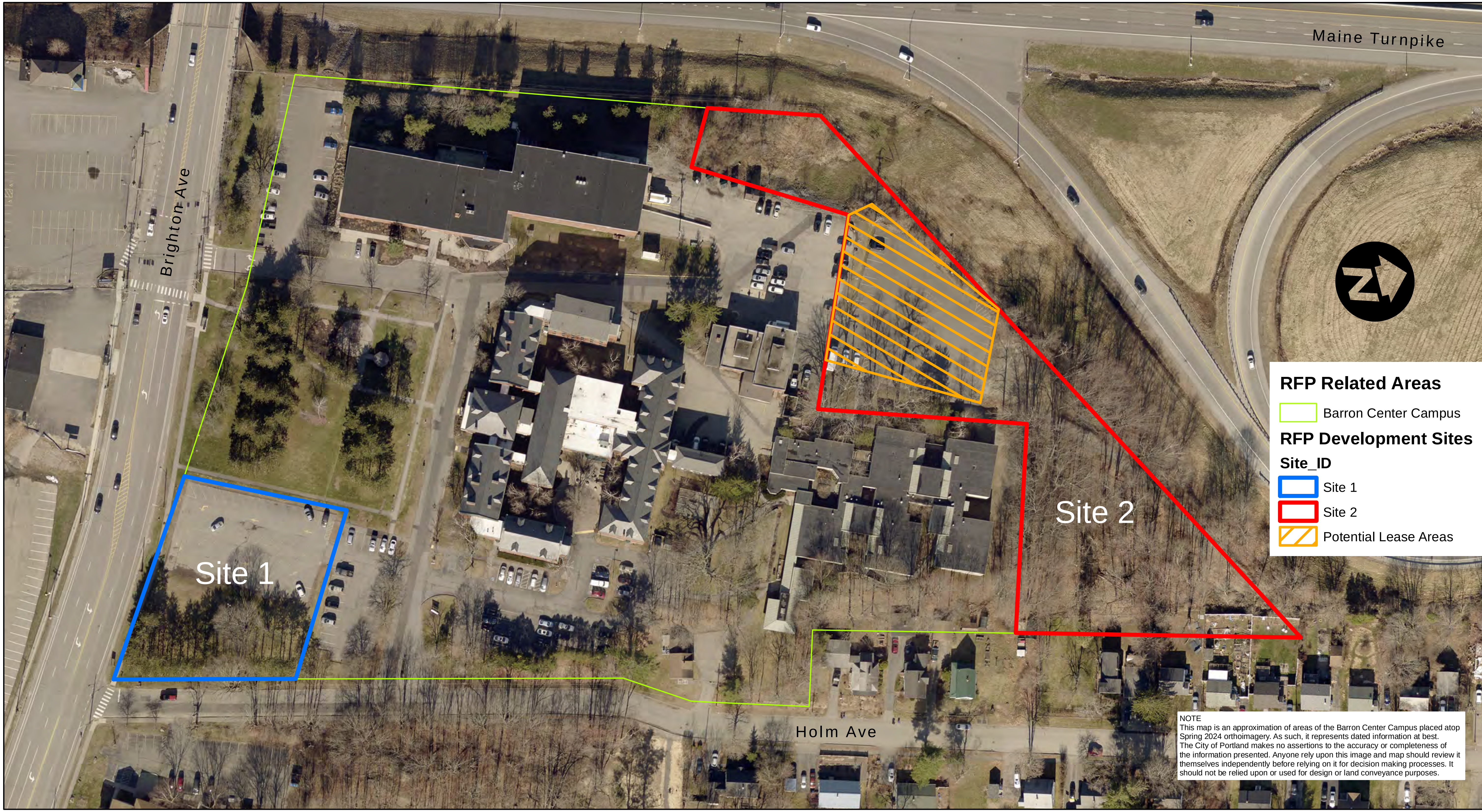

EXHIBIT A

GIS Sketch of Barron Center Campus and Vicinity
October 17, 2024 1" = 100'

0 50 100 200 300 Feet

CITY OF PORTLAND, MAINE
DEPT. OF PUBLIC WORKS
212 Canco Rd Suite B PORTLAND, MAINE 04101
PHONE (207) 874-8846 FAX (207) 874-8852

EXHIBIT B

CITY OF PORTLAND, MAINE

LEASE AND DEVELOPMENT OF AFFORDABLE HOUSING
ON
CITY-OWNED LAND AT
1125 BRIGHTON AVENUE
PORTLAND MAINE 04102

RFP #TBD

DATE

LEGAL NOTICE

City of Portland, Maine

Request for Proposals

"Lease and Development of up to two (2) sites at 1125 Brighton Avenue, Portland Maine"

RFP #TBD

The City of Portland, Maine seeks proposals from qualified developers to develop affordable housing on up to two (2) vacant sites on City-owned land located at 1125 Brighton Avenue as generally depicted on the diagram attached as Exhibit A. The sites are near the Barron Center, which is the City's long-term care facility located on the same property. The property is designated on the City of Portland tax maps as Parcel 269 B001001.

Sealed proposals shall be submitted electronically to bidsubmit@portlandmaine.gov with the name of the Proposer, RFP Name, and RFP number in the subject line and will be received until TIME Day/Date at which time they will be publicly opened and read, or by submitting via USPS, UPS, FedEx or in-person to the City of Portland, Purchasing Rm. 103, 389 Congress St., Portland ME 04101.

Email attachments must not exceed 25MB total; you will receive a confirmation email from bidsubmit@portlandmaine.gov if your submission is successful.

Bids shall be submitted on the City-provided proposal form, being signed with the firm's name, and bearing the handwritten signature or e-signature of an officer or authorized individual having the authority to bind the company to a contract by his/her signature.

Potential proposers and their contractors, architects, engineers, etc. are free to view the property on the following dates:

- **OPTION 1 DAY, DATE, TIMEFRAME (1.5 HOURS)**
- **OPTION 2 DAY, DATE, TIMEFRAME (1.5 HOURS)**

Copies of the above documents will be available by contacting the City of Portland Purchasing Office either via e-mail at purchasing@portlandmaine.gov, or phone (207) 874-8654. Each prospective bidder will be required to obtain from the City each copy of the proposal forms.

Proposals from developers not registered with the Purchasing Office may be rejected; receipt of this document directly from the City of Portland Purchasing Office indicates registration. Should a developer receive this Request from a source other than the City Purchasing Office, please contact 207-874-8654 to ensure that your firm is listed as a proposer for this RFP.

Notice and Specifications

The City of Portland, Maine seeks proposals from qualified developers to develop affordable housing on up to two (2) vacant sites located on City-owned land at 1125 Brighton Avenue as generally depicted on the attached diagram. The sites are near the Barron Center, which is the City of Portland-operated long-term care facility. The property is designated on the City of Portland tax maps as Parcel 269 B001001.

Sealed proposals shall be submitted electronically to bidsubmit@portlandmaine.gov with the name of the Proposer, Contract Name and RFP number in the subject line will be received until TIME Day/Date at which time they will be publicly opened and read, or by submitting via USPS, UPS, FedEx or in-person to the City of Portland, Purchasing Rm. 103, 389 Congress St., Portland ME 04101.

Potential proposers and their contractors, architects, engineers, etc. are free to view the property on the following dates:

- **OPTION 1 DAY, DATE, TIMEFRAME (1.5 HOURS)**
- **OPTION 2 DAY, DATE, TIMEFRAME (1.5 HOURS)**

No questions will be answered during this tour.

Questions must be submitted in writing to the Purchasing Office and be received no later than five business days prior to the proposal opening. These may be mailed, faxed to 207-874-8652 or e-mailed to SLChapin@portlandmaine.gov. The Purchasing Office will be the only office issuing any changes to this Invitation. All changes, addenda, will be in writing and will be sent only to those firms on file in Purchasing as having received this document. The City shall not be responsible for any oral interpretation given by City personnel or others.

Proposers should not contact City Staff with regard to this Request unless to obtain general public information as specified in the document. The lease of this real estate shall be on the basis of a negotiated proposal, with the City of Portland reserving the right to refuse any or all proposals. *All proposers are advised that the property will be leased "as-is" and "where-is," in its existing condition, with no warranties either expressed or implied.* The City disclaims any and all responsibility for injury to proposers, their agents or others while examining the property or at any other time.

I. GENERAL INFORMATION

A. Background

The City's long term care facility, the Barron Center, is located at 1125 Brighton Avenue, along with several other City-owned buildings. As of October 2024, 110 individuals reside and receive services at the Barron Center.

The City of Portland's Office of Elder Affairs (OEA) is also located at 1125 Brighton Avenue. OEA provides various services and programs to Portland residents aged 60+ on and offsite.

Lastly, the Loring House, which includes 104 units affordable to residents aged 62+, is also located at 1125 Brighton Avenue. The buildings on the Loring House parcel (as identified by Parcel ID 269 B001002) are privately owned by Loring House Associates and are located on land that Loring House Associates leases from the City.

On DATE, the Portland City Council approved Order TBD, authorizing the City Manager to issue an RFP for the lease and development of up to two sections of the City-owned property at 1125 Brighton Avenue, as generally described below and depicted on Exhibit A.

Site 1: Located at the southeast corner of 1125 Brighton Avenue, bound by Brighton Avenue and Holm Avenue. This site currently includes a small amount of green space with trees and a parking lot, which includes approximately 51 parking spaces. This site includes approximately 0.87 acres (37,875 square feet). The smaller parking lot to the immediate north of this site is leased to the Loring House for the purpose of overflow parking, and may not be altered.

Site 2: Located at the northern property line of 1125 Brighton Avenue, bound by I-95 and the exit 49 off ramp. This site includes a forested green space and a parking lot. This site includes approximately 2.5 acres of undeveloped space, excluding the parking lot (107,453 square feet).

This RFP seeks to further the 2024 Council goal to increase the development of affordable housing, as well as to respond to the homelessness crisis in the City of Portland.

This RFP emphasizes engagement with the surrounding neighborhood on the issues of density, extent and character of open space, public safety, neighborhood compatibility and associated impacts related to any development. The selected proposal will best demonstrate the development team's successful engagement of the public in other projects, incorporation of public feedback collected as part of a robust engagement process, and the team's capacity to complete the project in a successful and timely manner.

It is expected that the ultimate development of the site(s) will seek to balance, to the greatest extent practicable, community input on final site design, consistency with City goals and policies, and financial viability. The development team chosen for this project will engage directly with the Nason's Corner and Sagamore Village communities regarding the anticipated development of the property, including soliciting input on site design and uses before finalizing a development plan.

B. Land Use Regulations

Any development of this site will be subject to all applicable codes and regulations, including but not limited to building codes, zoning, site plan, subdivision and potential historic preservation requirements.

The City Council recently approved a comprehensive land use ordinance change, which becomes effective December 4, 2024 and includes rezoning this property from R5 Residential to a B2 Business Zone. Proposers are advised to refer to the City's Land Use Code for complete information, and encouraged to undertake a survey of the property(ies) to identify limitations concerning the sites' development potential.

Due to the distinct nature of this property, the City of Portland will consider requests from the developer(s) to develop one or both of the available sites. Preference will be given to a qualified developer that submits a satisfying proposal for the use of both parcels.

II. DEVELOPMENT CONSIDERATIONS

Development of the site(s) is intended to increase the availability of affordable housing for Portland residents, including those who are experiencing homelessness or are clients of the City of Portland Social Services office.

Proposals for 1) mixed income housing that includes housing that is affordable for someone making at or below 80% of the area median income and/or 2) permanent supportive housing are preferred.

Proposals for permanent supportive housing or housing first developments must include a robust description of the services that would be provided for residents, as well as the oversight that would be provided by management onsite for the safety of residents and neighbors. In addition, proposals for housing first or permanent supportive housing development(s) must include proof of a strong and unequivocal record of successfully managing any impact to neighbors, as well as community engagement and responsiveness.

Affordable housing is defined by the United States Department of Housing and Urban Development (HUD) as housing where no more than 30% of an occupant's gross income is spent on housing costs.

Housing First is defined as an approach to quickly and successfully connect individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry; 24/7 onsite supportive services are offered to maximize housing stability and prevent returns to homelessness.

Permanent supportive housing is defined as housing in which housing assistance and supportive services are provided offsite, to assist households with at least one member with a disability in achieving housing stability.

A minimum of 30% of total units developed must be reserved for referrals from the City of Portland Social Services office.

The existing structures on the property stand in contrast to the surrounding residential neighborhood, as well as the denser commercial/industrial parcels on the opposite side of Brighton Avenue. Development of the property should show consistency with the overall area by sensitively introducing new uses, occupants, and improvements that do not unreasonably impact the character and vitality of the area.

Furthermore, due to the proximity of the site(s) to the Barron Center, which houses a vulnerable population, a successful proposal will prioritize the safety and well-being of Barron Center residents, as well as residents in the Loring House and adjacent residential neighborhood(s).

Evaluation of impacts and contextual sensitivity of the site will ultimately be determined over the course of site plan and other regulatory reviews (including but not limited to standards for design, traffic, site circulation, stormwater management, lighting, and landscaping), and historic preservation reviews (if applicable), after full development application materials have been filed.

III. SUBMISSION REQUIREMENTS

Proposals shall be submitted in the following format; please use the headings presented below for the organization of responses.

A. Proposal Submission

All proposals shall include information and documentation in the following in order to be considered:

1. Completed Proposal Form and if applicable, Acknowledged Addenda.

2. Development Team

The proposal shall identify the principal members of the development team and their respective roles in the project, including the developer, design professionals, other key staff and sub-consultants. Development team capacity shall include qualifications of key team members, including identification of a Project Manager, relevant experience, capacity, and identification of prior projects that demonstrate a proven ability to develop sites of comparable scales and contexts, including identification of projects that included substantive community engagement.

3. Proposal

Proposals shall include:

a. Description of a neighborhood engagement process. The proposal shall include specific examples of the development team members working with the public to find solutions to concerns voiced over the course of a project, a description of the public engagement strategy, and an estimated timeline. The period of public engagement, for the purposes of this RFP, refers to the time after developer selection and prior to an application to the Planning Board for a Site Plan.

b. A description of the redevelopment concept(s) for the site. This should be a narrative of intended uses for the site and any significant programmatic elements. It should address consistency with City policies and include a development timeline. A revised development plan that includes confirmed uses and site layout will need to be submitted following the conclusion of the neighborhood engagement process; no graphics or visuals are being requested as part of this RFP.

4. Financial and Technical Capability

Please refer to the requirements of submitting confidential information in accordance with the Freedom of Access Act on page 7 of this document.

The proposal shall include documentation demonstrating that the development team can successfully redevelop the site by supplying:

a. Letters of financial capability from credible financial institutions with experience working with principles of the development team; and

b. Descriptions and examples of comparable projects or endeavors demonstrating adequate experience and expertise of the development team to successfully complete the project.

5. Lease Price

The City of Portland intends to lease the property to the successful proposer for a term of up to 99 years. Proposers should include a suggested annual rent amount in their proposal.

6. Timetable

The anticipated schedule is outlined in VI, Project Schedule, below. Any anticipated departure from the post-selection submittal timeframe should be indicated in the proposal.

7. **References**

Provide a minimum of three professional references. Include name, title, phone number, and email for each reference.

IV. REVIEW PROCESS

A. Proposals will be reviewed for completeness.

B. A proposal review committee composed of City staff will review submissions and give the Housing and Economic Development Committee (HEDC) a summary of the proposals and recommendations on a preferred proposal for the HEDC's review. After its review, the HEDC will make a recommendation on the proposals to the City Council. The review committee's recommendations are advisory only, and the HEDC and the City Council are free to accept or reject those recommendations.

8. After the City Council approves a developer for the project, City Staff and the developer will negotiate a lease or option to lease for the property, which staff will present to the HEDC for review and recommendation to the City Council.

9. Upon agreement on a development plan for the site (after completion of the neighborhood engagement outlined in the proposal and before the submission of a Planning Board application), a lease agreement will be drafted for signatures.

Public presentations may be required at any or all stages of the process.

V. SELECTION CRITERIA

1. Development use concept demonstrates understanding of the City's stated desired outcome, policies and priorities; including but not limited to prioritizing the safety and well-being of abutting communities **(30%)**

2. Neighborhood engagement plan that clearly outlines how the Development Team will engage the neighborhood on this project **(20%)**

3. Developer Team qualifications and references **(20%)**

4. Applicant's ability to complete project, including readiness to initiate the project and ability to begin the application process in a timely manner **(15%)**

5. Responsiveness to submittal requirements, including those described in Section II. Development Considerations **(15%)**

VI. SCHEDULE

Developer Selection Schedule:

- RFP released: TBD
- Proposal due: TBD
- Proposal review and recommendations: TBD
- Developer(s)selection: TBD (dependent on Council meeting schedule)

- Approval of Lease: TBD (Following Council approval)

VII. FREEDOM OF ACCESS ACT

The City of Portland is subject to Maine's Freedom of Access Act (FOAA). Under this law, the City is required to make public information that we receive in the solicitation of proposals. FOAA does, however, have an exception applicable to proprietary information. In the event that you believe that the proposal you submit contains any proprietary information, you must submit such information in a separate sealed envelope to the City along with your sealed proposal. The outside of this envelope must clearly be marked "Proprietary information/confidential." Such proprietary information will only be reviewed by Portland City officials, and only on a "need to know" basis. The City will not disclose such information to a third party without your consent, unless it determines that such disclosure is required by law. Prior to disclosing such information, the City will provide you with a reasonable opportunity to seek an injunction or other court order, at your own expense, to prevent such disclosure. The City will not be liable to any proposer or any third party for any disclosure of confidential information.

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DATE NAME
Purchasing Manager

PROPOSAL FORM
Lease and Development of TBD
1125 Brighton Avenue
Portland Maine 04102

RFP #TBD

**** THIS SHEET MUST BE INCLUDED IN YOUR PROPOSAL ****

The UNDERSIGNED hereby declares that he/she or they are the only person(s), firm or corporation interested in this proposal as principal, that it is made without any connection with any other person(s), firm or corporation submitting a proposal for the same.

The UNDERSIGNED hereby declares that they have read and understand all conditions as outlined in the Request for Proposals, and that the proposal is made in accordance with same.

The UNDERSIGNED hereby declares that any person(s) employed by the City of Portland, Maine, who has direct or indirect personal or financial interest in this proposal or in any portion of the profits which may be derived therefrom has been identified and the interest disclosed by separate attachment. (Please include in your disclosure any interest which you know of. An example of a direct interest would be a City employee who would be paid to perform services under this proposal. An example of an indirect interest would be a City employee who is related to any officers, employees, principal or shareholders of your firm or to you. If in doubt as to status or interest, please disclose to the extent known).

The bidder acknowledges the receipt of Addenda numbered: _____

The bidder acknowledges the receipt of Addenda numbered: ___________________________

COMPANY NAME: ____
(Individual, Partnership, Corporation, Joint Venture)

AUTHORIZED SIGNATURE: __________________________________ DATE: ____________

(Officer, Authorized Individual or Owner)

PRINT NAME & TITLE: ____

ADDRESS: ____

____

E-MAIL ADDRESS: ______________________________WEBSITE_______________________

PHONE NUMBER: ______________________ FAX NUMBER: _________________________

STATE OF INCORPORATION: ___________________ (If incorporated in another State, businesses must be authorized to do business in the State of Maine prior to contract.)

FEDERAL TAX IDENTIFICATION NUMBER (Required): ____________________________

NOTE: Proposals must bear the handwritten signature of a duly authorized member or employee of the organization submitting a proposal.

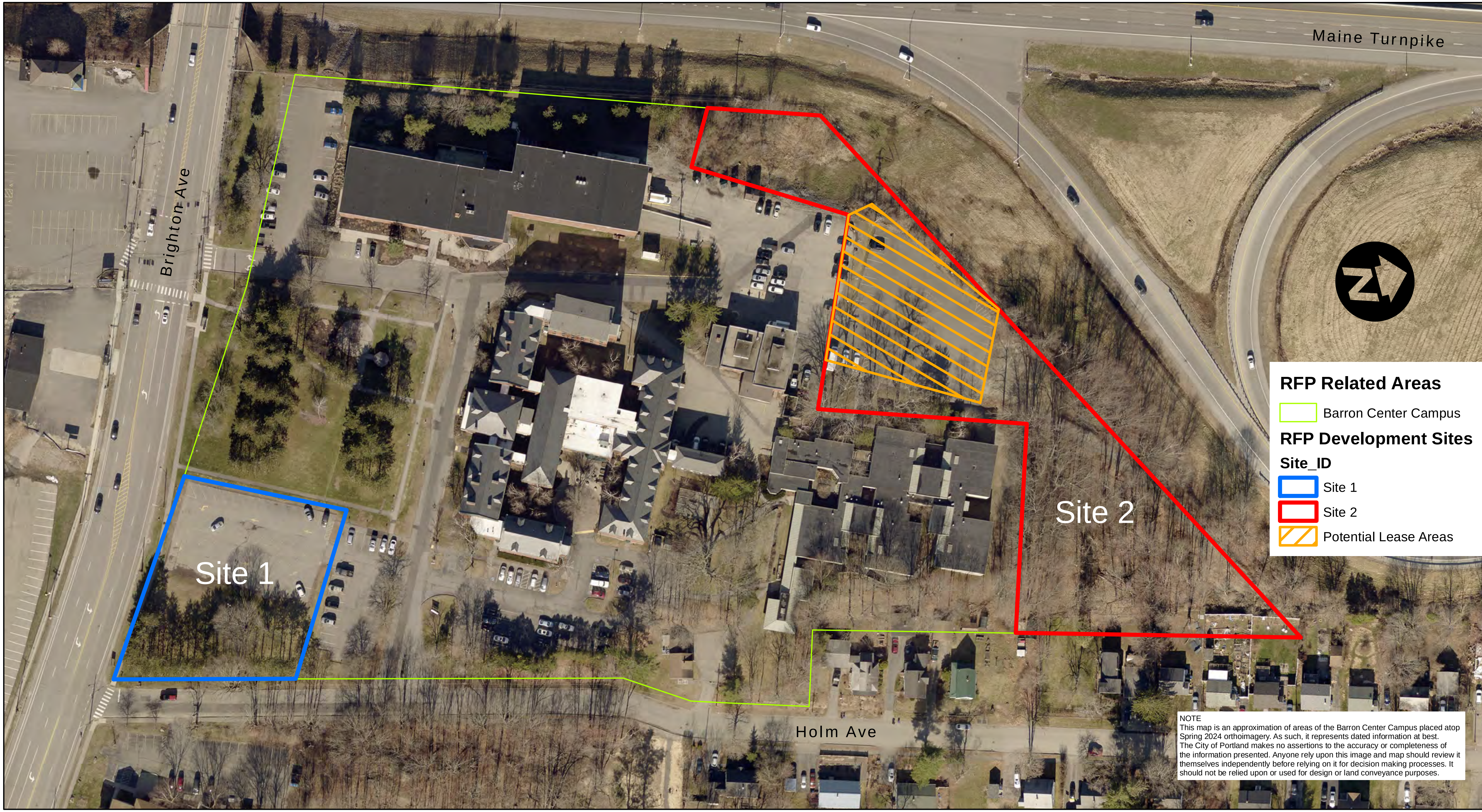


EXHIBIT A

GIS Sketch of Barron Center Campus and Vicinity
October 17, 2024 1" = 100'

0 50 100 200 300 Feet

CITY OF PORTLAND, MAINE
DEPT. OF PUBLIC WORKS
212 Canco Rd Suite B PORTLAND, MAINE 04101
PHONE (207) 874-8846 FAX (207) 874-8852

EXHIBIT C

City of Portland | Executive Department
Dena Libner, *Assistant City Manager*

Staff Memo To:
Housing & Economic Development Committee
Councilor Pious Ali, Chair

DATE

October 22, 2024

AGENDA ITEM

Agenda Item #2 - Consideration of RFP for the Lease/Development of up to Two (2) Sites at 1125 Brighton Avenue

PURPOSE

In support of the 2024 Council Common Goal related to housing affordability and in response to the homelessness crisis, staff have developed a request for proposal (RFP) to lease and develop up to two sections of 1125 Brighton Avenue. If approved by the Committee, this item would require approval by the full City Council prior to issuance of the RFP.

The RFP outlines several project priorities, which include:

- A robust community engagement plan, to be developed and led by the successful developer(s);
- Dedicating a minimum percentage of newly developed units to unhoused individuals referred by the City of Portland;
- Prioritization of the safety and well-being of Barron Center residents, as well as residents in the Nason's Corner and Sagamore Village communities.

COMMITTEE WORK PLAN ALIGNMENT

The discussion and development of policy related to affordable housing was included in the Committee's 2024 work plan.

BACKGROUND/ANALYSIS

The City of Portland has several tools by which it can support and incentivize the development of affordable housing. Among those is making City-owned property available for development by a private developer.

Examples of this type of partnership include:

- Phoenix Flats (2023)

- Lambert Woods (site plans approved)
- 45 Dougherty (under construction)
- 65 Munjoy (2017)

1125 Brighton Avenue is one of very few City-owned properties currently able to accommodate new, dense residential development. Located in Nason's Corner, this nearly 15-acre parcel is home to the Barron Center, the City-operated long term care facility. The Loring House, a privately-operated senior housing complex, is also located on the property.

Staff have identified two undeveloped portions of the property that could be suitable for additional affordable housing development (Exhibit A, attached). This proposal recommends leasing each of these sites to a developer with the caveat that only a specific portion of each is to be made available for development. This arrangement helps to allow for greater development density while protecting important community assets, such as green space and parking lots.

Efforts to Address Homelessness

Recent City practice for City-funded housing projects have included a requirement that a certain percentage of new units be set aside for residents referred by the City of Portland's Social Services division. In keeping with this practice as well as the Council's goal of addressing homelessness, this proposal requires that at least 50% of newly developed units be set aside for such individuals.

Prioritizing Community Safety and Well-being

Staff recognize that members of the Nason's Corner community may have questions and concerns about this proposal, and believe that community members must remain part of any potential development process. To that end, staff's proposal requires that a successful developer have a demonstrated record of engaging with community members and being responsive to their concerns. In addition, all applicants are required to include a robust community engagement plan as part of their materials. The inclusion of a clear and satisfying neighborhood engagement plan accounts for 30% of respondents' scores.

Similarly, given the proximity of Barron Center residents, Loring House residents, residents of Portland Housing Authority's Sagamore Village, and the residential neighborhood directly abutting the property, staff recognize the importance of making all efforts to ensure that a development does not negatively impact the safety and well-being of residents, particularly vulnerable populations. This priority is made explicit in the RFP, and accounts for 30% of respondents' scores.

Development Restrictions
Currently, 1125 Brighton Avenue is located in an R-5 zone, which does not allow for the dense development desired as part of this proposal. However, the City Council is currently considering a sweeping ordinance change, which includes rezoning this property to a B-2 Business Zone. This would allow for high-density housing and a mix of uses.

If the City Council does not approve this proposed rezoning as part of ReCode, staff may consider pursuing the rezoning of this parcel through a separate process to facilitate its development (assuming the proposed RFP was supported by the Committee and Council).

FISCAL IMPACT

The issuance of this RFP and entering into a lease agreement with a successful developer(s) will not have a significant fiscal impact.

CONCLUSION(S)

To advance the Council's goal of affordable housing development and support City efforts to address homelessness, staff request that the Committee consider supporting the issuance of this RFP and recommend it for consideration by the full City Council.

PRIOR COMMITTEE REVIEW

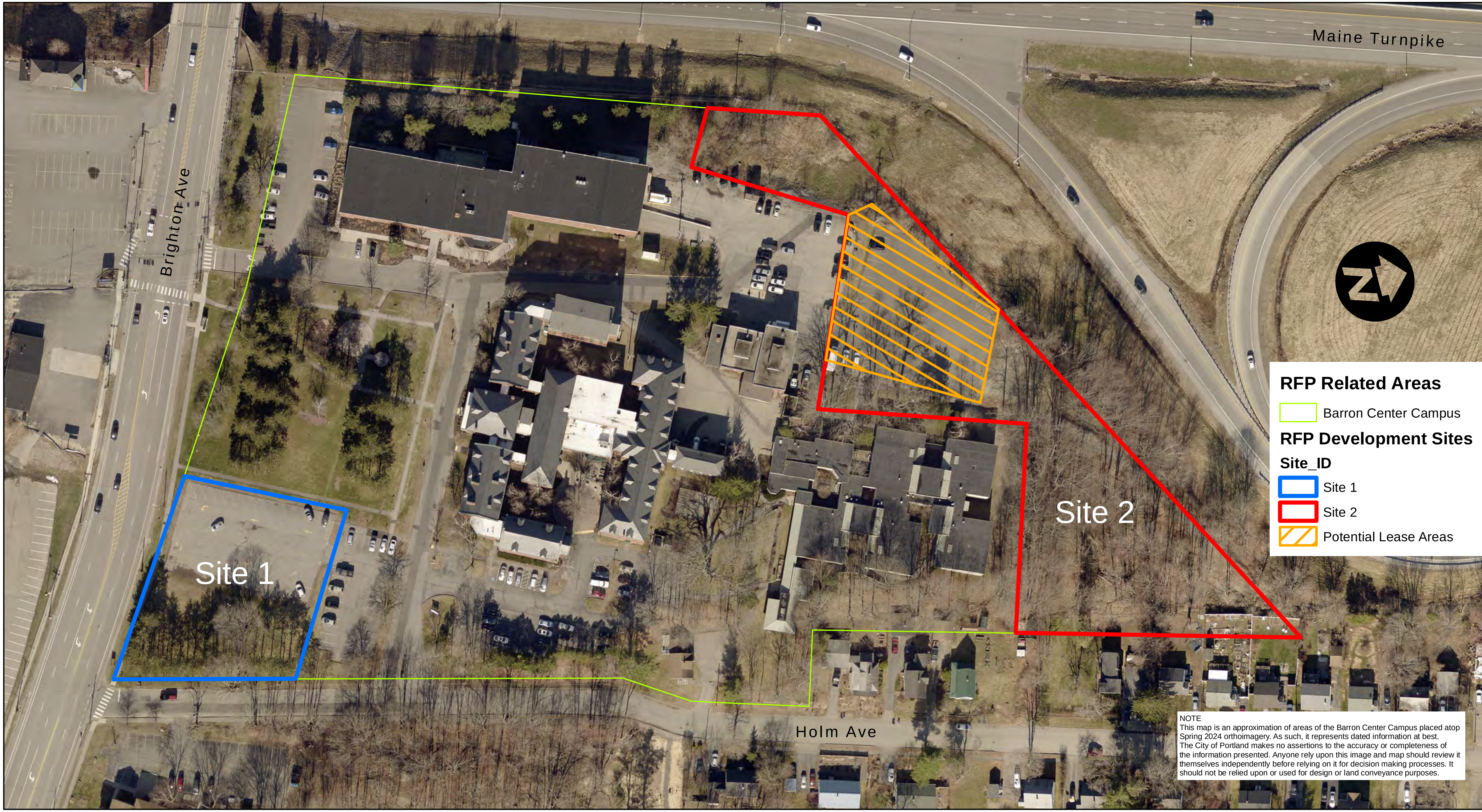
N/A

PREPARED BY

Dena Libner	Greg Watson
Assistant City Manager	Director
Executive Department	Housing & Economic Development

ATTACHMENTS

- Exhibit A (sites proposed for lease/development)
- Exhibit B - Proposed RFP



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CITY OF PORTLAND, MAINE

LEASE AND DEVELOPMENT OF AFFORDABLE HOUSING
ON
CITY-OWNED LAND AT
1125 BRIGHTON AVENUE
PORTLAND MAINE 04102

RFP #TBD

DATE

LEGAL NOTICE

City of Portland, Maine

Request for Proposals

“Lease and Development of up to two (2) sites at 1125 Brighton Avenue, Portland Maine”

RFP #TBD

The City of Portland, Maine seeks proposals from qualified developers to develop affordable housing on up to two (2) vacant sites on City-owned land located at 1125 Brighton Avenue as generally depicted on the diagram attached as Exhibit A. The sites are near the Barron Center, which is the City of Portland-operated long-term care facility located on the same property. The property is designated on the City of Portland tax maps as Parcel 269 B001001.

Sealed proposals shall be submitted electronically to bidsubmit@portlandmaine.gov with the name of the Proposer, Contract Name and RFP number in the subject line will be received until TIME Day/Date at which time they will be publicly opened and read, or by submitting via USPS, UPS, FedEx or in-person to the City of Portland, Purchasing Rm. 103, 389 Congress St., Portland ME 04101.

Email attachments must not exceed 25MB total; you will receive a confirmation email from bidsubmit@portlandmaine.gov if your submission is successful.

Bids shall be submitted on the City provided proposal form, being signed with the firm’s name, and bearing the handwritten signature or e-signature of an officer or authorized individual having the authority to bind the company to a contract by his/her signature.

Potential proposers and their contractors, architects, engineers, etc. are free to view the property on the following dates:

- **OPTION 1 DAY, DATE, TIMEFRAME (1.5 HOURS)**
- **OPTION 2 DAY, DATE, TIMEFRAME (1.5 HOURS)**

Copies of the above documents will be available by contacting the City of Portland Purchasing Office either via e-mail at purchasing@portlandmaine.gov, or phone (207) 874-8654. Each prospective bidder will be required to obtain from the City each copy of the proposal forms.

Proposals from vendors not registered with the Purchasing Office may be rejected; receipt of this document directly from the City of Portland Purchasing Office indicates registration. Should a vendor receive this Request from a source other than the City Purchasing Office, please contact 207-874-8654 to ensure that your firm is listed as a vendor for this RFP.

Notice and Specifications

The City of Portland, Maine seeks proposals from qualified developers to develop affordable housing on up to two (2) vacant sites located on City-owned land at 1125 Brighton Avenue as generally depicted on the attached diagram. The sites are near the Barron Center, which is the City of Portland-operated long-term care facility. The property is designated on the City of Portland tax maps as Parcel 269 B001001.

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Potential proposers and their contractors, architects, engineers, etc. are free to view the property on the following dates:

- **OPTION 1 DAY, DATE, TIMEFRAME (1.5 HOURS)**
- **OPTION 2 DAY, DATE, TIMEFRAME (1.5 HOURS)**

No questions will be answered during this tour.

Questions must be submitted in writing to the Purchasing Office and be received no later than five business days prior to the proposal opening. These may be mailed, faxed to207-874-8652 or e-mailed to SLChapin@portlandmaine.gov. The Purchasing Office will be the only office issuing any changes to this Invitation. All changes, addenda, will be in writing and will be sent only to those firms on file in Purchasing as having received this document. The City shall not be responsible for any oral interpretation given by City personnel or others.

Proposers should not contact City Staff with regard to this Request unless to obtain general public information as specified in the document. The lease of this real estate shall be on the basis of a negotiated proposal, with the City of Portland reserving the right to refuse any or all proposals. *All proposers are advised that the property will be leased "as-is" and "where-is," in its existing condition, with no warranties either expressed or implied*. The City disclaims any and all responsibility for injury to proposers, their agents or others while examining the property or at any other time.

I. GENERAL INFORMATION

A. Background

The City of Portland-operated long term care facility, the Barron Center, is located at 1125 Brighton Avenue, along with several other City-owned buildings. As of October 2024, 110 individuals reside and receive services at the Barron Center.

The City of Portland's Office of Elder Affairs (OEA) is also located at 1125 Brighton Avenue. OEA provides various services and programs to Portland residents aged 60+ on and offsite.

Lastly, the Loring House is also located at 1125 Brighton Avenue, across Holm Avenue from the Barron Center campus. The buildings on the Loring House parcel (as identified by Parcel ID 269 B001002) are privately owned by Loring House Associates and are located on land that Loring House Associates leases from the City.

On DATE, the Portland City Council approved Order TBD, authorizing the City Manager to issue an RFP for the lease and development of up to two sections of the City-owned property at 1125 Brighton Avenue, as generally described below and depicted on Exhibit A.

Site 1: Located at the southeast corner of 1125 Brighton Avenue, bound by Brighton Avenue and H.olm Avenue. This site currently includes a small amount of green space with trees and a parking lot, which includes approximately 51 parking spaces. This site includes approximately 0.87 acres (37,875 square feet). The smaller parking lot to the immediate north of this site is leased to the Loring House for the purpose of overflow parking, and may not be altered.

Site 2: Located at the northern property line of 1125 Brighton Avenue, bound by I-95 and the exit 49 off ramp. This site includes a forested green space and a parking lot. This site includes approximately 2.5 acres of undeveloped space, excluding the parking lot (107,453 square feet).

This initiative is reflective of the 2024 Council goal to increase the development of affordable housing, as well as to respond to the homelessness crisis in the City of Portland.

This RFP emphasizes engagement with the surrounding neighborhood on the issues of density, extent and character of open space, neighborhood compatibility and associated impacts related to any development. The selected proposal will best demonstrate the development team's successful engagement of the public in other projects, incorporation of public feedback collected as part of a robust engagement process, and the team's capacity to complete the project in a successful and timely manner.

It is expected that the ultimate development of the site(s) will seek to balance, to the greatest extent practicable, community input on final site design, consistency with City goals and policies, and financial viability. The development team chosen for this project will engage directly with the Nasons Corner and Sagamore Village communities regarding the anticipated development of the property, including soliciting input on site design and uses before finalizing a development plan.

B. Land Use Regulations

Any development of this site will be subject to all applicable codes and regulations, including but not limited to building codes, zoning, site plan, subdivision and potential historic preservation requirements.

The property is currently zoned R5 Residential Zone. The City Council is currently considering a sweeping ordinance change, which includes rezoning this property to a B2 Business Zone. Proposers are advised to refer to the City's Land Use Code for complete information.

If this area is not rezoned as part of the scheduled consideration of zoning amendments, City staff may consider pursuing the rezoning of this parcel to enable its development. This process would include Planning Board and City Council approval.

Due to the distinct nature of this property, the City of Portland will consider requests from the developer(s) to develop one or both of the available sites. Preference will be given to a qualified developer that submits a satisfying proposal for the use of both parcels.

II. DEVELOPMENT CONSIDERATIONS

Development of the site(s) is intended to increase the availability of affordable housing for Portland residents who are experiencing homelessness. A minimum of 50% of total units developed at each site must be reserved for referrals from the City of Portland Social Services office. Preference will be given to proposals that dedicate a higher percentage for this purpose.

Affordable housing is defined by the United States Department of Housing and Urban Development as 80% of area median income. Proposals for housing first or supportive housing developments will be considered, but must include a robust description of the services that would be provided for residents, as well as the oversight that would be provided by management onsite for the safety of residents and neighbors.

Furthermore, due to the proximity of the site(s) to the Barron Center, which houses a vulnerable population, a successful proposal will prioritize the safety and well-being of Barron Center residents, as well as residents in the Loring House and adjacent residential neighborhood(s).

The existing structures on the property stand in contrast to the surrounding residential neighborhood, as well as the more dense commercial/industrial parcels on the opposite side of Brighton Avenue. Development of the property should show consistency with the overall area by sensitively introducing new uses, occupants, and improvements that do not unreasonably impact the character and vitality of the area.

Evaluation of impacts and contextual sensitivity of the site will ultimately be determined over the course of site plan and other regulatory reviews (including but not limited to standards for design, traffic, site circulation, stormwater management, lighting, and landscaping), and historic preservation reviews (if applicable), after full development application materials have been filed.

III. SUBMISSION REQUIREMENTS

Proposals shall be submitted in the following format; please use the headings presented below for the organization of responses.

A. Proposal Submission

All proposals shall include information and documentation in the following in order to be considered:

1. Completed Proposal Form and if applicable, Acknowledged Addenda.

2. **Development Team**

The proposal shall identify the principal members of the development team and their respective roles in the project, including the developer, design professionals, other key staff and sub-consultants. Development team capacity shall include qualifications of key team members, including identification of a Project Manager, relevant experience, capacity, and identification of prior projects that demonstrate a proven ability to develop sites of comparable scales and contexts, including identification of projects that included substantive community engagement.

3. **Proposal**

Proposals shall include:

a. Description of a neighborhood engagement process. The proposal shall include specific examples of the development team members working with the public to find solutions to concerns voiced over the course of a project, a description of the public engagement strategy, and an estimated timeline. The period of public engagement, for the purposes of this RFP, refers to the time after developer selection and prior to an application to the Planning Board for a Site Plan.

b. A description of the redevelopment concept(s) for the site. This should be a narrative of intended uses for the site and any significant programmatic elements. It should address consistency with City policies and include a development timeline. A revised development plan that includes confirmed uses and site layout will need to be submitted following the conclusion of the neighborhood engagement process; no graphics or visuals are being requested as part of this RFP.

4. **Financial and Technical Capability**

Please refer to the requirements of submitting confidential information in accordance with the Freedom of Access Act on page 7 of this document.

The proposal shall include documentation demonstrating that the development team can successfully redevelop the site by supplying:

a. Letters of financial capability from credible financial institutions with experience working with principles of the development team; and

b. Descriptions and examples of comparable projects or endeavors demonstrating adequate experience and expertise of the development team to successfully complete the project.

5. **Lease Price**

The City of Portland intends to lease the property to the successful proposer for a term of up to 99 years. Proposers should include a suggested annual rent amount in their proposal.

6. **Timetable**

The anticipated schedule is outlined in VI, Project Schedule, below. Any anticipated departure from the post-selection submittal timeframe should be indicated in the proposal.

7. **References**

Provide a minimum of three professional references. Include name, title, phone number, and email for each reference.

IV. REVIEW PROCESS

A. Proposals will be reviewed for completeness.

B. A proposal review committee comprised of City staff will review submissions and give the Housing and Economic Development Committee (HEDC) a summary of the proposals and recommendations on a preferred proposal for the HEDC's review. After its review, the HEDC will make a recommendation on the proposals to the City Council. The review committee's recommendations are advisory only, and the HEDC and the City Council are free to accept or reject those recommendations.

C. After the City Council approves a developer for the project, City Staff and the developer will negotiate a lease or option to lease for the property, which staff will present to the HEDC for review and recommendation to the City Council.

D. Upon agreement on a development plan for the site (after completion of the neighborhood engagement outlined in the proposal and before the submission of a Planning Board application), a lease agreement will be drafted for signatures.

Public presentations may be required at any or all stages of the process.

V. SELECTION CRITERIA

1. Development use concept demonstrates understanding of the City's stated desired outcome, policies and priorities; including but not limited to prioritizing the safety and well-being of abutting communities **(30%)**

2. Neighborhood engagement plan that clearly outlines how the Development Team will engage the neighborhood on this project **(20%)**

3. Developer Team qualifications and references **(20%)**

4. Applicant's ability to complete project, including readiness to initiate the project and ability to begin the application process in a timely manner **(15%)**

5. Responsiveness to submittal requirements **(15%)**

VI. SCHEDULE

Developer Selection Schedule:

- RFP released: TBD
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Lease and Development of TBD
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Portland Maine 04102

RFP #TBD

**** THIS SHEET MUST BE INCLUDED IN YOUR PROPOSAL ****

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The bidder acknowledges the receipt of Addenda numbered: _____

The bidder acknowledges the receipt of Addenda numbered: ___________________________

COMPANY NAME: ____
(Individual, Partnership, Corporation, Joint Venture)

AUTHORIZED SIGNATURE: __________________________________ DATE: ____________

(Officer, Authorized Individual or Owner)

PRINT NAME & TITLE: ____

ADDRESS: ____

____

E-MAIL ADDRESS: ______________________________WEBSITE______________________

PHONE NUMBER: ______________________ FAX NUMBER: _________________________

STATE OF INCORPORATION: __________________ (If incorporated in another State, businesses must be authorized to do business in the State of Maine prior to contract.)

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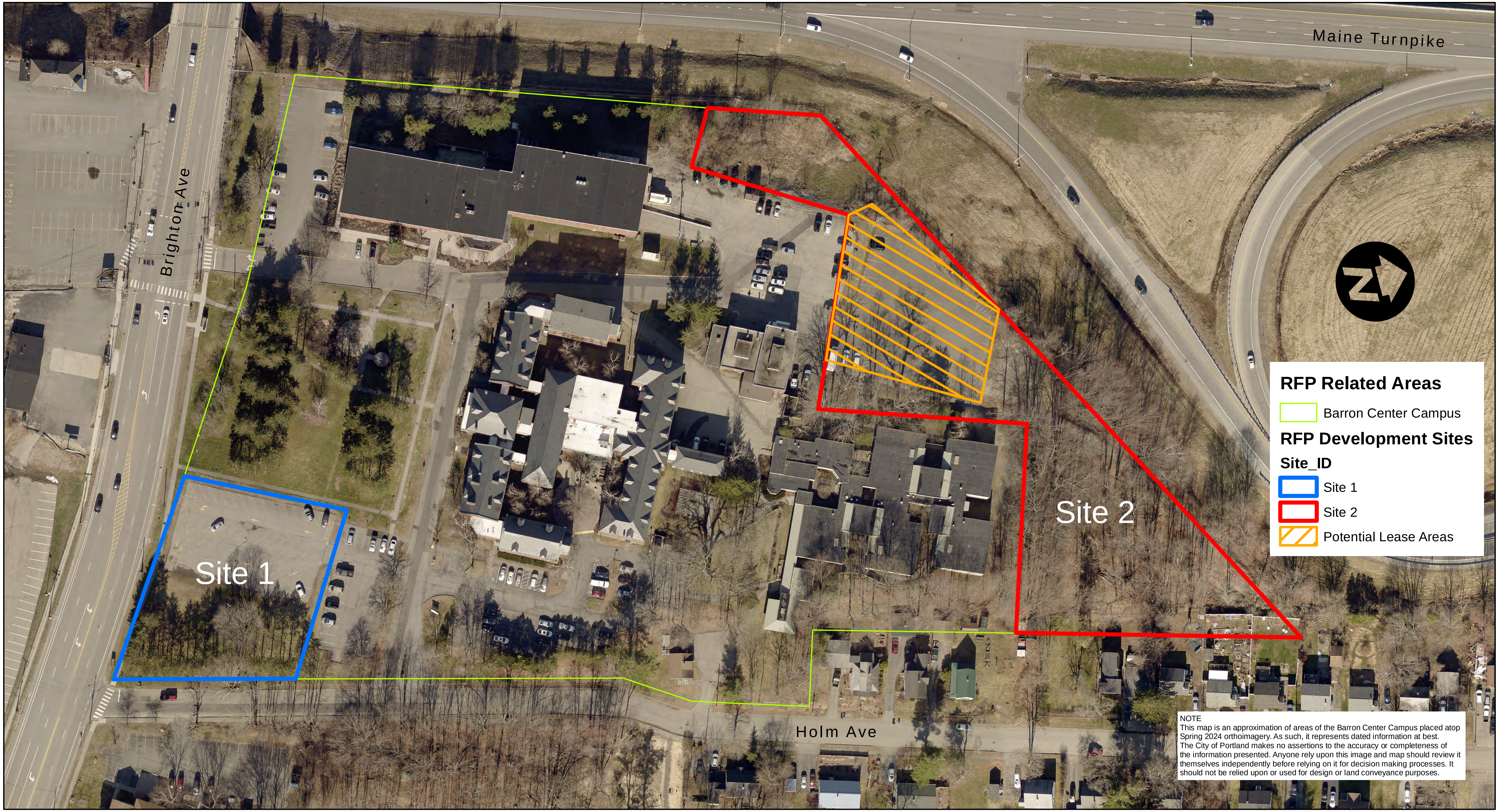

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City of Portland | Housing and Economic Development Department
Gregory P. Watson, AICP
Director

MEMORANDUM

TO: Chair and Members of the Housing and Economic Development Committee

FROM: Greg Watson, Director

DATE: November 15, 2024

SUBJECT: FYE 2024 Annual TIF District Activity Report for Review and Vote to Forward it to the City Council as a Communication Item

I. ONE SENTENCE SUMMARY

As required in accordance with the Portland City Council's Tax Increment Financing (TIF) Policy, an Annual TIF District Activity Report is to be provided to the City Council.

II. DESCRIPTION

The City of Portland TIF Policy requires that an Annual TIF District Activity Report be provided to the City Council, and the attached report is being presented to the Committee for review and vote to forward to the City Council as a communication item.

III. BACKGROUND

City TIF Policy requires the preparation and presentation of an annual TIF district activity report. The FYE 2024 TIF Annual Report represents the 12th year of reporting.

Below represents City Council actions taken during FY2024 – targeted at Affordable Housing TIF Districts. Please see table below for 2024 Area Median Income (AMI) income limits.

Number in Household	1	2	3	4	5	6	7
50% AMI	$44,650	$51,000	$57,400	$63,750	$68,850	$73,950	$79,050
60% AMI	$53,580	$61,200	$68,880	$76,500	$82,620	$88,740	$94,860
80% AMI	$68,500	$78,250	$88,050	$97,800	$113,450	$121,300	$129,100
100% AMI	$89,250	$102,000	$114,750	$127,500	$137,700	$147,900	$158,100
120% AMI	$107,100	$122,400	$137,700	$153,000	$165,250	$177,500	$189,750

The City Council took up the following items during FY 2024:

A. Approved an Affordable Housing TIF (AHTIF) District with Equity Community Center at 25 Casco Street to construct 54 units of rental housing, with 21 units maintaining affordability for households earning at or below 60% of AMI, and 33 units reserved for households earning at or below 50% AMI. This is a 30-year AHTIF District capturing 75% of increased assessed value taxes annually. This was approved by the City Council on 8/14/2023, followed by Maine State Housing Authority (MSHA) approval on 9/15/2023.

B. Approved an AHTIF District with Riverton Park, LP, at 2 Riverton Drive, to construct 182 units of rental housing, with 130 units maintaining affordability for households earning at or below 50% of AMI, 34 units for households at or below 60% of AMI, and 18 units for households at or below 80% of AMI. This is a 20-year AHTIF District capturing 50% of the increased assessed value annually. This was approved by the City Council on 11/13/20323, followed by MSHA approval on 1/8/2024.

C. Approved an AHTIF District with Lambert Woods North LLC, at 622 Auburn Street to construct 72 units of rental housing with all units reserved for households earning at or below 60% of AMI. This is a 30-year AHTIF District capturing 75% of increased assessed value annually. This was approved by the City Council on 12/18/2023; final approval by MSHA is still pending.

As of 6/30/2024, there are:

A. Two (2) active Commercial TIF District CEAs;

B. One (1) active commercial TIF CEA for a market rate and affordable housing development, known as the McAuley TIF District;

C. Twenty-one (21) active Affordable Housing TIF District CEAs;

D. One (1) Transit Oriented TIF District and CEA at Thompson's Point

E. Three area-wide TIF Districts (Waterfront, Downtown Transit Oriented Development, and Bayside) which include a CEA in the Waterfront TIF with Waterfront Maine.

The Report also has a table showing the past five-year trend, as well as an Appendix which lists all the current TIFs and financial activity associated with each district.

IV. INTENDED RESULT AND/OR COUNCIL GOAL ADDRESSED

The FY2024 TIF Annual Report is being submitted to the Committee for review and a vote recommending to forward this to the City Council as a communication item.

V. FINANCIAL IMPACT

There is no financial impact with this communication item.

VI. STAFF ANALYSIS AND RECOMMENDATION

Staff recommends that the Committee review and vote to forward this Annual Report to the City Council as a communication item.

Attachment: FYE 2024 TIF Annual Report

Tax Increment Financing

Fiscal Year 2024 Annual Report
From July 1, 2023 through June 30, 2024

Prepared by the Housing and Economic Development Department

Report prepared 11/2024

Table of Contents

1. **Introduction**

City TIF Policy requires an Annual Report, to the City Council Committee and full City Council, regarding TIF District activity. This Report provides an overview of the TIF District Program, Portland's utilization of TIF Districts to date, and TIF District financial value impacts.

2. **Definitions**

Commonly used terms, included in this Report, include:

"***Captured Assessed Value***" means increased assessed value retained in a TIF District each year during its term.

"***Credit Enhancement Agreement (CEA)***" means the agreement between the City and the site specific TIF District Developer whereby it includes the terms under which the City will provide a portion of the Retained Tax Increment Revenue back to the Developer.

"***Current Assessed Value***" means the then current assessed value of the property located in the TIF District to be determined by the City Assessor as of April 1 of each year during the term of the District.

"***District***" means that portion of property depicted on a map to apply to the TIF.

"***Increased Assessed Value (IAV)***" means the valuation amount by which the Current Assessed Value exceeds the Original Assessed Value (OAV). If the Current Assessed Value is less than or equal to the OAV, there is no Increased Assessed Value in that year.

"***Infrastructure***" is defined, but not limited to: traffic upgrades, public parking facilities, roadway improvements, lighting, sidewalks, water and sewer utilities, storm water management improvements, and placing above ground overhead electric and telecom-munications lines underground.

"Non-Captured Value (NCV)" means the value over and above the OAV (defined below) that is not captured by TIF percentage capture rates, with associated taxes from NCV returned to the General Fund.

"***Original Assessed Value (OAV)***" means the assessed value of the property in the TIF District as of March 31 of the year that it was created. For instance, if a TIF District was approved as of the date of this report, or October 20243, the OAV would be the taxable assessed value of the property on March 31, 2024. All taxes from the OAV go into the City's General Fund.

"***Property Taxes***" means any and all ad valorem property taxes levied, charged or assessed against the property by the City or on its behalf and actually paid to the City, but excluding any county, state, or special District taxes that are separately levied, charged, or assessed against the property.

"***Retained Tax Increment Revenues***" means that portion of the Property Taxes paid with respect to the Captured Assessed Value.

"***Tax Year***" means April 1 to March 31.

3. <u>Revised TIF Policy Adopted by City Council on November 20, 2017 and on February 22, 2021</u>

Revised TIF Policy of November 20, 2017

Pursuant to City Council Order 61 passed September 19, 2016, the City Council referred to the Economic Development Committee (EDC) consideration of amendments to the current TIF policy, including, but not limited to provisions for:

A. Local Hire;
B. Ethnic and Gender Diversity;
C. Economically Disadvantaged Participation;
D. Veteran Preference;
E. Adherence to State or Federal Prevailing Wages; and,
F. Participation in a Job Training or Apprenticeship Program.

The Order further requested the EDC report their findings and recommendation on amending the current TIF Policy to the City Council.

The EDC began its review for possible amendments to the TIF policy in April 2017. On November 20, 2017, the City Council reviewed the EDC's recommendation and adopted revised City Tax Increment Financing (TIF) Policy in support of both private development projects and public investment in municipal economic development programs and infrastructure investment. Revised City Policy includes:

A. Addition of State prevailing wage requirements in the construction phase of a TIF CEA and annual report about this to the City Council, further detailed below;

B. Equal employment opportunities and nondiscrimination;

C. Increasing the capture rate and the term for affordable housing projects; and,

D. Housekeeping amendments.

The EDC also recommended that the City look into establishing and sponsoring a Workforce Job Training program to be funded by area-wide TIF Districts, as well as having the City Manager and/or his/her designee undertake an analysis of the costs associated with the City undertaking an Employment Disparity Study.

Workforce Training Funding: On October 15, 2018, the City Council approved amendments to the three area-wide TIF Districts – Bayside, Downtown TOD TIF, and

Waterfront TIF – to include workforce training as a use of TIF funds. Workforce training funding has been included in the municipal budgets beginning with FY2020. .

In both FY2023 and FY2024, the City entered into a Memorandum of Understanding with the Portland School Department, through Portland Adult Education (PAE), to fund workforce training programs up to $200,000. FY2024 PAE's programs utilizing TIF funds included *Education Academy*, to prepare educators trained outside of the U.S. to be employed in the K-12 system; *Bank Teller Program,* in partnership with many financial institutions, to train internationally trained individuals with backgrounds in finance and accounting to become bank tellers and fulfill other similar roles; *English and Job Prep for New Arrivals* which includes intensive employment advising to support students in their job search; *Clean Energy Pre-Apprenticeship Training* Program for internationally-trained professionals who have prior experience or education in engineering, science, math, or construction to retool and enter Electrical and HVAC positions in the clean energy sector; *Commercial Drivers License Prep* – a 10-week CDL Permit Course for non-native English speakers; and *ESOL Instruction for low-level English Speakers* with Certified ESOL instructor. It has resulted in students being hired as tellers, teachers, and HVAC technicians, and increased their skills and knowledge of the culture at the workplace.
Employment Disparity Study: The City Manager's office conducted a limited analysis for the costs of such a study and determined it was not cost effective.

State Prevailing Wage Requirement in Construction Phase of a TIF-Assisted Project:

Per TIF Policy:

> "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.
>
> City staff shall provide to the relevant City Council Committee an annual update on:
>
> a) the impact of this prevailing wage requirements on CEAs;
> b) feasibility of construction firms to pay prevailing wages and benefits; and
> c) compliance with this section."

Since this TIF Policy was amended November 2017, the City Council has authorized AHTIF Districts only. Staff monitors wage rates on a monthly basis during the construction phase for these AHTIF Districts, and has received feedback from those developers indicating that the wage rate requirement resulted in an increase in construction and administrative expenses. While the Housing and Economic Development Committee has discussed these issues, no changes have been made to the Policy as of FYE2024.

During FY2024the following projects were monitored for compliance with this provision in the TIF Policy:

- 66 State Street Affordable Housing TIF (the 155 Danforth portion of the project)
- 37 Front Street Affordable Housing TIF (Phase I and Phase II)
- 83 Middle Street Affordable Housing TIF
- 200 Valley Street Affordable Housing TIF
- 577 Washington Avenue Affordable Housing TIF
- 73 Winter Street Affordable Housing TIF
- 91 Winter Street Affordable Housing TIF

City Green Building Code

Per the TIF Policy, all projects with a CEA must be in compliance with the City's Green Building Ordinance.

When a project submits an application for a building permit, the developer is asked to submit a preliminary energy model, along with a statement of certification from a licensed engineer that the project meets the standard and a written explanation of how the building will obtain the applicable standards using design plans to demonstrate compliance. In addition, prior to the issuance of a Certificate of Occupancy, the developer must submit a statement of final certification from a licensed engineer indicating that the project meets the standards, along with any amendment to the preliminary energy model.

A procedure was implemented using the Energov system to ensure that all projects are in compliance with the Ordinance before the issuance of a Building Permit and a Certificate of Occupancy.

During FY2024, the following projects were monitored for compliance with this provision in the TIF Policy:

- 37 Front Street Affordable Housing TIF (Phase I and Phase II)
- 83 Middle Street Affordable Housing TIF
- 200 Valley Street Affordable Housing TIF
- 577 Washington Avenue Affordable Housing TIF
- 73 Winter Street Affordable Housing TIF
- 91 Winter Street Affordable Housing TIF
- 45 Dougherty Affordable Housing TIF

Revised TIF Policy of February 22, 2021

This revised TIF Policy (see Attachment A) included a definition of affordable housing to match the definition in other City programs, such as Inclusionary Zoning. It also required that affordability restrictions remain in place for the full term of the AHTIF district.

4. <u>Tax Increment Financing Overview and Value</u>

Tax Increment Financing (TIF) is the most flexible economic development program available to municipalities. TIFs support municipal investment, as well as can be associated with private sector or affordable housing investment. TIFs are flexible municipal financing tools to fund the following types of activities to support public and private sector investment:

- public infrastructure projects;
- economic development programs, including municipal marketing and staff; and,
- support of individual private commercial and affordable housing project financing needs.

The three property tax components associated with TIF Districts include:

A. ***New Property Taxes***. TIF revenue is generated from <u>new</u> increased municipal assessed value and associated new property taxes. TIFs can be established for up to thirty (30) years and new or "captured assessed value" in the TIF District can range from 1% to 100% of the amount of new property taxes.

B. ***Original Assessed Property Value (OAV)***. The taxes from property base or "Original Assessed Value" reverts to the municipal general fund and is not captured in a TIF District.

C. ***Flow of TIF CEA Funds***: The flow of taxes to return to the developer through a CEA is as follows.

  i. The City sends its yearly tax bills for payments due in September and March of each fiscal year;

  ii. Developer pays the taxes;

  iii. In September and May of each year, for each CEA, a check is made to be sure the Developer's taxes are current. If current, the Housing and Economic Development Department proceeds to process that fiscal year TIF payment to return a portion of the taxes to the developer according to the CEA. If not current, the Housing and Economic Development Department will not move forward with the payment until current.

5. <u>TIF District Approval Process</u>

There is a three step process to approve establishment of a TIF District. The three steps include:

A. Housing and Economic Development Committee recommendation for approval to the City Council for commercial and affordable housing TIFs;

B. City Council approval; and,

C. State of Maine Department of Economic and Community Development Department approval for commercial TIF districts or Maine State Housing Authority approval for affordable housing TIF Districts.

6. <u>City Council Actions During FY2024</u>:

City Council actions during FY2024 targeted Affordable Housing TIF Districts. Please see table below for 2024 Area Median Income (AMI) limits:

Number in Household	1	2	3	4	5	6	7
50% AMI	$44,650	$51,000	$57,400	$63,750	$68,850	$73,950	$79,050
60% AMI	$53,580	$61,200	$68,880	$76,500	$82,620	$88,740	$94,860
80% AMI	$68,500	$78,250	$88,050	$97,800	$113,450	$121,300	$129,100
100% AMI	$89,250	$102,000	$114,750	$127,500	$137,700	$147,900	$158,100
120% AMI	$107,100	$122,400	$137,700	$153,000	$165,250	$177,500	$189,750

The City Council took up the following items during FY2024:

A. Approved an Affordable Housing TIF (AHTIF) District with Equity Community Center at 25 Casco Street to construct 54 units of rental housing, with 21 units maintaining affordability for households earning at or below 60% of AMI, and 33 units reserved for households earning at or below 50% AMI. This is a 30-year AHTIF District capturing 75% of increased assessed value taxes annually. This was approved by the City Council on 8/14/2023, followed by Maine State Housing Authority (MSHA) approval on 9/15/2023.

B. Approved an Affordable Housing TIF District with Riverton Park, LP, at 2 Riverton Drive, to construct 182 units of rental housing, with 130 units maintaining affordability for households earning at or below 50% of AMI, 34 units for households at or below 60% of AMI, and 18 units for households at or below 80% of AMI. This is a 20-year AHTIF District capturing 50% of increased assessed value taxes annually. This was approved by the City Council on 11/13/20323, followed by MSHA approval on 1/8/2024.

C. Approved an affordable Housing TIF District with Lambert Woods North LLC, at 622 Auburn Street to construct 72 units of rental housing with all reserved for households earning at or below 60% of AMI. This is a 30-year AHTIF District capturing 75% of increased assessed value taxes annually. This was approved by the City Council on 12/18/2023; final approval by MSHA pending.

D. Approved the City's Affordable Housing Development and TIF District Application for future AHTIF Districts.

7. **Statutory Limits for TIF Districts**

There are two State statutory limitations which include:

A. Acreage: No single development District, including Affordable Housing Districts, can be larger than 2% of a municipality's total acreage, or in the case of Portland, 2% of Portland's 13,785.6 acres is 275.7 acres. Also, all active development Districts have to be less than 5% of a municipality's total acreage, or in the case of Portland, 5% is 689 acres. Based upon active development Districts as of FYE2024, including Affordable Housing TIF Districts, Portland has the ability to include 246 additional acres in development TIF Districts.

B. Value:

i. **Commercial/Area Wide TIF Districts:** The OAV of all these TIF Districts in a municipality cannot be more than 5% of its total aggregate value (FY2023 aggregate value: $14,872,866,446), or in the case of Portland, 5% is $743,643,322. Based upon active TIF Districts as of FYE2024, Portland has the ability to include an additional $585.7 Million of property value in TIF Districts.

ii. **Affordable Housing TIF Districts:** The OAV of all Affordable Housing TIF Districts cannot be more than 5% of the total aggregate value (FY2023 aggregate value: $14,872,866,446), or in the case of Portland, 5% is $743,643,322. Based upon active Affordable Housing Districts as of FYE2024, Portland has the ability to include an additional $739.3 Million of property value in Affordable Housing TIF Districts**.**

It is noted that the amount of acreage and OAV to include in TIF Districts fluctuates as TIF districts are created, amended, expired, and/or terminated.

There are exemptions from State limitations for Transit Oriented Development (TOD) and Downtown TIF Districts, for which Portland now has two: Thompson's Point TOD TIF, and the Downtown TOD TIF.

8. **Tax Sheltering Benefits**

Municipalities realize "savings" from the tax sheltering effect of TIF Districts. The following direct financial impacts occur when municipal valuation increases:

A. State Education Aid is reduced,
B. State Municipal Revenue Sharing is reduced, and
C. A municipality pays a higher percentage of the County budget.

This amount of "savings" is significant and one of the most important benefits of establishing TIF Districts.

For Portland, tax shelter savings is conservatively estimated at 30%, meaning that for every new tax dollar, Portland saves 30 cents which would otherwise be lost for property tax value not included in a TIF district. Portland's estimated annual total tax shelter savings for all active TIF Districts is $3.58 Million for FYE2024.

9. TIF Districts in Portland

A list of all approved TIF Districts as of FYE2024 is provided as Attachment B.

This list includes seven expired single TIF Districts as of the date of this Report – Auto Europe, Shipyard Brewery, Nichols Portland, UNUM, Bramhall/Holt Hall, Riverwalk/Ocean Gateway, Baxter Library LP.

There are three area wide TIF Districts – Downtown Transit Oriented Development (TOD) TIF, Waterfront, and Bayside. In the area-wide Bayside TIF District, there two expired CEAs – Bayside Student Housing, and Capital LLC (Intermed Building, expiring FYE2023). In the Waterfront TIF District, there is one active CEA – Waterfront Maine.

This list also illustrates that there are currently 21 active Affordable Housing TIF Districts, 3 Commercial TIF Districts, and 1 Transit Oriented Commercial TIF District (Thompson's Point).

This list also includes two TIF Districts which were terminated by the City Council during FY2015 – those being the Village at Oceangate (Bay House), and the Fore India Middle LLC TIF District.

It is noted that after expiration and termination TIF Districts, 100% of their property tax revenue reverts to the City's General Fund.

In addition, this list provides the following information for each TIF District:

A. TIF District duration;
B. percentages of taxes allocated to the Recipient/Developer, City, and General Fund;
C. TIF District location; and
D. brief description.

Attachment C provides a map showing the location for each active TIF District.

A list of approved active individual site specific TIF Districts, area-wide TIF Districts, Downtown TOD TIF, Thompson's Point TOD TIF, non-active TIF Districts, and terminated TIF Districts by name are provided below.

Active Approved Individual Site Specific TIF Districts

As of the date of this Report, the City has 24, single site active TIF Districts with associated CEAs as follows: 2 TIF Districts supporting commercial projects; 1 TIF commercial district supporting housing projects (market and affordable); and, 21 affordable housing TIF Districts, namely:

- PowerPay/Portland Public Market/Commercial TIF
- ImmuCell/Commercial TIF
- McAuley Place/Commercial TIF supporting Market Rate and Affordable Rental Housing)
- Avesta/Pearl Place Affordable Housing TIF
- 409 Cumberland Avenue Affordable Housing TIF
- 134 Washington Avenue Affordable Housing TIF
- 17 Carleton Street Affordable Housing TIF
- Deering Place Affordable Housing TIF
- 58 Boyd Street Affordable Housing TIF
- 66 State Street Affordable Housing TIF
- 37 Front Street Affordable Housing TIF
- 977 Brighton Avenue Affordable Housing TIF
- 178 Kennebec Street (Unit 2) Affordable Housing TIF
- 83 Middle Street Affordable Housing TIF
- 104 Grant Street Affordable Housing TIF
- 200 Valley Street Affordable Housing TIF
- 337 Cumberland Avenue Affordable Housing TIF
- 577 Washington Avenue Affordable Housing TIF
- 73 Winter Street Affordable Housing TIF
- 91 Winter Street Affordable Housing TIF
- 45 Dougherty Court Affordable Housing TIF
- 25 Casco Street
- 622 Auburn Street/Lambert Woods North (Pending MSHA Approval)
- 2 Riverton Drive/Riverton Park

Active Approved Area Wide TIF Districts and Associated CEAs

The City has two active area wide TIF Districts, for which the City retains a portion of the TIF funds for public infrastructure projects, with a portion of the TIF funds targeted to CEAs within those Districts, namely:

- Bayside
  - Capital LLC CEA (expired FY2023)
  - Bayside Student Housing CEA (expired FY2018)
- Waterfront
  - Waterfront Maine CEA (expires FY2031)

Approved Downtown and/or Transit-Oriented Development (TOD) TIF Districts

- Downtown TOD TIF

The City retains a portion of the TIF funds for workforce training, public infrastructure, Creative Portland, and transit projects for the Downtown TOD TIF. This Downtown TOD TIF was approved during FY2015 and was activated with FY2016. There is no CEA associated with it at this time.

- Thompson's Point TOD TIF and CEA

For the Thompson's Point TOD TIF, the City retains a portion of TIF Funds for transit projects. This TOD TIF also has an associated CEA with Thompson's Point Development Company, Inc. for development of Thompson's Point.

Terminated TIF Districts

The City Council has terminated two TIF Districts, namely:

- Fore India Middle LLC – This TIF project had not come to fruition and, therefore, was terminated by the City Council in November 2014; and,

- The Village at Oceangate, LLC (Bay House) – This TIF District was also terminated by the City Council in November 2014 due to this District's use being converted into residential condominiums which is not an allowable TIF District use.

10. <u>TIF District Financial Overview for FY2024, including FY2022, FY2021, FY2020, and FY2019:</u>

See next page for a financial comparison of FY2024, FY2023, FY2022, FY2021, and FY2020 for then active TIF Districts:

	FY2020	FY2021	FY2022	FY2023	FY2024
City General Fund Taxes from OAV	$26.39 Million	$26.3 Million	$14.6 Million	$15.3 Million	$16.2 Million
City General Fund Taxes from Non-Captured Value	$4 Million	$4.5 Million	$18.1 Million	$19.3 Million	$22.8 Million
Total TIF Taxes From Captured Value	$4 Million	$5.1 Million	$5.8 Million	$6.1 Million	$6.5 Million
- TIF Taxes to CEAs	$920,000	$1.1 Million	$1.1 Million	$1 Million	$1.4 Million
- TIF Taxes to Public Infrastructure/Arts/Staff	$3.1 Million	$4 Million	$4.7 Million	$5.1 Million	$5.1 Million
Total Tax Sheltering Value	$174.3 Million	$222.6 Million	$451.8 Million	$448.2 Million	$454.7 Million
Estimated Annual Average Tax Sheltering Savings	$1.47 Million	$1.9 Million	$3.85 Million	$3.93 Million	$3.58 Million

Table Explanations:

City General Fund-Taxes from OAV - The above table shows slight decrease in FY2021 due to Bayside and Downtown TIF Amendments in support of affordable housing TIFs. FY2022 saw an $11.7 Million decrease from FY2021 due to the revaluation and the tax rate going from .02331 in FY2021 to .01299 in FY2022. FY2023 saw an increase of $700,000 due to the tax rate increase to .01334 and a $900,000 increase in FY2024 due to the tax rate increase to .01441. As noted earlier in the definition section, all taxes from the OAVs go to the General Fund.

City General Fund-Taxes from Non-Captured Value (NCV) – The number fluctuates based on each CEA, as well as the City's budget needs for public infrastructure/staff salaries/arts/debt service, for example. The captured value percentages for the area wide TIF Districts – Bayside, Waterfront, and Downtown TOD TIF - are adjusted yearly based on those needs. For FY2022, because of the revaluation and resulting increased values, the NCV value increased by $13.5 Million resulting in more taxes going to the General Fund. For FY2023, it increased by $1.2 Million and FY2024 increased by $400,000. Attachment D is the spreadsheet for FY2024.

Total TIF Taxes From Captured Value – The percentage of captured value varies yearly based on CEAs and the City's financial needs. This TIF Revenue is then allotted to the various

CEAs, and then to the City public infrastructure projects/debt service/arts/staff investments, for example.

Total Tax Sheltering Value – This number represents the total of the Increased Assessed Value (IAV) of all TIF Districts that has been captured.

Estimated Tax Sheltering Savings – This is the estimated annual tax sheltering savings from all the TIF Districts.

11. Example of a Performing TIF

83 Middle Street (Phoenix Flats - Affordable Housing TIF)

Duration: 30-year term (FY2021 through FY2050)
Percentages: 50% to Developer, 50% to City General Fund for the 30-year term.

The 83 Middle Street Affordable Housing Development and Tax Increment Financing District was approved by the Portland City Council on August 3, 2020, and then by the Maine State Housing Authority on September 17, 2020.

This Affordable Housing TIF District supported the new construction of a building at 83 Middle Street for 50 units of rental housing which will be occupied by households with incomes not exceeding 60% AMI.

TIF revenues are used by Developer, Middle Street Housing Partners LP (Community Housing of Maine), to pay for operating costs for the project.

The subsequent investment and increase in assessed value is as follows:

Dates of Values	Real Estate Values
OAV 4/1/2020	$62,400
4/1/2022	$375,000
4/1/2024	$3,894,500

With this increased in assessed value for FY2024 and units rented, the Developer received a TIF payment of $27,610.

For more information, contact Greg Watson, Housing and Economic Development Director, via email at gwatson@portlandmaine.gov, or 1-207-874-8683.

EXHIBIT A

PORTLAND TIF POLICY

February 22, 2021

I. INTRODUCTION

Tax Increment Financing (TIF) is an economic development program authorized under state law to support municipal projects. The TIF program allows municipalities to provide financial assistance to local economic development projects and programs – from infrastructure, municipal economic development programs and staff, to business expansions - by using new property taxes that result from new commercial or residential investment associated with the corresponding increase in property value.

Portland TIF Policy supports investment in municipal economic development programs, infrastructure investment (which is generally through the establishment of area wide or neighborhood TIF districts) and individual project site specific TIF districts to support either infrastructure or individual private project financing needs.

The City is committed to invest in infrastructure located within the public rights-of-way that encourage economic development. Use of TIF investment to invest in infrastructure recognizes the savings which occurs through the TIF Program tax sheltering benefits.

"Infrastructure" is defined, but not limited to: traffic upgrades, public parking facilities, roadway improvements, lighting, sidewalks, water and sewer utilities, storm water management improvements and placing above ground overhead electric and telecommunications lines underground.

II. STATE TIF LIMITATION

There are acreage and value caps limitations for municipalities to establish TIF along with term limits. Term limits include bonds which may be issued for a maximum of 20 years (anticipation notes for three years). TIF districts may be designated for a maximum of 30 years.

III. PURPOSE

The primary purposes of the TIF Policy include:

A. To support Portland Economic Development and Housing Plans and Policies;
B. To stimulate expansion of the City's commercial and industrial tax base;
C. To stimulate new affordable and market rate housing investment;
D. To retain and create quality employment;
E. To support Portland's Capital Improvement Plan; and,
F. To establish standards upon which the City Council will authorize TIF.

IV. GENERAL PRINICPLES

The three primary general principles for the City Council to establish TIF districts include:

A. Investment

Minimum Real Property Investment**.** A minimum of $1 million in new taxable investment property value for commercial and industrial development and $500,000 for affordable housing development is needed to qualify for a TIF. This is the minimum amount which makes practical sense to consider use of the TIF program due to the amount of new municipal property tax revenue generated from new private investment.

B. Jobs Associated with Commercial and Industrial Development

Applicants for TIF participation will be required to provide a plan outlining the number and quality of jobs retained or created associated with each TIF district. While there is not a specific formula for the numbers of jobs associated with the amount of TIF financial assistance, the number and quality of the jobs will be taken into consideration for each TIF district. It is recognized that housing projects do not create many permanent jobs.

C. Maximize Tax Sheltering Benefits

A municipality's total equalized assessed value is used to calculate General Purpose Aid to Education (subsidy), State Revenue Sharing (subsidy) and County taxes (expense). When a municipality's equalized assessed value increases, State Aid for Education decreases, municipal revenue sharing decreases, and the municipality pays a greater portion of County taxes. TIF allows municipalities to "shelter" new value resulting from private investment from the calculation of its State subsidies (education and revenue sharing) and County taxes. In other words, specific municipal shelter benefits, for the term of the TIF, include:

1) No reduction in State aid for education,
2) No reduction in municipal revenue sharing and
3) No increase in County taxes.

Annually, the Council Committee with jurisdiction over housing and community development and City Council will evaluate available TIF district capacity related to State acreage and value limitations to determine whether existing TIF districts need amending and/or new TIF district establishment. Scheduled public infrastructure investments included in the City's Capital Improvement Plan will inform decisions about adjustments to existing TIF districts or establishment of new TIF districts.

V. APPROACH, POLICY, and TERM REQUIREMENTS

Must meet or exceed the below requirements.

A. Approach

There are three approaches to consider establishing TIF districts. They include:

1) ***Municipal Economic Development Programs funded directly through a pay-as-you-go approach.***

   Examples of municipal economic development programs include paying for economic development staff, annual funding to Creative Portland for city marketing/branding, and other TIF law allowable activities.

2) ***Area wide TIF districts financed by City Bond/Debt Issuance***

   Issuance of municipal general obligation bonds or limited obligation bonds is a mechanism that may be used to fund a TIF district program. Allowable uses are spelled out in state TIF law. Generally, municipalities will issue debt to cover the cost of infrastructure investment.

3) ***Individual Site Specific TIF districts utilizing Credit Enhancement Agreements (CEAs)***

   A CEA is a contract between a municipality and developer to assist an individual development project by using a percentage or all of the tax revenue generated by the investment to pay certain authorized project costs which could include site specific infrastructure or private individual project financing needs. Allowable project costs are spelled out in state TIF law.

B. Policy for the Three Approaches

1. Policy for Municipal Economic Development Programs.

Requires annual review and City Council financial appropriations.

2. Policy for Area wide TIF District Locations (for City Bond/Debt Issuance)

a) Area wide TIF will be established for infrastructure investment which has applications beyond one individual project.

b) City TIF emphasis will be placed upon the following general "Priority Revitalization Areas" to support commercial development, housing development, redevelopment, or to support buildings in need to redevelopment, address blight or historic preservation:

- Affordable housing projects off peninsula;
- Riverside Street commercial and industrial zoned areas;
- Forest Avenue corridor from I-295 to Woodfords Corner;
- Washington Avenue corridor from Congress Street to I-295;
- Portland Technology Park ;
- Areas in which future significant wastewater and/or stormwater infrastructure investments are planned;
- West Commercial Street vacant property;
- Libbytown;
- St. Johns Street Valley;
- Other areas based upon scheduled public infrastructure investment included in the City's Capital Improvement Plan.

The above list of general priority revitalization areas serve as guides to establish specific boundaries for TIF districts at time of district establishment.

c) Market Rate Housing. Market rate rental housing projects must be located in priority revitalization areas to stimulate housing investment for the purpose of attracting 24/7 pedestrian activity. Pursuant to State Law, TIF for condominium projects are not allowed.

d) Affordable Housing**.** Affordable Housing TIF (AHTIF) may be designated on an area wide or site specific basis.

The relevant City Council Committee will complete an annual assessment of housing needs and priorities. This assessment will include a determination regarding designation of an area wide AHTIF. Site specific AHTIF requests submitted by developers will be considered on a case-by-case basis. Area wide or site specific AHTIF designations must address an identified community need.

State law requires that at least 25% of the district area must be suitable for residential use, development must be primarily residential, and at least 1/3 of the units must be for households at or below 120% of area median income which allows for individual mixed income projects or area wide affordable housing TIF districts.

Allowable uses of AHTIF revenues are defined by State law.

e) City preference is to invest in area wide public infrastructure TIF districts versus establishing individual private site specific TIF districts.

f) Area wide TIF districts also should seek to maximize the benefit of downtown and transit oriented development (TOD) districts which are exempt from State TIF law for acreage and value limitations.

g) Terms for area wide TIF districts will be considered for up to 100% of new tax revenue and upwards of thirty (30) years, the maximum allowed by State law, due to the long-term need to invest in neighborhood infrastructure.

NOTE 1: As of this Amended TIF Policy date, there are two existing area wide TIF Districts, i.e., Bayside and Waterfront TIF Districts.

NOTE 2: As of this Amended TIF Policy date, there also exists two Transit Oriented Development (TOD) District, namely the Thompson Point TOD TIF District and the Downtown TOD TIF District to support new or expanded transit services and improved transit connections between the Portland Transportation Center, Jetport and Downtown.

3. Policy for Individual Site Specific TIF Districts Utilizing Credit Enhancement Agreements (CEAs)

a) CEAs for individual site specific TIF districts will be considered for investment in infrastructure or project financing need and cannot be applied to any agreed upon public infrastructure improvements associated with a City Council approved conditional rezone agreement. Additional provisions related to CEAs include:

i) City Green Building Code

Compliance with the City's Green Building Code is required when TIF assistance is provided to individual private project CEAs.

ii) Affordable Housing

Affordable Housing TIF (AHTIF) may be designated on an area wide or site specific basis. Developments are encouraged to promote economic diversity.

The City Council Committee will complete an annual assessment of housing needs and priorities. This assessment will include a determination regarding designation of an area wide AHTIF. Site specific AHTIF requests submitted by developers will be considered on a case-by-case basis. Area wide or site specific AHTIF designations must address an identified community need.

State law requires that at least 25% of the district area must be suitable for residential use, development must be primarily residential, and at least 1/3 of the units must be for households at or below 120% of area median income which allows for individual mixed income projects or area wide AHTIF districts.

Affordable means that the percentage of income a household is charged in rent and other housing expenses including utilities, or must pay in monthly mortgage payments (including real estate taxes, mortgage insurance, condominium/HOA fees, insurance and utilities), does not exceed 30% of a household's gross income, or other amount established in city regulations that does not vary significantly from this amount. These restrictions must remain in place for the full term of the AHTIF district.

Allowable uses of AHTIF revenues are defined by State law.

(iii) State Prevailing Wage Requirement

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.

City staff shall provide to the relevant City Council Committee an annual update on:

a) the impact of this prevailing wage requirements on CEAs;
b) feasibility of construction firms to pay prevailing wages and benefits; and
c) compliance with this section.

(iv) Equal Employment Opportunities and Nondiscrimination

The developer and its contractors employed in the construction phase of a TIF-assisted project shall adhere to a policy of non-discrimination in all employment actions, practices, policies, procedures, phases, and conditions of employment. All employment-related decisions (including but not limited to hiring, discharge, transfers, promotions, discipline, training, job opportunities, and wage and salary levels) will be made without discrimination based on an individual's race or color, religion, age, sex (including pregnancy), sexual orientation, gender identity or expression, ancestry or national origin, physical or mental disability, veteran status, genetic information, previous assertion of a claim or right under Maine's Workers' Compensation Act, previous actions taken protected under Maine's Whistleblowers' Protection Act, or any other protected group status as defined by applicable law. Provisions in applicable laws providing for bona fide occupational qualifications, business necessity, or age limitations will be adhered to by the developer and its contractors where appropriate. This policy shall not be construed to prohibit any employment action or policy which is required by federal law, rule or executive order.

b) Applicants for CEA participation must demonstrate and pay the following:

i) Financial Necessity.

The applicant must demonstrate the City's participation is financially necessary in order for the project to proceed.

ii) Financial Capacity**.**

The applicant must demonstrate financial capacity to support their project.

iii) Fees

A financial underwriting analysis will be conducted by a third party on all projects requesting CEA participation. Applicants for CEA assistance will be responsible for reimbursing the City for all project third party legal and financial underwriting costs***.***

C. Terms for CEA Projects

1) Maximum Percentages.

A maximum average percentage of 65% for the entire term associated with individual project CEA's. Notwithstanding the previous sentence, the maximum average percentage for the entire term associated with individual project CEAs for affordable housing shall be 75%. For the purposes of this policy, the term affordable housing shall be defined as in "V. Approach, Policy, and Term Requirements" Section B(3)(a)(ii) (Affordable Housing) of the Portland TIF Policy.

2) Maximum Number of Years.

Up to twenty (20) years to match individual private sector commercial financing terms; for Affordable Housing projects, up to thirty (30) years (affordability must be maintained for the full term of the TIF). The term of a TIF may start upon agreed trigger event, such as an increased assessed value. This would be included in a CEA on that negotiated triggering event.

3) Use of Maine Services for CEA Projects Encouraged.

VI. TIF APPLICATION AND ADMINISTRATION PROCESS

A. Application Information and Contact.

The Housing and Economic Development Department handle all TIF inquires and processes requests for TIF. An applicant must submit a letter or application to the Housing and Economic Development Department outlining the proposed project, including TIF project financial information, a plan outlining both the number of permanent and construction jobs associated with the proposed project, housing affordability, as well as a demonstrated ability to meet the requirements under Section B(3)(a) of this policy.

B. Approval Process.

There is a two step approval process which includes obtaining a recommendation from the City Council Committee and City Council approval. Two meetings (or readings) by the City Council are needed. The City Council vote on the TIF occurs at the second meeting.

C. Post-Construction Report to City Council.

The Housing and Economic Development Department shall provide a post-construction report to the City Council Committee and City Council regarding each TIF-assisted project which shall include, but not be limited to, an analysis of the adherence to Section (V)(B)(3)(a) of this policy.

D. Annual Report to City Council.

The Housing and Economic Development Department shall provide annual reports to the City Council Committee and City Council regarding TIF district activity.

EXHIBIT B

SUMMARY OF ALL APPROVED

TAX INCREMENT FINANCING (TIF) DISTRICTS

IN THE CITY OF PORTLAND A/O JUNE 30, 2024

This provides an overview of the thirty-seven (37) Tax Increment Financing Districts (TIF's) approved by the City of Portland.

Of the 37 Districts:

- 7 have expired;
- 2 were terminated;
- 3 are area-wide TIF Districts (Bayside, including one Credit Enhancement Agreement; Waterfront, including one Credit Enhancement Agreement; and, Downtown Transit Oriented Development TIF District) used primarily by the City of Portland for public infrastructure, workforce training, staff salary and fringe benefits, and administrative expenses, Metro, Creative Portland, and debt service;
- 21 are Affordable Housing TIF Districts;
- 3 are Commercial TIF Districts; and,
- 1 is a Transit Oriented Commercial TIF District.

Below are details of each of these TIF Districts.

1. Nichols Portland (Economic Development TIF) **(Expired FY14)**

Duration: 20 year term (FY95 through FY14)
Percentages: Years 1 to 5, 90% to Recipient, 10% to City General Fund; years 6 to 10, 75% to Recipient, 25% to City General Fund; years 11 to 20, 50% to Recipient, 50% to City General Fund.

Location: 2400 Congress Street

This TIF was created to support Nichols Portland expansion of its existing manufacturing facility at 2400 Congress Street and retain 450 jobs.

2. Shipyard/Longfellow (Economic Development TIF) **(Expired FY07)**

Duration: 12 year term (FY96 through FY07). Please note this TIF has expired and the City General Fund is receiving 100% of the real estate taxes.
Percentages: 90% to Recipient, 10% to City General Fund Years 1 through 6; 50% to Recipient; 50% to City General Fund Years 7 through 11; 1% to Recipient, 99% to City General Fund Year 12.

Location: Newbury Street

This TIF was used to transform the former Crosby-Laughlin site on Newbury Street into the Shipyard Brewing Company.

3. <u>Auto Europe</u> (Economic Development TIF) **(Expired FY11)**

Duration: 15 year term (FY97 through FY11). Please note this TIF has expired and the City General Fund is receiving 100% of the real estate taxes.
Percentages: 75% to Recipient; 25% to City General Fund

Location: Commercial Street across the street from Casco Bay Lines, former Galt Block building.

This TIF was used to renovate the former Galt Block Building into the headquarters for Auto Europe. The Galt Block Building had been vacant for over 10 years.

4. <u>Bramhall/Holt Hall</u> (Economic Development TIF) **(Expired FY19)**

Duration: 20 year term (FY00 through FY19)
Percentages: 75% to Recipient; 25% to City General Fund, plus a Payment in Lieu of Taxes (PILOT) associated with first floor space.

Location: 794 Congress Street

This TIF was used to renovate Holt Hall, built in the 1860's, and then vacant in excess of 10 years, into 36 market rate rental apartments and office space on the ground floor at a cost of almost $4 Million.

5. <u>UNUM</u> (Economic Development TIF) (**Expired FY15)**

Duration: 15 year term (FY01 through FY15)
Percentages: 100% capture of increased value with 75% going to the Recipient, and 25% going to economic development projects for the City.

Location: Outer Congress Street.

This TIF was utilized to support expansion of UNUM offices and to build a 1,200 space parking garage.

6. <u>Waterfront TIF</u> (Economic Development TIF)

Duration as originally approved March 18, 2002: 10 year term (FY03 to FY12)
Duration Extended as of June 7, 2010 for a 30-year term: FY03 to FY32
Percentages: Up to 100% TIF capture. Annually, the City Council has adjusted this TIF capture rate to place a portion of the property tax revenue in the City General Fund.

Location: Selected waterfront properties.

This is a municipal TIF to be used for waterfront projects, staff costs, and administrative expenses.

6a. Waterfront Maine LP (Cumberland Cold Storage Building) on Commercial Street (Economic Development TIF)

Duration: 20-year term (FY12 through FY31)
Percentages: 63% years 1 through 5; 64% years 6 through 10; 55% years 7 through 15; 45% years 16 and 17; 40% years 18 and 19; and, 35% year 20 – with a maximum cumulative TIF payment numeric cap not to exceed $2,870,058.

Location: 252 Commercial Street on the Portland waterfront.

The City entered into the TIF in order to support the renovation of the Cumberland Cold Storage building into a Class A office building, with continued marine uses on the first floor and berthing according to zoning regulations. The reuse of this building will accommodate the relocation of Pierce Atwood, bringing its 175 employees to the Portland waterfront.

7. <u>Bayside TIF</u> (Economic Development TIF)

Duration: 30 year term (FY04 through FY33)
Percentages: Up to 100% TIF capture. Annually, the City Council has adjusted this TIF capture rate to place property tax revenue in the City General Fund.

The geographic area of this TIF District was expanded by City Council vote on November 17, 2014, expanding it from 62 acres, to 129 acres, to align with the area of Bayside contained in the *Bayside Vision Plans I* and *II.*

This is a municipal TIF to be used for public infrastructure improvements, relocation of the one remaining scrap metal recycling facility and acquisition of the scrap metal yard site, business recruitment marketing for the Bayside area, pledging TIF revenue as a repayment source to HUD or any other agency or entity that finances Bayside investment, workforce training, and administrative and staff costs. Investments from this TIF also included two Credit Enhancement Agreements (CEA's) with the following:

7a. Capital LLC (Intermed Building) on Marginal Way (Economic Development TIF) (**Expired FY23)**

Duration: 15 year term (FY09 through FY23)
Percentages: 100% to return, to Developer, to an annual maximum cap of $355,000 for years FY2009 through FY2018, and annual maximum cap of $325,000 for years FY2019 through FY2023 and annual debt service threshold test.

Location: Bayside next to I-295

The City entered into the CEA in order to assist with the development of a parking structure in connection with the office building.

7b. **Southern Maine Student Housing on Marginal Way** (Economic Development TIF) **(Expired FY18)**

Duration: 11 year term (FY08 through FY18)
Percentages: 100% to return, to Developer, to a maximum annual cap of $120,000 and annual debt services threshold test.

Location: Bayside next to I-295

The City entered into the CEA in order to assist with the development of a parking structure in connection with the student housing development.

8. <u>Riverwalk/Ocean Gateway</u> (Economic Development TIF) (**Expired FY19)**

Duration: 13 year term (FY07 through FY19)
Percentages: Formula based percentages in Credit Enhancement Agreement

Location: Hancock and Fore Street area

The TIF was entered into to assist with the construction of a parking structure for the development plan for the area adjacent to Hancock Street.

9. **<u>Avesta/Pearl Place</u>** (Affordable Housing TIF)

Duration: 30 year term (FY08 through FY37)
Percentages: Various percentages captured value to return to Developer based on Maine State Housing Authority Certificate of Approval, to a maximum of $22,000 annual cap.

Location: Oxford and Pearl Streets

This TIF is an affordable housing TIF to assist in the creation of affordable housing in the City's Bayside area along Oxford and Pearl Streets

<u>10.</u> <u>Creative Portland Development and Arts</u> (Economic Development TIF)

<u>NOTE:</u> ***This area wide TIF District was reduced/renamed by the City Council on February 19, 2015, reducing the geography to just the Baxter Library property (see #10a below), and renaming it the Baxter Library TIF District with the term ending FY19; this will take effect with FY16).***

Original Duration: 15-year term (FY10 through FY24); ***Term amended as noted above to end FY19.***
Original Percentages: Up to 100% capture; annually, the City Council may adjust this TIF capture rate to place property tax revenue in the City General Fund; ***Percentage amended to reflect the 65% capture for the Baxter Library project***.
Original Location: Multiple properties included in the Downtown Area; ***Location amended as noted above to be only the Baxter Library property.***

This TIF was ***originally*** created to assist in maintaining the creative economy businesses through the creation of the Creative Portland Corporation and TIF funds to assist in funding its administrative personnel and program of activities up to a maximum of $100,000 annually. ***This element of the original TIF District is now included in the recently created Downtown Transit Oriented Development (TOD) TIF District – See Item #18 below.***

10a. Baxter Library LP at 621 Congress Street (Economic Development TIF) (**Expired FY19)**

Duration: 9-year term (FY11 through FY19)
Percentages: Lesser of annual 65% to return to Developer or amount necessary to service project debt. Adjustments to annual payment if project refinancing occurs.

The City entered into the CEA in order to assist with the reuse, redevelopment, and preservation of a hallmark downtown building built in 1888, where adaptive reuse of this former library is challenging and expensive. This Project added $2.5 Million in new municipal assessed commercial valuation. The reuse of this building accommodated the relocation of the VIA Group, bringing its then 64 employees to this upper area of downtown Portland.

11. McAuley Place (Economic Development TIF)

Duration: 30 year term (FY10 through FY39)
Percentages: 60% to Recipient; 40% to City General Fund.

Location: 605 Stevens Avenue

This TIF was created to assist in the renovation of the former Mother House/Convent (built over 100 years ago) on Stevens Avenue into a market rate independent senior living community, including 45 to 50 apartments in the renovated Convent; 25 to 30 apartments (new construction) in an addition to the Convent; and, 36 units (new construction) to be located in three townhouse/cottages adjacent to the Convent.

The project remained dormant for a number of years until 2016/2017, with an updated renovation plan in the Motherhouse/Convent into 88 units - 66 with affordable restrictions and 22 market rate, and 21 market rate residential units located between the Motherhouse/Convent and Baxter Woods.

12. PowerPay/Portland Public Market (Economic Development TIF)

Duration: 30 year term (FY11 through FY40)
Percentages: Years 1 through 8 – 75% to Developer, 25% to City General Fund; Years 9 through 30 – 50% to Developer, 50% to City General Fund.

Location: 25 Preble Street

This TIF district was created to support the retention and expansion of PowerPay, along with redeveloping an important asset in Portland's Downtown that was formerly known as the Portland Public Market. Because of the complex renovation issues and the high cost associated with redeveloping the Portland Public Market property, PowerPay requested TIF assistance to cover the Project financing gap. PowerPay renovated and moved its headquarters to this location with well over 150 employees.

13. Thompson's Point Development Company, Inc. (Transit-Oriented TIF)

Duration: 30 year term (FY15 through FY44).

Percentages:
Phase One of Project: Years 1 through 10 – 75% to Developer and 25% to City transit-oriented projects; years 11 through 15 – 60% to Developer, 25% to City transit-oriented projects, and 15% to City's General Fund; years 16 through 20 – 50% to Developer, 25% to City transit-oriented projects, and 25% to City's General Fund; years 21 through 30 – 40% to Developer, 25% to City transit-oriented projects, and 35% to City's General Fund.

Phases Two and Three of Project: Years 1 through 30 – 0% to Developer; 25% to City transit-oriented projects; 75% to City's General Fund.

Location: Thompson's Point

This Transit-Orient Development (TOD) Tax Increment Financing (TIF) District was created to support Thompson's Point Development Company Inc.'s redevelopment of Thompson's Point into the **Forefront at Thompson's Point.** Additionally, the TOD will assist to expand and improve transit connections between Thompson's Point and key commercial locations within Portland (i.e. Jetport, Portland Transportation Center and Portland's Downtown) and around the region.

Thompson's Point consists of approximately 30 acres of real estate adjacent to the Portland Transportation Center that is home to the Northern New England Passenger Rail Authority, which runs the Amtrak Downeaster and Concord Trailways bus company.

The Forefront at Thompson's Point is a mixed-use development that is transforming a blighted and grossly underutilized 30-acre parcel located along Interstate 295 into a highly visible gateway destination event center generating significant economic activity within the District and throughout Portland. The Company is redeveloping Thompson's Point in a manner that includes a substantial investment in public infrastructure, including construction of an above-ground parking garage with approximately 700 spaces, road extensions and widenings, rail crossings upgrade, utility investments, and expanded walking and biking trails.

14. The Village at Oceangate, LLC (Bay House) (Economic Development TIF)

This TIF was terminated by the City Council on November 3, 2014 due to the conversion of market rate apartments into condominiums which is not an allowable use of TIF funds.

Duration: 11 year term (FY14 through FY25)
Percentages: Years 1 through 5 – 75% to Developer, 25% to City General Fund; Years 6 through 10 - 65% to Developer, 35% to City General Fund. Total revenue to developer is capped at $647,971 over the term of the District.

Location: Hancock Street, between Newbury and Middle Streets.

This TIF district was created to support the development of The Bay House Project. The Project includes the construction of two new buildings that will contain ninety-four (94) market rate apartments, a parking garage, and approximately 5,700 square feet of commercial retail space. Use of TIF proceeds is directed to support public infrastructure investments.

15. Fore India Middle, LLC (former Jordan's Meat Site) (Economic Development TIF)
This TIF was terminated by the City Council on November 3, 2014 due to the project not coming to fruition.

Duration: 4 year term (FY14 through FY17)
Percentages: Years 1 and 2 – 50% to Developer, 10% to City TIF Project; 40% to City General Fund; Year 3 - 40% to Developer, 10% to City TIF Project; 50% to City General Fund; Year 4 – 40% to Developer, 60% to City General Fund. Total revenue to developer is capped at $650,000 over the term of the District.

Location: Portion of block surrounded by Fore, India, and Middle Streets.

This TIF district was created to support the development of a portion of the former Jordan's Meats site. This development project includes a five-story, approximately 180,000 sf. of mixed-use consisting of 12,300 sf. of retail space on Middle Street, 9,800 sf. of retail space on Fore Street, three levels of office space comprising 63,900 sf. on Middle Street, and 18 residential condominium units along Fore Street and India Street. In addition, there will be two "internal" parking garages behind the retail spaces (not visible from the street), one 110-space garage at the Fore Street level, and another 63-space garage one story above at the Middle Street Level. The Developer expects to have an urban grocery on Middle Street with a variety of produce, meats, food, and household items, with an emphasis on natural, organic and healthy items. The other retail users and the office users have not been identified yet. Use of TIF proceeds is directed to support public infrastructure investments.

16. 409 Cumberland Avenue (Affordable Housing TIF)

Duration: 22 year term (FY14 through FY35)
Percentages: 50% to Developer; 50% to City Housing Affordable Housing Revolving Loan Fund

This Affordable Housing TIF District supports the development of 46 affordable units and 11 market rate units of rental housing. TIF revenues will be used by Developer to pay operating costs for the project; City TIF revenues will be used for the establishment of an affordable housing revolving loan fund.

17. 134 Washington Avenue (Affordable Housing TIF)

Duration: 20 year term (FY15 through FY34)
Percentages: 50% to Developer; 50% to City General Fund.

This Affordable Housing TIF District supports the development of an 18-unit residential rental project. TIF revenues will be used by Developer to pay for operating costs for the project.

18. Downtown Transit Oriented Development (TOD) TIF (Economic Development TIF District)

Duration: 30 year term (FY16 through FY45)
Percentages: 12% Year One; 22% years 2 through 4; and up to 100% years 5 through 30.

This Downtown TOD TIF will support various municipal and other development projects, including sidewalk and pedestrian enhancements, streetscape, lighting, yearly funding of up to $100,000 for Creative Portland to assist in funding its administrative personnel and program of activities (see Item #10 above), street alignment, utilities, bicycle improvements, public transit, wayfinding, workforce training, administrative and staff costs.

19. 17 Carleton Street (Affordable Housing TIF)

Duration: 22 year term (FY16 through FY37)
Percentages: Years 1 and 2: 0% to Developer; 100% to City. Years 3 through 22: 65% to Developer; 35% to City General Fund.

This Affordable Housing TIF District supports the development of a 37-unit residential rental project. TIF revenues will be used by Developer to pay for operating costs for the project.

20. ImmuCell (Economic Development TIF)

Duration: 12 year term (FY18 through FY29)
Percentages: Years 1 through 11: 65% to Developer, 35% to City General Fund; Year 12: 30% to Developer, 70% to General Fund.

Location: 56 Evergreen Drive

This Economic Development TIF supports ImmuCell Corporation's expansion from its existing facility at 56 Evergreen Drive to a new two-story, 12,625 sq. ft. (est.) production facility on Caddie Lane off of Riverside Street. ImmuCell Corporation is a growing animal health company that develops, manufactures, and sells products that improve animal health and productivity in the dairy and beef industry. Over the last nearly 16 years, the Company has invested in excess of $11 Million in the R&D of a product that addresses mastitis, the most significant cause of economic loss to the dairy industry. This lead product in development is **Mast Out**, a novel, ground-breaking treatment for mastitis in lactating dairy cows. Completion of construction of this new facility was done 2017.

21. Deering Place (Affordable Housing TIF)

Duration: 30 year term (FY19 through FY48)
Percentages: 75% to Developer, 25% to City General Fund for 30 year term.

Location: 498 Cumberland Avenue

This Affordable Housing TIF District supports the development of 75 units of residential rental housing. TIF revenues will be used by Developer to pay for operating costs for the project.

22. 58 Boyd Street (Affordable Housing TIF)

Duration: 30 year term (FY19 through FY48)
Percentages: 50% to Developer, 50% to City General Fund for 30 year term.

This Affordable Housing TIF District supports the development of a 55-unit, mixed income, multi-family rental apartment building. TIF revenues will be used by Developer to pay for operating costs for the project.

23. 977 Brighton Avenue (Affordable Housing TIF)

Duration: 30 year term (FY20 through FY49)
Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing TIF District supports the development of 40 units of senior rental housing. TIF revenues will be used by Developer to pay for operating costs for the project.

24. 178 Kennebec Street (Affordable Housing TIF)

Duration: 30 year term (FY20 through FY49)
Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing TIF District supports the development of 51 units of senior rental housing. TIF revenues will be used by Developer to pay for operating costs for the project.

25. 37 and 63 Front Street (Affordable Housing TIF)

Duration: 30 year term (FY21 through FY50)
Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing TIF District supports the construction of a 60-unit mixed income residential rental housing project for individuals and families, and a 45-unit mixed income residential rental housing project for seniors. TIF revenues will be used by Developer to pay for operating costs for the project.

26. **66 State Street (Affordable Housing TIF)**

Duration: 30 year term (FY21 through FY50)
Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing TIF District supports the rehabilitation of an existing building into a lodging house with 38 rooming units, and the construction of a 30-unit residential rental housing project. TIF revenues will be used by Developer to pay for operating costs for the project.

27. **83 Middle Street (Affordable Housing TIF)**

Duration: 30 year term (FY21 through FY50)
Percentages: 50% for 30 years to Developer; 50% to City General Fund

This Affordable Housing TIF District supports the construction of a 50-unit residential rental housing project, with 20 of the units occupied by households with income not exceeding 50% of area median income, and 30 units occupied by households with income not exceeding 60% of area median income. TIF revenues will be used by Developer to pay for operating costs for the project.

28. **104 Grant Street (Affordable Housing TIF)**

Duration: 30 year term (FY21 through FY50)
Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing TIF District supports the construction of 23 owner-occupied condominium units, 8 of the units in which will be conveyed to households with income not exceeding 120% of area median income. TIF revenues will be used by Developer to pay for operating costs for the project, including debt service.

29. **200 Valley Street (Affordable Housing TIF)**

Duration: 30 year term (FY21 through FY50)
Percentages: 75% for 30 years to Developer; 25% to City General Fund

This Affordable Housing Project supports the construction of a 60-unit residential rental housing project, 36 of the units in which will be occupied by households with income not exceeding 50% of area median income; 12 of the units in which will be occupied by households with income not exceeding 60% of area median income; and, the remaining 12 units will be market rate. TIF revenues will be used by Developer to pay for operating costs for the project, including funding the Project's capital reserve account.

30. **337 Cumberland Avenue (Affordable Housing TIF)**

Duration: 30 year term (FY21 through FY50)
Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing Project supports the construction of a 60-unit residential housing project, 36 of the units in which will be occupied by households with income not exceeding 50% of area median income; 12 of the units in which will be occupied by households with income not exceeding 60% of area median income; and, the remaining 12 units will be market rate. TIF revenues will be used by Developer to pay for operating costs for the project, including funding the Project's capital reserve account.

31. 577 Washington Avenue (Affordable Housing TIF)

Duration: 30 year term (FY21 through FY50)
Percentages: 50% for 30 years to Developer; 50% to City General Fund.

This Affordable Housing Project supports the rehabilitation of a 100-unit residential rental housing project, with 60 of the units in which be occupied by households with income not exceeding 50% of area median income, and the remaining 40 units will be occupied by households with income not exceeding 60% of area median income. TIF revenues will be used by Developer to pay for operating costs for the project, including funding the Project's capital reserve account.

32. 73 Winter Street (Affordable Housing TIF)

Duration: 30 year term (FY2022 through FY2051)
Percentages: 50% for 30 years to Developer; 50% to City General Fund.

This Affordable Housing Project supports the construction of a 43-unit residential rental housing project for individuals and families, 26 of the units in which will be occupied by households with income not exceeding 50% of area median income, and the remaining 17 units will be occupied by households with income not exceeding 60% of area median income. TIF revenues will be used by Developer to pay for operating costs for the project, including funding the Project's capital reserve account.

33. 91 Winter Street (Affordable Housing TIF)

Duration: 30 year term (FY2022 through FY2051)
Percentages: 50% for 30 years to Developer; 50% to City General Fund.

This Affordable Housing Project supports the construction of a 43-unit residential rental housing project for individuals and families, 26 of the units in which will be occupied by households with income not exceeding 50% of area median income, and the remaining 17 units will be occupied by households with income not exceeding 60% of area median income. TIF revenues will be used by Developer to pay for operating costs for the project, including funding the Project's capital reserve account.

34. 45 Dougherty Court (Affordable Housing TIF)

Duration: 30 year term (FY2024 through FY2053)
Percentages: 75% for years 1 through 12; years 13 through 30 the capture rate will decrease 3.75% per Tax Year

This Affordable Housing Project supports the construction of a 63-unit residential rental housing project for individuals and families, 46 of the units in which will be occupied by households with income not exceeding 60W% of area median income, with the remaining 17 units being market rate units. TIF revenues will be used by Developer to pay for operating costs and funding of the Project's capital reserve account.

35. <u>25 Casco Street (Affordable Housing TIF)</u>

Duration: 30 year term (FY2025 through FY2054)
Percentages: 75% for 30 years to Developer; 25% to City General Fund

This Affordable Housing Project supports the construction of a 54-unit residential rental housing project for seniors, 21 of the units in which will be occupied by households with income not exceeding 60% of area median income, and the remaining 33 units will be occupied by households with income not exceeding 50% of area median income. TIF revenues will be used to pay operating costs of the Project and funding of the Project's capital reserve account.

36. <u>622 Auburn Street/Lambert Woods North (Affordable Housing TIF)</u>

Duration: 30 year term – Approved by the City Council 12/18/2023; final approval by Maine State Housing Authority pending. Term will be finalized upon MSHA approval.

Percentages: 75% for 30 years to Developer; 25% to City General Fund.

This Affordable Housing Project will support the construction of 72 units of rental housing with all reserved for households earning at or below 60% of area median income. TIF revenues will be used to pay operating costs of the Project and funding of the Project's capital reserve account.

37. <u>2 Riverton Drive/Riverton Park (Affordable Housing TIF)</u>

Duration: 20 year term (FY2025 through FY2044)
Percentages: 50% for 20 years to Developer; 50% to City General Fund

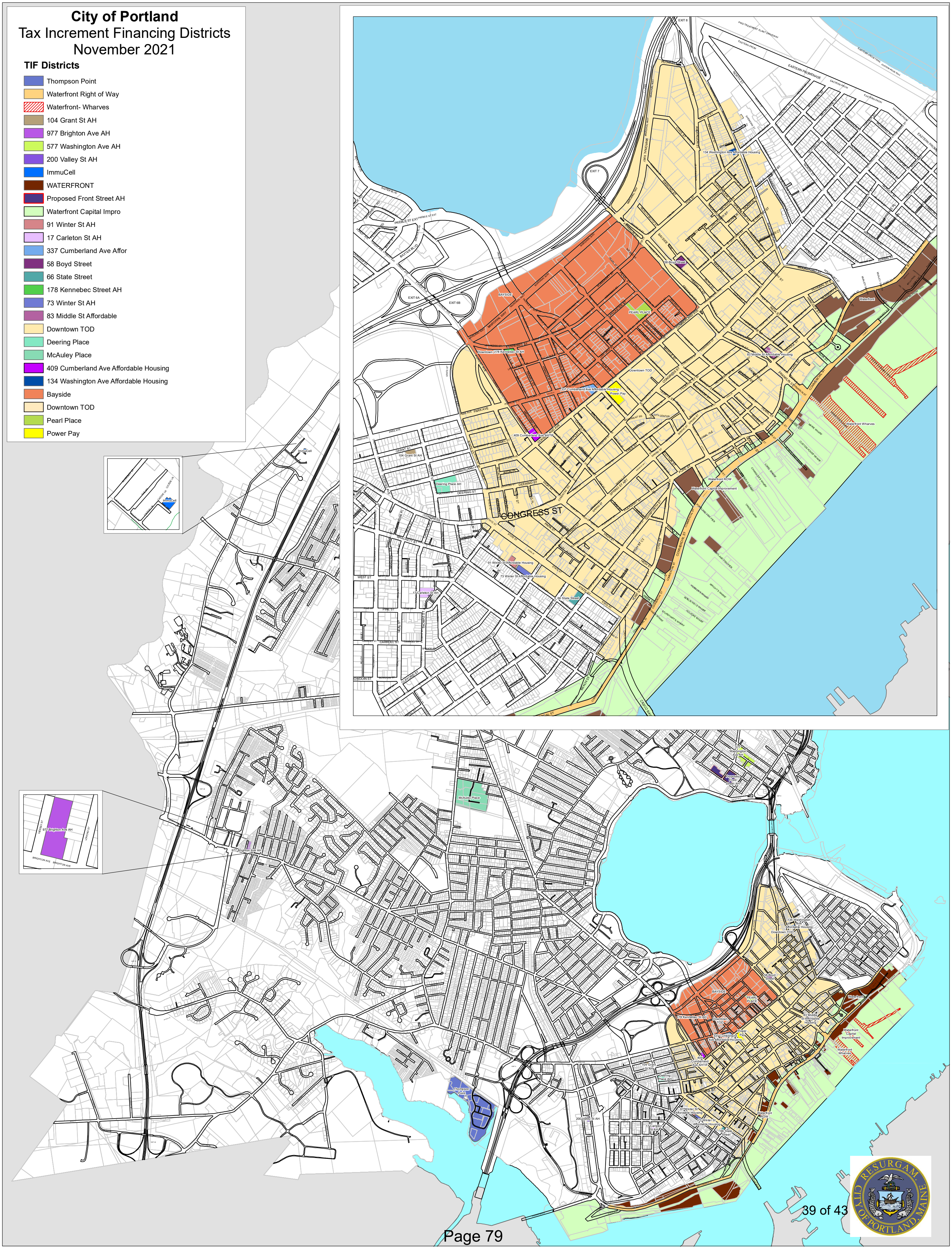
This Affordable Housing Project will support the rehabilitation of 21 residential buildings containing 123 residential units for families and construction of an additional 59-unit residential building for families and construction of a neighborhood center to provide space for the Boys & Girls Club, Portland Housing Study Center, and a Teen Center. All 182 of the residential units will be affordable – 130 units proposed to be occupied by households with income not exceeding 50% of area median income, 34 units proposed to be occupied by households with income not exceeding 60% of area median income, and 18 units proposed to be occupied by households with income not exceeding 80% of area median income. TIF revenues will be used to pay operating costs of the project and funding of the Project's capital reserve account.

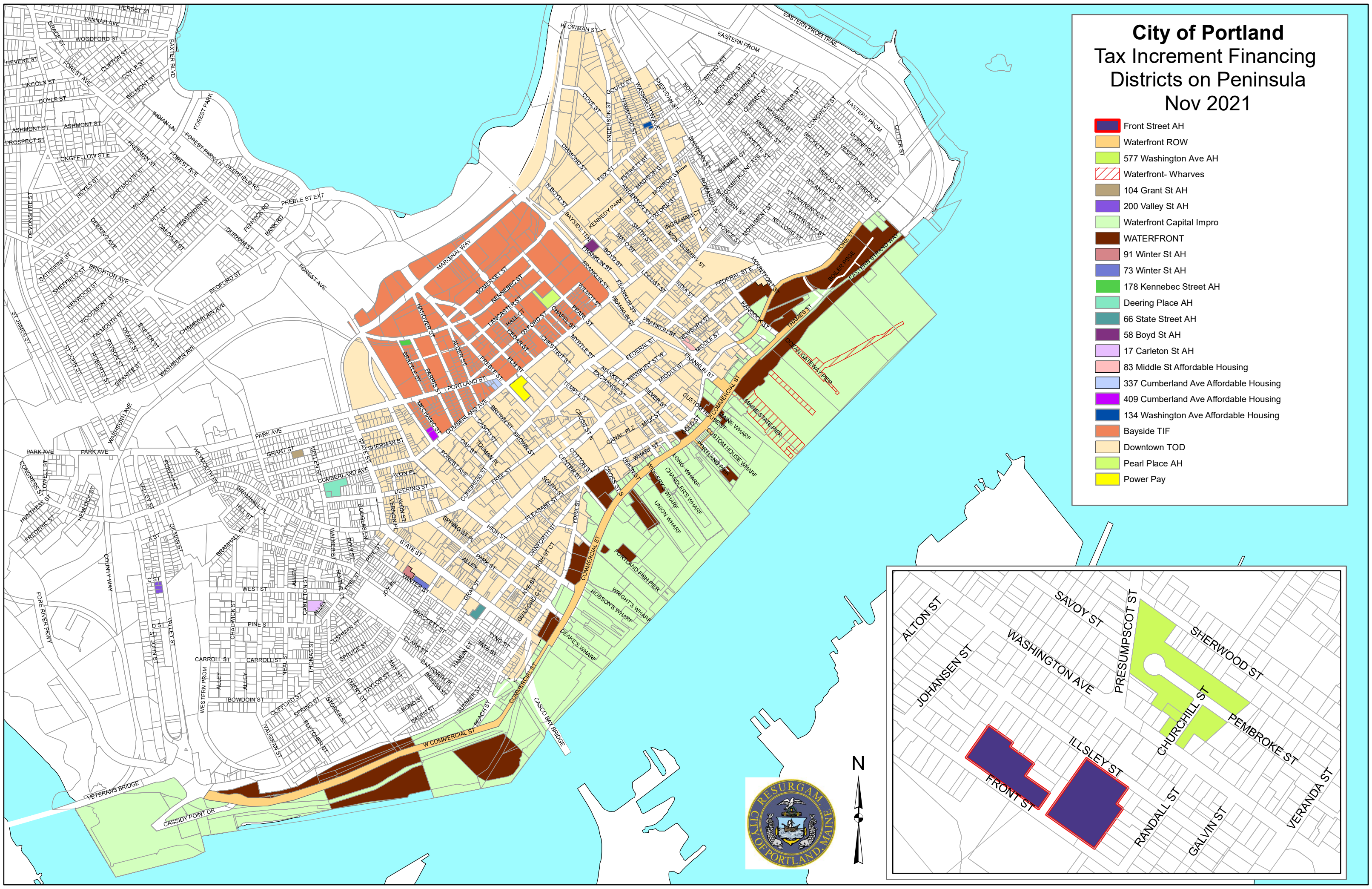
EXHIBIT C

MAPS HIGHLIGHTING CURRENT TIF DISTRICTS

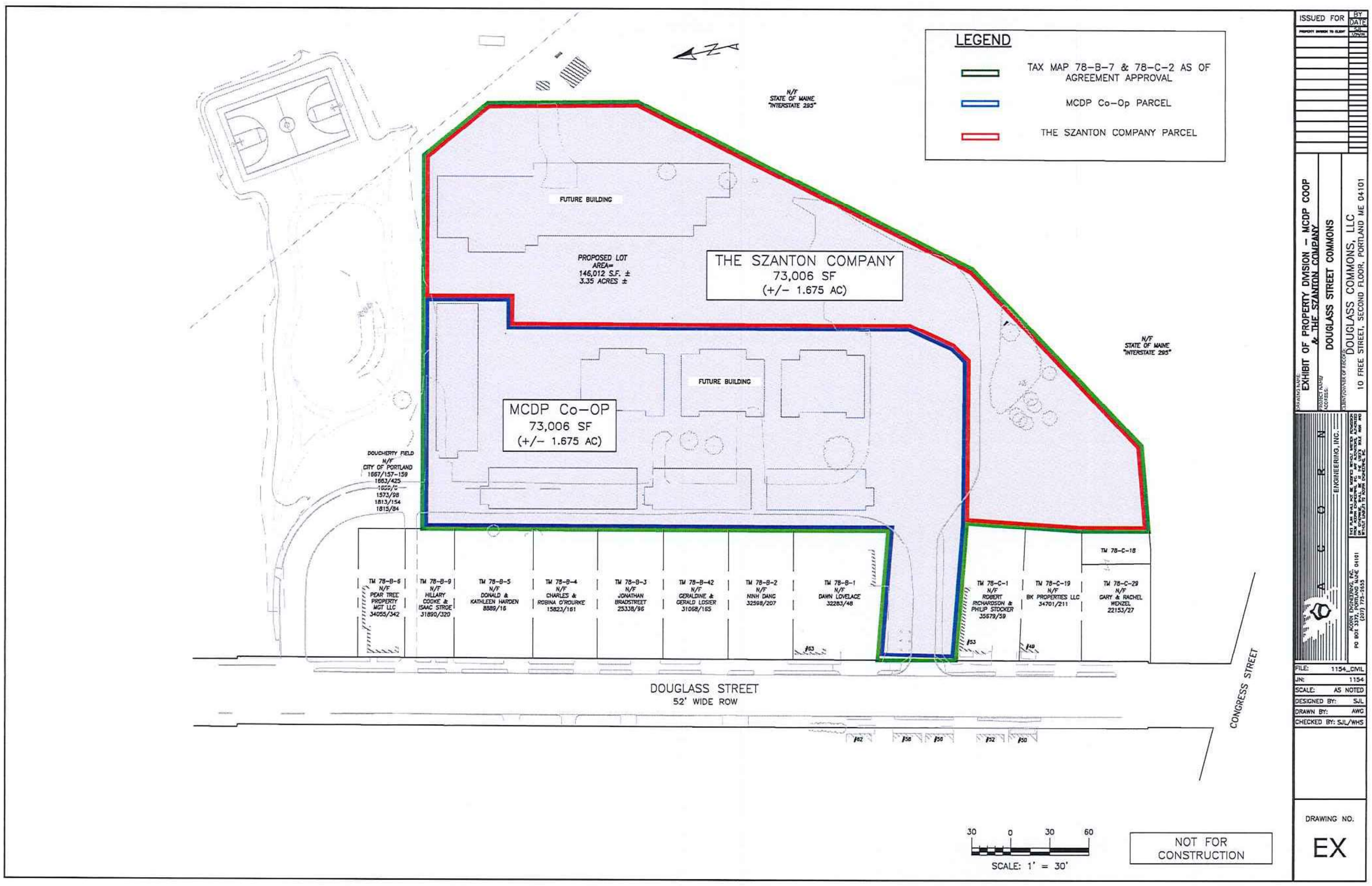
(Map to be updated to include:
- 25 Casco Street
- 622 Auburn Street
- 2 Riverton Drive/Riverton Park)

City of Portland
Tax Increment Financing Districts
November 2021




City of Portland
Tax Increment Financing Districts on Peninsula
Nov 2021
Front Street AH
Waterfront ROW
577 Washington Ave AH
Waterfront- Wharves
104 Grant St AH
200 Valley St AH
Waterfront Capital Impro
WATERFRONT
91 Winter St AH
73 Winter St AH
178 Kennebec Street AH
Deering Place AH
66 State Street AH
58 Boyd St AH
17 Carleton St AH
83 Middle St Affordable Housing
337 Cumberland Ave Affordable Housing
409 Cumberland Ave Affordable Housing
134 Washington Ave Affordable Housing
Bayside TIF
Downtown TOD
Pearl Place AH
Power Pay
ALTON ST
SAVOY ST
PRESUMPSCOT ST
SHERWOOD ST
JOHANSEN ST
WASHINGTON AVE
CHURCHILL ST
PEMBROKE ST
ILLSLEY ST
FRONT ST
RANDALL ST
GALVIN ST
VERANDA ST
N
RESURGAM
CITY OF PORTLAND MAINE

45 Dougherty AHTIF Area



FYE2024 Report **FY2024 Tax Rate:** **0.01441**

TIF Name SITE Specific with CEA:	Starts/ Ends-FY	TERM	TIF PLAN YEAR/updated 11/2024	TOTAL ASSESSED VALUE	ORIGINAL ASSESSED VALUE	Increased Assessed value	PERCENT APPLIED	Total Cpt. Value	PROCEEDS TO OWNER	City TIF Funds	City General Fund (OAV and Non-Captured Taxes from IAV)
AVESTA/Pearl Place	08/37	30 YEARS	17	6,473,600	646,050	5,827,550	31%	1,806,541	22,000	0	71,285
- FY2024 Taxes				93,285	9,310	83,975		22,000			
PowerPay/Ptld Pub Mkt	11/40	30 YEARS	14	10,305,700	1,862,600	8,443,100	50%	4,221,550	60,833	0	87,673
- FY2024 Taxes				148,505	26,840	121,665		60,833			
McAuley	10/39	30 YEARS	15	29,111,100	0	29,111,100	60%	17,466,660	251,695	0	167,796
- FY2024 Taxes				419,491		419,491		251,695			
Thompson's Point TOD	15/44	30 YEARS	10	17,543,800	3,844,900	13,698,900	100%	13,698,900	148,051	49,350	55,405
- FY2024 Taxes				252,806	55,405	197,401		197,401			
409 Cumberland Ave. AH	14/35	22 YEARS	11	5,758,900	470,200	5,288,700	100%	5,288,700	38,105	38,105	6,776
- FY2024 Taxes				82,986	6,776	76,210		76,210			
134 Washington Ave. AH	15/34	20 YEARS	10	1,267,200	155,600	1,111,600	50%	555,800	8,009	0	10,251
- FY2024 Taxes				18,260	2,242	16,018		8,009			
17 Carleton St. AH	16/37	22 YEARS	9	3,294,700	261,660	3,033,040	65%	1,971,476	28,409	0	19,068
- FY2024 Taxes				47,477	3,771	43,706		28,409			
ImmuCell	18/29	12 YEARS	7	4,266,200	52,600	4,213,600	65%	2,738,840	39,467	0	22,009
- FY2024 Taxes				61,476	758	60,718		39,467			
58 Boyd Street AH	19/48	30 YEARS	6	5,363,200	0	5,363,200	50%	2,681,600	38,642	0	38,642
- FY2024 Taxes				77,284							
Deering Place AH	19/48	30 YEARS	6	10,106,300	0	10,106,300	75%	7,579,725	109,224	0	36,408
- FY2024 Taxes				145,632							
977 Brighton Ave AH	20/49	30 YEARS	5	3,754,600	291,100	3,463,500	75%	2,597,625	37,432	0	16,672
- FY2024 Taxes				54,104							
178 Kennebec St AH	20/49	30 YEARS	5	5,688,400	0	5,688,400	75%	4,266,300	61,477	0	20,492
- FY2024 Taxes				81,970							
66 State St AH	21/50	30 YEARS	4	4,773,800	0	4,773,800	75%	3,580,350	51,593	0	17,198
- FY2024 Taxes				68,790							
83 Middle Street AH	21/50	30 YEARS	4	3,894,500	62,400	3,832,100	50%	1,916,050	27,610	0	28,509
- FY2024 Taxes				56,120							
104 Grant Street AH	21/50	30 YEARS	4	6,977,500	419,600	6,557,900	75%	4,918,425	70,875	0	29,671
- FY2024 Taxes				100,546							

FYE2024 Report	FY2024 Tax Rate:		0.01441								
TIF Name	**Starts/**		**TIF PLAN**	**TOTAL**	**ORIGINAL**	**Increased**	**PERCENT**	**Total Cpt.**	**PROCEEDS**	**City TIF**	**City General Fund**
SITE Specific with CEA:	**Ends-FY**	**TERM**	**YEAR/updated 11/2024**	**ASSESSED VALUE**	**ASSESSED VALUE**	**Assessed value**	**APPLIED**	**Value**	**TO OWNER**	**Funds**	**(OAV and Non-Captured Taxes from IAV)**
577 Washington Ave AH	**21/50**	**30 YEARS**	**4**	**11,079,300**	**0**	**11,079,300**	**50%**	**5,539,650**	**79,826**	**0**	**79,826**
- FY2024 Taxes				**159,653**							
73 Winter Street	**22/51**	**30**	**3**	**15,214,800**	**382,300**	**14,832,500**	**50%**	**7,416,250**	**106,868**		**112,377**
-FY 2024 Taxes				**219,245**							
91 Winter Street	**22/51**	**30**	**3**	**376,500**	**370,400**	**6,100**	**50%**	**3,050**	**44**		**5,381**
- FY2024 Taxes				**5,425**							
37 Front Street	**21/50**	**30**	**4**	**5,577,500**	**0**	**5,577,500**	**75%**	**4,183,125**	**60,279**		**20,093**
- FY2024 Taxes				**80,372**							
63 Front Street	**21/50**	**30**	**4**	**431,400**	**0**	**431,400**	**75%**	**323,550**	**4,662**		**1,554**
- FY2024 Taxes				**6,216**							
Area-Wide TIFs, with CEA											
BAYSIDE	**04/33**	**30 YEARS**	**21**	**442,210,970**	**121,639,640**	**320,571,330**	**35%**	**112,199,966**		**1,616,802**	**4,755,459**
FY2024 Taxes				**6,372,260**	**1,752,827**			**1,616,802**			
WATERFRONT	**03/32**	**30 YEARS**	**22**	**296,802,980**	**34,299,010**	**262,503,970**	**45%**	**118,126,787**		**1,527,951**	**2,574,724**
FY2024 Taxes				**4,276,931**	**494,249**			**1,702,207**			
- CEA/Waterfront Maine	**12/31**	**20 YEARS**	**13**	**22,937,700**	**950,900**	**21,986,800**	**55%**	**12,092,740**	**174,256**		
DOWNTOWN	**16/45**	**30 YEARS**	**9**	**2,281,688,430**	**965,007,320**	**1,316,681,110**	**10%**	**131,668,111**		**1,897,337**	**30,981,793**
FY2024 Taxes				**32,879,130**	**13,905,755**	**18,973,375**		**1,897,337**			
Total Value:				**3,171,961,380**	**1,129,765,380**	**2,042,196,000**		**454,749,030**			
Total Taxes:				**45,707,963**	**16,279,919**	**29,428,044**		**6,552,934**	**1,419,356**	**5,129,545**	**39,159,062**

Draft Proposal: Task Force on Social Housing
10-29-24 Prepared by Councilor Sykes for HEDC discussion

In response to an urgent housing crisis, exacerbated by demand and supply pressures unique to Portland, this proposal asks the City Council to establish a Task Force on Social Housing. The primary objective of this task force will be to study and propose a framework for government-led social housing, prioritizing permanent affordability, environmental sustainability, and inclusivity.

Vision Statement: To ensure that all Portland residents, regardless of income, have access to affordable, quality, and sustainable housing. This initiative aims to create resilient housing solutions to support the city's diverse and evolving needs, now and in the future.

Goals and Objectives

The task force will address critical questions, integrate relevant Housing Bootcamp recommendations, and establish actionable goals to guide Portland toward a sustainable, city-led social housing initiative:

1. Identifying Key Impact Areas in Housing Production: Analyze existing resources, opportunities, and barriers to pinpoint areas where municipal intervention could catalyze growth in housing supply and affordability.
2. Risk and Return Analysis of Public Investment: Conduct a comprehensive risk assessment to guide sustainable public investment strategies in social housing, balancing affordability goals with financial sustainability. This will include considering general obligation bonds to fund workforce housing, which was highlighted as a key financing opportunity at the January 2023 Bootcamp.
3. Maximizing and Streamlining Funding Programs: Develop a plan to integrate existing funding sources, such as Low-Income Housing Tax Credits (LIHTC), HUD's RAD program, and local revolving loan funds (JDHTF), to achieve an efficient financing model for social housing development.
4. Addressing Critical Needs for Public Development: Define gaps in housing production that private and non-profit developers cannot fill, focusing on workforce and middle-income housing to ensure affordable, mixed-income communities. This could include standing up a Portland Social Housing Developer, exploring partnerships with the Portland Housing Authority (PHA), and/or partnering with the County, GPCOG, and State on advancing regional public housing solutions.
5. Assessing Local Barriers and Development Opportunities: Examine Portland-specific factors such as public land availability, construction costs, and rent levels to identify barriers and opportunities. This includes assessing Bootcamp-recommended strategies, such as addressing permitting and site plan approval efficiencies, facilitating adaptive reuse processes for existing building renovations, streamlining Historic Preservation

processes, and exploring ways to make it easier for developers to meet our inclusionary zoning (IZ) requirements.
6. Establishing a Sustainable Funding Stream: Evaluate sustainable financial structures, including revenue bonds, revolving loan funds, and tax-set-asides, to ensure ongoing financing for public development. Consideration will also be given to ways of using publicly-owned or quasi-publicly-owned land for development.
7. Evaluating Legal Authority and Capacity: Review Portland's legal capacity, resources, and expertise to operate as a public developer. The task force will also study the potential for repurposing underused office space for housing.
8. Ensuring Long-term Sustainability of Public Housing: Develop a lifecycle management and funding plan to ensure the long-term affordability and quality of publicly developed housing.

Scope and Deliverables

The task force will focus on the following areas, delivering targeted recommendations and a strategic framework:

1. Models of Public Development and Ownership: Review various public development and ownership models, such as mixed-income developments with public equity stakes and fully affordable models, analyzing their applicability to Portland's housing needs.

2. Financing Options and Risk Management: Assess potential financing methods, including revenue bonds, revolving loan funds, and public-private partnerships, alongside risk management strategies to mitigate market fluctuations, construction risks, and operational challenges. The task force will also explore general obligation bonds as a viable revenue source.

3. Land Use and Acquisition: Evaluate city-owned land and propose strategic acquisition of additional land as necessary. Public land, especially in underdeveloped areas, will be prioritized. This effort will include a Bootcamp-recommended inventory of parking lots and other underused spaces that could serve as potential development sites

4. Planning and Permitting Modifications: To streamline development, the task force will assess ways to expedite planning and permitting. This includes evaluating the Bootcamp's recommendation for a "concierge" service to assist larger projects, fast-track approvals for housing projects, and eliminate redundant reviews and inspections.

5. Community Engagement: Engage with community stakeholders to gather input on housing needs and priorities, with a focus on affordability and accessibility. The task force will address public concerns by educating residents on housing processes and the effects of policies like IZ on overall affordability.

Timeline and Milestones

Phase 1 (0-3 months): Establish Task Force and Data Collection

1. Formalize task force membership, responsibilities, and structure.
2. Conduct baseline assessments on current housing gaps, existing public land availability, and financial resources.

Milestone: Complete formation and set task force charter by the end of Month 3.

Phase 2 (4-9 months): In-depth Analysis and Stakeholder Engagement

1. Conduct financial, legal, and operational assessments and engage with experts on public development models.
2. Host community engagement sessions to gather public input on housing priorities and align task force efforts with resident needs.

Milestone: Submit a mid-term report on viable financing options, legal readiness, and a preliminary list of recommended development sites.

Phase 3 (10-12 months): Recommendation Drafting and Final Report

- Compile findings, finalize recommendations, and present a comprehensive report to the City Council. This report will include a proposed funding stream, pilot project proposal, and a roadmap for implementation.

Milestone: Completion of final report with a strategic framework for Portland's social housing initiative by Month 12.

Membership and Responsibilities

To ensure broad representation and expertise, the Task Force on Social Housing will consist of approximately 10-12 members, each contributing specialized knowledge:

City Council Representatives: Council members will bring policy direction aligned with the Council's goals and ensure the task force's work supports the City's strategic objectives. Their responsibilities include:

1. Guiding Policy Alignment: Provide oversight to ensure the task force's recommendations align with the City Council's established goals on affordable housing, community development, and equity.

2. Advocating for Strategic Policy Solutions: Identify legislative opportunities to support the task force's findings and propose policy changes needed to implement social housing effectively.

3. Engaging with Constituents: Act as a bridge between the task force and Portland's residents, gathering community input and sharing information about the task force's work to build public awareness and support.

Housing and Economic Development Committee (HEDC) Member(s): Contribute insights specific to housing production and economic development priorities. Responsibilities may include:

1. Setting Strategic Housing Goals: Help define housing production targets and economic development goals in line with the City's broader economic growth objectives.

2. Evaluating Economic Viability: Assess the financial sustainability and economic impact of proposed social housing initiatives, ensuring they contribute positively to Portland's economic landscape.

3. Facilitating Policy Implementation: Work with City staff and other stakeholders to develop actionable steps that translate the task force's findings into operational strategies and provide oversight as policy changes are implemented.

City Staff: Representatives from Planning, Permitting, Housing, and/or Economic Development departments will handle operational support, take meeting minutes, and facilitate public communication. Other work may include:

1. Supporting and Expediting Processes: Assist in identifying and implementing process improvements, such as fast-tracking approvals, streamlining permit tracking, and eliminating redundant reviews.

2. Providing Technical and Regulatory Insight: Offer detailed information on zoning, permitting, and code compliance requirements, helping to address barriers to development highlighted in the Bootcamp recommendations.

3. Ensuring Alignment with City Objectives: Facilitate coordination between departments to ensure that the task force's efforts align with Portland's broader housing and economic development goals.

Outside Financial Experts: Tasked with providing specialized legal counsel, and developing sustainable funding strategies, such as revenue bonds and revolving loan funds.

Maine State Housing Authority and Regulatory Experts: Optimizing alignment with state housing goals, access to state resources, and ensuring regulatory compliance.

County Officials/GPCOG: Providing regional housing data, funding access, zoning best practices, and infrastructure planning.

Portland Housing Authority Representatives: Providing technical insights on housing needs and operational best practices.

Community Representatives: Including members from resident associations and housing advocacy groups to ensure that community needs are reflected.

Urban Planners, Transportation, and Zoning Experts: Bringing expertise in land use, regional transit, zoning laws, and urban planning to facilitate streamlined development.

Construction and Development Specialists: Advising on best practices, potential risks, and construction costs to ensure feasibility.

<u>Conclusion and Expected Impact</u>

The Task Force on Social Housing is designed to position Portland as a leader in government-led housing development. By establishing a framework to sustainably address housing needs, Portland will foster inclusive, mixed-income communities that support both current and future residents.

Long-Term Vision: The social housing model will not only enhance housing stability but also serve as a key driver for economic growth by enabling more workers to live locally. This initiative seeks to improve Portland's housing landscape by developing a public option for affordable, sustainable, and high-quality housing.

Public Value: This task force represents an investment in Portland's future. It is an opportunity to create resilient, affordable housing that meets the needs of all residents, contributing to a more vibrant and equitable Portland.

Housing Supply Bootcamp

Portland, ME

January 27, 2023

Background

On January 27, 2023, 14 external stakeholders and numerous city officials convened for an intensive six-hour Housing Supply Bootcamp focused on identifying barriers and solutions to expand Portland's housing stock. Facilitated by Jeffrey Lubell and Stephen Whitlow from Abt Associates and Vicki Been and Jess Wunsch from the Housing Solutions Lab at the NYU Furman Center, the session aimed to build knowledge and brainstorm new ideas for helping the City increase the production of diverse housing types.

This report briefly summarizes the main ideas that emerged from the session. It is organized into three main sections: (A) Top Priorities; (B) Barriers; and (C) Solutions. The summary doesn't represent recommendations from the consultant team, but is provided as stakeholder feedback for the City of Portland to consider in its own decision making process. See the Appendix for the agenda and list of attendees.

A. Top Priorities

Participants identified various barriers and solutions for increasing the City's housing supply. When asked to identify their highest priorities, participants most commonly selected one or more of the following three solutions:

1. **Increase the allowable height and density** and **eliminate required setbacks** on the Portland Peninsula and along major streets off-p Peninsula. This increase in building envelope would improve the financial feasibility of residential development in those areas.

2. **Increase staffing for the permitting and planning departments**. Lengthy permitting and approval processes increase costs, causing some developers to shift development away from Portland to nearby communities where permitting timelines are perceived as faster. Adding staff to these departments, perhaps in the form of an interdisciplinary innovation team to shepherd certain categories of projects through the process, could help expedite these processes. Associated permitting revenue could help offset the staff costs.

3. **Generate revenue for affordable and workforce housing through general obligation bonds**. A growing number of cities are using general obligation bonds as a way to generate revenue that can be used to help make desired development feasible. These funds would give Portland greater ability to support development types that are difficult to finance.

B. Barriers

The following are the principal barriers that external stakeholders identified to the increased production and diversity of the City's housing supply:

Construction Cost Increases

- Sharp increases in **materials costs.**
- **Increased labor costs** related to shortages of skilled labor.
- **Higher interest rates** have reduced the amount of debt that can be borrowed against a set rent or home purchase price.
- One result of the construction cost increases is a shift from non-luxury multifamily rentals to **luxury rentals, condos, and hotels**, which can better absorb higher construction costs.

Regulatory Barriers

- **Expanded inclusionary zoning (IZ) requirements under recent referenda** have increased the share of affordable units required from 10% to 25% and deepened the level of required affordability from 100% of AMI to 80% of AMI. These new requirements, especially when combined with construction cost increases, have made it virtually impossible to build new housing of 10 units or more without public subsidy.
- **Height limits, density limits, stepbacks, and setbacks** impede the development of larger projects that can better take advantage of economies of scale.
- **Insufficient land zoned for multi-family** limits potential for housing development.
- **Limitations on the availability of density bonuses,** which are available in certain districts but not others, inhibit their usefulness.
- **Building code requirements and stringent application of the standards** result in increased construction costs and a longer permitting process.

Approvals Processes

- The approvals process for new development can be **lengthy**, adding time and cost to projects.
- Review processes can be **duplicative**, with projects going through multiple layers of City and public review. Projects that need subsidy also go through duplicative review processes. There can also be duplicative inspection processes.
- **Development review technology is cumbersome,** making status tracking difficult. The development review interface may be particularly challenging for small developers. .

- **Insufficient staff in permitting and planning departments** to process applications expeditiously.

- **Challenges getting approval for adaptive reuse and renovation projects**. The City requires rehabs to obtain a permit before beginning construction, but with adaptive reuse projects, an applicant can't always know the location of the building's pipes and wiring without opening up the walls. Also, the City now requires renovation projects to document the existing building in its entirety, which adds complexity and costs.

- **Public comment requirements are not flexible enough** to allow a meaningful exchange of ideas and can be duplicative.

Opposition

- Opposition to new development is perceived to be particularly challenging in **lower-density locations off-peninsula.**

- Housing development can face **public opposition,** which can come from some historic preservation advocates, open space and land conservation advocates, people concerned about traffic congestion, and wary neighbors.

Challenges to Accessory Dwelling Units (ADUs)

- **Lack of awareness of ADUs** and the process for getting one approved.

- Hard to know **where to start**, how to find a builder, how to go through permitting, etc.

- **Financing** for ADU construction.

Public Understanding

- There seems to be a **lack of understanding** among members of the public, and possibly elected officials, **about the realities of the development process** and the effects of things like the new IZ policy on the City's ability to achieve its equity and inclusion goals. If developers cannot make the numbers work under the new IZ policy, they won't build at all or will shift to build luxury rentals, condos, and hotels, which can better support the higher costs.

- Some members of the public still seem to hold a view of Portland as a **sleepy city where things shouldn't change much**. This contributes to support for goals like historic preservation or open space conservation without necessarily a full accounting of the equity and inclusion risks related to housing underproduction.

Other Barriers

- **Referendum** process makes it too easy to adopt new policies that sound good on paper but may be counterproductive. It's challenging to communicate the downsides of proposed referenda, as the public is generally not very sympathetic to developers.

- **Lack of transportation options** limits the ability to build at higher densities. Portland needs more bike lanes and regional transportation solutions that allow people to get where they want to go without a car.

C. Potential Solutions

The following are potential solutions that external stakeholders identified to help increase the production and diversity of the City's housing supply:

Height and Density Increases

- Increase the permissible **height** of buildings and **eliminate setback** requirements on the Portland Peninsula and along major arterials (e.g., Brighton, Forest, Congress, and Washington Avenues, and anything with four lanes could support 12 stories).

Inclusionary Zoning

- **Identify "offsets" that would make it easier for developers to meet the heightened IZ requirements**. For example, one idea is to make the **affordable housing density bonus** available citywide rather than just in a limited number of zones.

- **Conduct an analysis** to determine whether (and if so, how) the new inclusionary zoning requirements are affecting Portland's housing supply. If the analysis suggests that the policy is suppressing needed development, **consider revisions to the IZ requirements** and/or new offsets to make more developments financially feasible.

- **Make pro forma financial statements or other data available** to help members of the public better understand the **effects of heightened inclusionary zoning requirements** on the supply of housing and the impacts that a reduced housing supply has on affordability and equity.

Development Opportunities

- Engage **employers that own land** as partners to make land available for development. (See Mercy Hospital as an example.)

- Prepare an inventory of **parking lots** owned by individual retailers and other businesses to identify whether some could be developed as housing.

- Strengthen partnerships between the **Portland Housing Authority (PHA)** and the City and State to expedite and expand efforts to develop additional affordable homes on land owned by the PHA.

- Study the potential to **repurpose some office space** as housing.

- Consider additional ways to **make publicly owned land available** to develop affordable homes, including land owned by entities like the MaineDOT or Portland Water District.

- Provide regulatory tools to **discourage vacant land and vacant buildings**, including the potential for financial penalties, thereby encouraging development and redevelopment.

- Evaluate the possibility of allowing residential uses in **industrial areas.**

Planning Process Modifications

- **Establish a "concierge" service** to help shepherd larger or more complicated housing projects through the permitting process and other necessary approvals.

- **Fast-track** the approvals processes for projects that provide housing, including missing middle housing.

- **Improve the permitting tracking system** so that developers can better understand where their application stands and what needs to happen next.

- Facilitate **alignment and collaboration between the planning and permitting departments** to identify opportunities for streamlining and expediting both processes.

- **Eliminate redundant reviews and building inspections**, such as the duplication that happens when a project uses historic tax credits or other housing subsidies. Use remote inspections.

- Develop new processes to facilitate **adaptive reuse** (such as not requiring that contractors know where utilities are located before they can file for a permit). Examine whether requirements for updating older building systems during rehabilitation can be streamlined.

- Develop **pre-approved designs** for standard housing types (such as ADUs and triple-deckers) to provide greater certainty to developers and expedite the approvals process.

- **Increase the frequency of planning board meetings** and/or **reduce the number of projects that require planning board approval** to expedite the approvals process.

Public Participation Process

- **Streamline public participation** requirements to increase flexibility and reduce duplication. (For example, public consultation needs to happen within a certain number of days of Planning Board, so if the public participation occurs earlier, it would need to be repeated.). Flexibility in required neighborhood meeting timing and format, as well as which meetings were required to allow public comment were specifically mentioned.

- **Educate city residents about the public participation process** so they can engage meaningfully and have realistic expectations.

Staffing Changes

- **Add staff to the planning and permitting departments** in a targeted way to expedite planning/permitting/inspections.

Fundraising Ideas

- **Streamline the process of establishing tax-increment financing districts** to generate more revenue that can support affordable housing.
- Consider the use of **general obligation bonds** for affordable housing.

Coalition Building

- Contact individuals or groups involved in supporting **recent referendums** on inclusionary zoning etc., to facilitate a conversation about the practical effects of these changes on the City's ability to develop housing affordable to moderate-income households.
- Build a coalition to support **education and advocacy of** efforts to reduce barriers to new development, similar to a builder's association, Urban Land Institute (ULI) chapter, or YIMBY (short for "Yes in My Backyard") group.

Other

- Identify ways to **more comprehensively support the development of ADUs**. This could include, among other things, pre-approved designs, help with financing, scoping, identifying contractors, and permitting.
- **Conduct trainings for new developers** to help them learn about the building industry and how to navigate the planning and other approval processes.
- **Expand training for building contractors** to help meet the labor shortage.

AGENDA

- **Setting the stage**
- **What did the facilitation team learn from stakeholders about barriers to increased supply?**
- **Identifying the barriers to an increased supply of housing**
- **Lunch**
- **What possible solutions did stakeholders share?**
- **Identifying possible solutions**
- **Prioritizing solutions: Identify the top 3-5 actionable items and the next steps for each**
- **Wrap up and next steps**

ATTENDEES

Stakeholders

Kevin Bunker, Developers Collaborative
Evan Carroll, Bild Architecture
Erin Cooperrider, New Height Group
Catherine Culley, Redfern Properties
Sean Dundon, Former Planning Board Member

Tom Landry, Benchmark Real Estate
Michael Martone, Hayrunner/MEREDA
Christian Milneil, PHA Board Member/Reporter (off-duty)
Mara Pennell, Bath Savings Bank
Cordelia Pitman, Wright-Ryan Construction
Maggie Stanley, Westbrook Development Corporation an dPlanning Board Member
Nathan Szanton, Szanton Company
Jesse Thompson, Kaplan Thompson
Jay Waterman, Portland Housing Authority

City Staff

Mary Davis, Interim Director, Housing and Economic Development Dept.
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Housing Solutions Lab

The Housing Solutions Lab at the NYU Furman Center works with cities across the country to design, monitor, and evaluate promising local housing policies. With funding support from the Robert Wood Johnson Foundation, the Lab seeks to help cities advance evidence-based local housing policies that promote racial equity; increase access to opportunity; and support resident health and well-being. The Lab serves cities of all sizes, with a focus on small and midsize cities (those with populations of 50,000 to 500,000).

Abt ASSOCIATES

Abt is a mission-driven consulting organization with expertise in research and technical assistance across a range of policy domains, including housing and community development, financial capability, health, education, workforce development, food security, climate resilience, and the environment. Abt is pleased to partner with the NYU Furman Center on Local Housing Solutions.

HOUSING SUPPLY BOOT CAMP IDEAS	
Idea	Type
Increase permissible height of buildings and eliminate setback requirements on the peninsula and along major arterials	Code change
Create 'offsets' that make it easier for developers to meet heightened IZ requirements (e.g. expand affordable housing density bonus)	Code change
Analyze the impact of the new IZ requirements on housing production and revise policy as necessary	Study (and potential code change)
Make developer pro formas accessible to generate understanding of the financial impacts of heightened IZ requirements	Education
Make other data available to generate understanding of housing production, affordability, and equity	Education
Engage employers that own land as housing partners (e.g. through disposition of property or development)	Program
Inventory surface parking lots to identify housing opportunities	Study
Strengthen partnerships with PHA and the state to expedite and expand efforts to add units at PHA properties	Program
Study the potential to repurpose office space as housing	Study
Consider additional ways to make publicly-owned or quasi-publicly-owned land held by others (e.g. PWD, MaineDOT) available for housing development	Study
Create tools to discourage vacant land and buildings (e.g. financial penalties) and thereby encourage redevelopment	Code change
Evaluate possibility of allowing residential uses in industrial areas	Study
Establish a concierge service to shepherd larger housing projects through permitting	Process
Fast-track housing project approvals	Process
Improve permitting tracking system	Process
Identify opportunities to streamline and expedite planning & permitting review	Process
Eliminate redundant reviews and building inspections (e.g. reviews for housing subsidies & city permit review)	Process
Develop new processes to facilitate adaptive reuse	Process
Develop pre-approved designs for standard housing types	Process
Increase the frequency of Planning Board meetings and/or reduce the number of projects that require Planning Board approval	Process/Code change
Streamline public participation requirement to increase flexibility and reduce duplication	Process/Code change
Educate residents about the public participation process to ensure realistic expectations	Process
Add staff to the planning and permitting departments	Process
Streamline the process of establishing TIF districts to generate more affordable housing revenue	Process
Consider the use of GO bonds for affordable housing	Study
Open communication channels with advocacy groups supporting recent referenda to facilitate a conversation about the practical effects of these changes	Education
Build a coalition to support education and advocacy around housing production	Education
Comprehensively support the development of ADUs (e.g. help with financing, scoping, identifying contractors, permitting, pre-approved designs)	Program
Train new developers on the building industry and review and approval process	Program
Expand training for building contractors to help meet the labor shortage	Program

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POLICY BRIEF | OCTOBER 2024

The Emerging Spectrum of Government-Led and Publicly-Owned Housing Development Models

By Claudia Aiken, Matthew Murphy, and Hayley Raetz

NYU Furman Center

Executive Summary

Amid a national affordable housing shortage, a range of government-led development models are emerging as state and local governments explore more active roles in housing production and ownership. These proposals and models, sometimes termed "social housing," vary widely. In some cases, state and local authorities directly build housing, while in others, they offer low-cost loans, investments, and tax exemptions to build mixed-income housing developments that are ultimately owned in some form by a government entity.

Traditional public housing authorities (PHAs) have faced significant underfunding and operational challenges over time, prompting a contemporary shift toward today's conventional model where public entities finance, regulate, and incentivize low-income housing development that is undertaken by non-profit and for-profit private entities. But in various pockets of the country, there is growing interest in government entities taking a more aggressive role in stimulating housing development, including taking an ownership stake.

This interest grows out of both ideological and pragmatic reasons. However, an expansion of the public's role in this direction raises several key considerations: Can these emerging models actually achieve deep affordability while maintaining high quality over time? How do they balance public ownership goals with financial sustainability? And at what cost? This policy brief examines emerging models of public development and ownership across three main groups, providing insights into their design, benefits, risks, and policy implications.

Reasons for Renewed Interest in Public Development

State and local governments are revisiting public development for a diverse set of reasons. In some regions, limited capacity among private affordable housing developers has necessitated government action. Other jurisdictions face federal funding constraints and are turning to local resources to fill funding gaps. In addition, among some policymakers there is an increasing interest in creating "decommodified" housing, consisting of affordable, mixed-income communities in which private entities are not able to capitalize on rising land values over time.

Spectrum of Public Development Models

We broadly categorize the models of public development as follows:

Group A: Mixed-Income Development with Public Equity Investment: Public entities use revolving loan funds to finance mixed-income developments, aiming to secure long-term public ownership stakes. These models leverage market-rate rents to cross-subsidize affordable units and appear to be most feasible when built on public land and paired with local investments. Examples include Montgomery County, Maryland's Housing Production Fund and Atlanta's Urban Development Corporation.

Group B: Public Housing Conversions: PHAs use federal programs like Faircloth-to-RAD to redevelop existing public housing and add units. These models retain some form of public ownership and leverage additional subsidies through Section 8 funding to support deeply affordable units. They address capital improvement needs and expand the public housing supply while navigating financing gaps and Faircloth capacity limitations.

Group C: Fully Affordable Housing Models: Long-standing models like those in Dakota County, Minnesota, and Idaho's The Housing Company showcase how publicly driven development can sustain long-term affordability with and without relying on the Low-Income Housing Tax Credit (LIHTC). These models use dedicated funding streams and portfolios of smaller properties to cross-subsidize costs, highlighting how specialized entities can focus on affordable housing needs effectively.

Policy Considerations

Each model presents unique considerations for policymakers:

1. Balancing Affordability and Financial Viability: Public developers must balance the goal of creating affordable housing with the need for financial feasibility. Government financial support will always be required in some form, and using revolving funds, tax exemptions, and cross-subsidization models can support affordability while maintaining market viability.

2. Managing Development Risks: Public entities face unique risks in real estate development, from market fluctuations to construction and operational challenges. They face these risks both when acting as a developer and as an investor. Strong underwriting capacity, dedicated risk management strategies, and the ability to adapt to market cycles are critical for long-term success.

3. Leveraging and Maximizing Existing Subsidies: Alongside any new development efforts, public entities should maximize federal programs (e.g., LIHTC, HUD's Rental Assistance Demonstration (RAD) program, and federal risk sharing programs) to finance any new affordable housing development. Coordinating new and existing tools ensures more comprehensive development and preserves local financial resources.

4. Responding to Local Contexts and Building Capacity: The effectiveness of public development still depends on local zoning, construction costs, and market rent levels. Policymakers should build local expertise and adapt to local needs while using resources like publicly owned land or addressing gaps that private or non-profit developers cannot fill.

5. Ensuring Long-Term Sustainability and Reinvestment: Long-term sustainability involves planning for the life cycle of properties, including recapitalization for aging systems and quality management. If projects are not underwritten to be financially sustainable, establishing dedicated funding streams may be necessary to ensure proper maintenance over time.

Public development and ownership models offer an additional pathway to increasing affordable housing beyond the conventional toolkit currently available to most places. However, these models also require a detailed assessment of their risks, benefits, operational demands, and the overall cost of such an approach. Balancing affordability with market viability, financial feasibility, and long-term sustainability will be critical as governments explore whether and how to embark on these new roles in housing development.

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Introduction

Following a long and steady decline of federal support for public housing, the landscape of affordable housing in the U.S. has shifted dramatically. Over the past 20 years, the nation's public housing stock has shrunk by 300,000 units.[1]

While Housing Choice Vouchers and units developed through LIHTC have more than replaced those units by count, those programs operate under far different structures and requirements than public housing. Today, with nearly three-quarters of assisted households live in privately owned and operated properties,[2] there is a renewed interest in "social housing," where public entities take an active role in development and ownership of income-restricted housing.

This brief explores emerging models of public development and ownership in the U.S., defined as scenarios where state or local governments act as developers, investors, or long-term owners.[3] We examine the potential benefits, risks, and challenges of these approaches, along with the cost considerations, and offer insights on how policymakers can expand public development to address housing shortages—especially for lower-income households—while ensuring responsible stewardship of public resources.

Reasons for the Renewed Examination of Public Development and Ownership of Housing

States and localities are examining public development for various reasons. Part of the interest stems from a desire to create housing that can remain affordable in perpetuity by never expiring out of program restrictions, be socioeconomically diverse, and ensure that for-profit entities cannot capture rising land values over time. In some areas, the lack of robust for-profit or non-profit affordable housing developers has led to an increased role for government. In other jurisdictions, a well-established affordable housing sector faces constraints on federal funding allocations, particularly for LIHTC, prompting local strategies to address gaps by exhausting existing resources and identifying new financing approaches to support affordable housing. Additionally, PHAs are using federal programs like Faircloth-to-RAD to renovate existing public housing and expand their stock of affordable units.

1. Collinson, R., Ellen, I. G., & Ludwig, J. (2015). *Low-income housing policy* (Working Paper No. 21071). National Bureau of Economic Research. https://www.nber.org/papers/w21071.

2. Ibid.

3. We define public development and ownership as one or more of the following: 1.) Acts as a real estate developer, or engages closely with development partners (i.e., enters into a partnership or other development agreement), with the end goal of ensuring a degree of public ownership in the project; 2.) Invests significant financial resources in exchange for an active role in the decision-making, development process, and ongoing management of housing, beyond basic regulatory oversight. This includes retaining a full or partial ownership stake in the properties; 3.) Is the long-term owner of the housing or the land on which it is built, maintaining continuous public control and oversight over the properties.

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Theoretical Benefits and Risks of Public Development and Ownership Models

Large-scale examples of long-term residential public developers are limited in the U.S., outside of PHAs, where a history of mismanagement, funding shortfalls, and long-term operational challenges in public housing across the country is well documented.[4] But emerging public development and ownership models differ significantly from America's traditional model of public housing. Limiting comparisons only to that history risks overlooking the emerging models' potential, and also their distinct challenges. Furthermore, while theoretical benefits and trade-offs between public and private developers can be analyzed, it is important to acknowledge that these emerging domestic models have not yet been in place long enough to fully assess their success in maintaining affordability and quality over time, and at what cost.

The potential advantages of a public developer are two-fold. In theory, public development offers a mission-driven approach that would prioritize long-term social benefits over short-term financial gains. Public developers would also have the advantage of leveraging a wider array of resources—public land, favorable financing terms, and regulatory tools—that can be used together to create and preserve affordable housing.

However, these potential benefits also come with significant operational, financial, and political challenges. Public developers will face the same market complexities as their private counterparts, including navigating zoning regulations, securing building approvals, and managing escalating construction costs. The long-term success of these models depends on public developers' ability to efficiently manage operations, adapt to shifting political priorities, and maintain financial sustainability. Public developers will also need to mostly, if not entirely, rely on public sources of funding in order to pay for development, rehabilitation, and perhaps even the operating costs of such developments. The degree depends on a program's design, but public funding in some form will always be necessary in order for public development to operate at scale.

Moreover, managing and maintaining affordable housing requires strong property management, compliance, and tenant service skills, which may not always be a strength of government entities. Aiming for permanent affordability can strain resources over time as rising costs, inconsistent revenue, and funding gaps can make it difficult to sustain both affordability and quality in the long run.

These considerations underscore the need to carefully balance public ownership goals with market realities and financial feasibility. The models explored in this brief range in their structure and approach, offering insights into how public development entities navigate these challenges and potential benefits.

4. Public housing authorities (PHAs) in the United States have historically faced significant challenges related to funding limitations, deferred maintenance, and operational inefficiencies. Decades of federal disinvestment, combined with the complexities of managing large-scale housing portfolios as in NYC and other large cities, have contributed to the deterioration of public housing stock. See: Schwartz, A. F. (2014). *Housing Policy in the United States* (3rd ed.). Routledge. https://doi.org/10.4324/9780203458204.

The Spectrum of Emerging Public Development and Ownership Models

In a recent report for RIHousing and the Rhode Island Department of Housing, the NYU Furman Center examined types of publicly-driven housing currently in use or recently approved across the U.S., identifying three groups of models:

Group A: Mixed-Income Development with Public Equity Investment

Public entities use revolving loan funds to finance mixed-income developments, aiming to secure long-term public ownership stakes. These models leverage market-rate rents to cross-subsidize affordable units and appear to be most feasible when built on public land and paired with local investments.

Group B: Public Housing Conversions

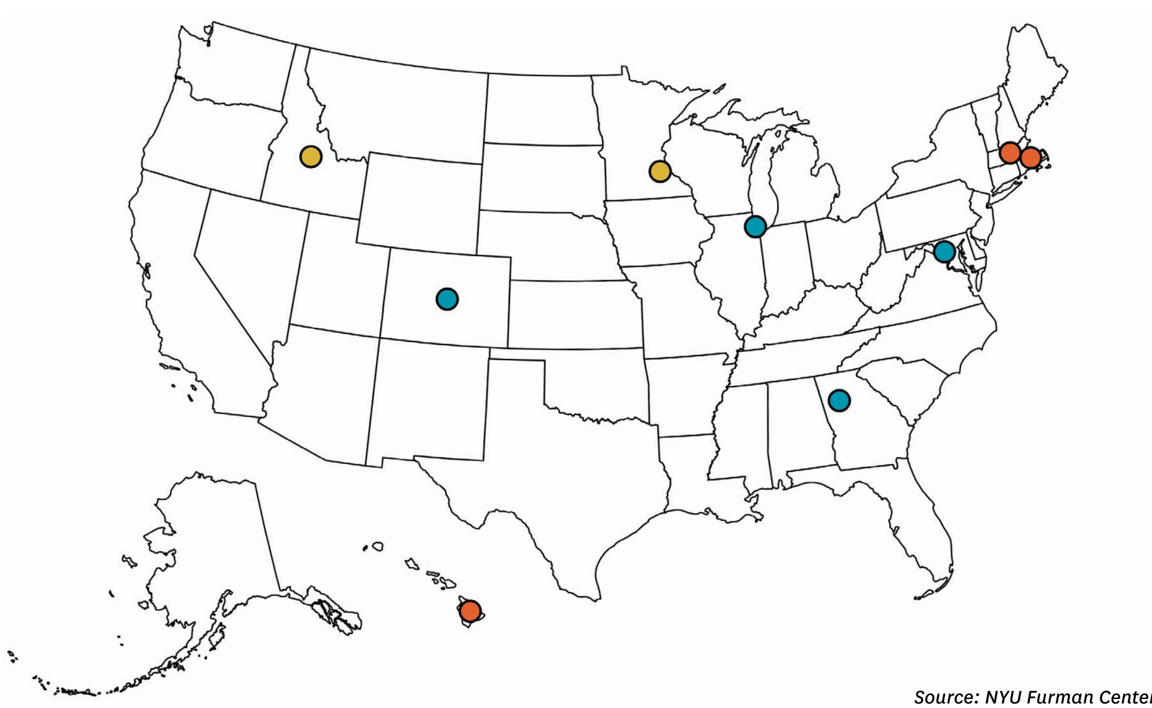
PHAs use federal programs like Faircloth-to-RAD to redevelop existing public housing and add units. These models retain some form of public ownership and leverage additional subsidies through Section 8 funding to support deeply affordable units. They address capital improvement needs and expand the public housing supply while navigating financing gaps and Faircloth capacity limitations.

Group C: Fully Affordable Housing Models

Long-standing models like those in Dakota County, MN, and Idaho's The Housing Company showcase how publicly driven development can sustain long-term affordability with and without relying

Public Developer Models Across the U.S.

Group A Group B Group C



Source: NYU Furman Center

on LIHTC. These models use dedicated funding streams and portfolios of smaller properties to cross-subsidize costs, highlighting how specialized entities can focus on affordable housing needs effectively.

Below, we outline those models, take a closer look at the financing structure behind actualized projects, and share key policy considerations and takeaways from each.

Group A: Mixed-Income Development with Public Equity Investment

Examples:

- Montgomery County, Maryland's Housing Production Fund (HPF)
- Atlanta Urban Development Corporation (AUD)
- Chicago's Green Social Housing Revolving Fund
- Colorado's Affordable Housing Financing Fund

Summary: Models like those in Montgomery County, MD; Atlanta, GA; and Chicago, IL use revolving loan funds to finance a portion of the construction of mixed-income housing developments, where both market-rate and affordable units are built together. These government-backed funds offer financing that is lower cost than what private lenders would provide given the risks involved. In return, the government often secures an ownership stake. Unlike traditional affordable housing that is often 100 percent income-restricted to low-income households, these developments rely on market-rate units to help subsidize the affordable ones, which usually serve households earning 50-80 percent of the area's median income (AMI). While these funds are designed to be self-sustaining, the below-market interest rates they offer (relative to what private investors would expect) may require ongoing subsidies or support to maintain financial viability over time.

Group A models invest, or intend to invest, public funds that take the place of private equity in the construction financing for large, mixed-income developments, and in turn secure a public ownership stake in these projects that goes beyond basic regulatory oversight of privately owned affordable housing. Many make this investment in part using a revolving loan fund. In these examples, a revolving loan fund is a pool of capital from which loans with favorable terms are made as one of several construction financing sources of housing developments. Once these loans are repaid after the construction phase, the funds are "revolved" back into that same pool in order to sustain its operations, theoretically making them available for other projects. An exception is Colorado, where there is less pressure for the state's investment to revolve, because its Affordable Housing Financing Fund (AHFF) is supported by a dedicated funding stream (a 0.1% state income tax set-aside). In the case of Colorado, to the extent there are any returns to the state's equity investment, those returns would be distributed to tenants in the new buildings as part of a program to promote renter wealth-building.

In Montgomery County, MD and Atlanta, GA, revolving loan funds are seeded with public capital and are used to make short-term (5-year) construction loans. These loans are designed to replace higher-cost market-financing, complementing conventional construction loans to complete the capital stack required for housing development.[5] Because these revolving loan funds are publicly-controlled, they offer financing at lower interest rates compared to the private market. Similar to mezzanine financing, these revolving funds provide construction financing that is subordinate to senior construction loans. Funds like these can

5. A capital stack is the structure of the various financing sources used to fund a real estate project, and typically includes a combination of equity and debt. The stack determines who will receive the income and profits generated by the development and in what order (usually, senior debt lenders are paid first, followed by mezzanine debt or a "second" mortgage, then private equity). Each layer of the stack carries different levels of risk and return; senior debt is the least risky and therefore has the lowest return, while equity is the riskiest and demands the highest return. Often, a project has one set of loans with terms of 3-5 years specifically to finance the construction phase, followed by a permanent loan phase upon a project's completion.

participate as a hybrid of debt and equity, or as direct equity investments, but with the feature of accepting lower financial returns than private market investors due to their public-oriented goals.[6]

In a hybrid development structure that combines public and private financing, the government investment might grant varying degrees of ownership or control. In some cases, the public entity may gain a direct ownership stake, while in others, it may have more limited influence, primarily receiving financial returns or using that stake to prioritize social outcomes. In Montgomery County, Housing Production Fund (HPF) loans are made with interest rates that are significantly lower than those expected by private equity investors given the riskiness of the investment, which again reflects the public-oriented goals of the investment.[7] When offering loans, the public entity must consider the potential risk of the investment, including potential losses if the project fails to meet performance expectations. Because the revolving loan is expected to be "taken out" (the principal balance owed is repaid) by other forms of private or public capital when a project converts to permanent financing,[8] its main function is to help overcome the hurdle of construction financing (whether due to the cost of capital or the lack of available capital altogether).

What Distinguishes Group A Models

It is important to note that a local government or HFA providing low interest loans that subsidize the development of affordable housing is not new. In fact, such subsidized loans, which are often subordinated to more senior public or private loans, are commonplace in 100 percent affordable housing development. What is unique about the relatively new HPF fund, which was created in March 2021, is that it creates an ownership stake for the local government entity (in combination with other public financing tools). To establish the HPF, the county's PHA, called the Housing Opportunities Commission (HOC), issued a $50 million bond, with the County Council agreeing to fund the principal and interest payments.[9] The Council approved a second issuance of an additional $50 million in May 2022 for a total of $100 million raised through the sale of bonds. Each of the two $50 million fund tranches is expected to fund two projects at a time and revolve every five years. One of the first projects to receive an HPF construction loan paid interest on that loan at a rate of 3.5 percent; that interest accrued during the construction term and was repaid to the county, along with principal, at permanent loan closing (the proceeds of which came with a 40-year, instead of a traditional 30-year loan term). Going forward, the HOC estimates that the HPF will cover a total of $250 million in construction loans, funding approximately 3,000 units over the first 20 years. The HOC will indefinitely retain majority ownership in these units. The bond issuance is expected to be fully repaid

6. See footnote 5. In these cases, the entity might not act as a typical equity investor in that their primary goal is to achieve positive social outcomes. In the case of affordable housing with market rate units included, they might seek lower than market rate returns or to translate dividends back into building operations and/or other development activities. The key distinction is that the investor is not also acting as the mortgage lender.

7. Underwriting documents suggested that the interest rate on HPF construction loans ranges 3.5 and 5 percent (with the higher rate assumed during the recent high inflation period), a rate significantly below what mezzanine debt would cost.

8. Permanent financing is long-term, fixed financing that replaces short-term or interim financing, which in this case is the construction loan. It is typically used to finance a property after it has been developed, providing a stable source of funding with set repayment terms over a longer period. Spreading out payments over a longer term reduces shorter term debt repayments, and is structured to ensure the property's long-term viability.

9. The HOC calculates that in exchange for issuing a low-cost triple-A municipal bond for $50 million, the County might pay about $4.25 million per year in today's high-interest environment. But the fund revolves at no cost after 20 years, and in the meantime, the HOC earns a 5 percent development fee on each project–totaling to about $2.5 million per year–which it repays to the County. This means that the HPF may cost the County as little as $1.75 million per year.

through a combination of project proceeds and any additional equity investments within this period, after which they anticipate that the fund will revolve with no additional costs.[10]

How Projects Are Identified

We observe at least two approaches Group A models use to identify viable projects. The first is to enter a development project that has already secured permits, but has stalled due to lack of financing (such as due to a lack of affordable financing). Montgomery County has used this approach, where the public entity offers HPF financing to stalled sites that are relatively far along in their pre-development in exchange for affordable housing commitments. The result is a simultaneous fast-tracking of multifamily mixed-income development as well as securing affordable unit inclusion. Similarly, developers must already have site control when they apply for an equity investment through Colorado's AHFF, and are expected to close within a year of receiving an equity award.

The second approach is to develop a strategy for building mixed-income housing on public land. For instance, Chicago, IL, is exploring the potential for mixed-income development on sites that will open up during the course of the Red and Purple Modernization, the largest capital project in the Chicago Transit Authority's history. This approach allows the public entity to manage projects from their inception. Montgomery County has also leveraged public land in some of their projects, although they are also planning a project on land they purchased at a market rate price.

How Projects Are Financed

It is important to note that the revolving loan funds described are not designed to fully cover total development costs – they cover a portion of the total by filling a financing gap that exists after a conventional construction loan is secured. On the private market, this subordinated position is a riskier loan to make, as it is typically repaid after the senior debt, increasing the likelihood of losses if a project underperforms or defaults. These public entities accept this riskier position to support the development of mixed-income housing, aiming to achieve affordability goals that may not be met through private financing alone.

Group A models also rely on a package of public resources beyond the revolving loan fund. The HOC of Montgomery County is both a PHA and an HFA, and has discretion to provide low-cost capital, tax-exempt and taxable bond financing (including recycled tax-exempt bonds[11]), property tax exemptions, discounted land, and a county-run property insurance program. The HOC also already has two lines of credit with a local bank in an aggregate amount of $210 million, which theoretically allows it to act nimbly as a joint venture developer and/or lender, with more flexibility than comparable entities.[12] For example, in the case of the aforementioned HPF-financed deal, the project was able to call upon a full property tax exemption, a 40-year permanent mortgage

10. Housing Opportunities Commission of Montgomery County, MD. (2024). Adopted Budget Book, p.147. https://www.hocmc.org/images/files/Publications/FY_2024_Adopted_Budget_Book.pdf.

11. Recycled tax-exempt bonds are a source of capital for affordable housing development. Such bonds reuse repaid or refinanced private activity bonds to finance new multifamily affordable housing projects. While the original use of the bonds generate Low Income Housing Tax Credits (LIHTCs), recycled bonds do not produce additional LIHTC equity. While the LIHTC portion is stripped upon recycling, in order to avoid additional federal allocation costs, the recycling allowance does extend the life of the bonds, providing financing for new projects without needing new volume cap allocation. Orrick, Herrington & Sutcliffe LLP. (2024). *Tax-exempt bond financing for middle-income housing*. https://www.orrick.com/en/Insights/2024/01/Tax-Exempt-Bond-Financing-for-Middle-Income-Housing; California Housing Finance Agency. (2019). Presentation on the New York City Housing Development Corporation and the use of Recycled Private Activity Bonds. https://www.calhfa.ca.gov/about/events/board-meetings/books/2019/20191219/20191219-handout-1.pdf.

12. Housing Opportunities Commission of Montgomery County, MD. (2023). "New Issue: Multiple Purpose Bonds, 2023 Series C." *Bond Prospectus*, October 19, 2023, p.8. https://prospectus.bondtraderpro.com/$MDHSG23.PDF.

loan (with default risk shared with the Federal Housing Administration through a risk-sharing program made available to HFAs[13]), cross-subsidy from market-rate rentals (70 percent of all apartments are market-rate), and a separate equity investment from the HOC itself. In the case of Atlanta, the AUD operates as a subsidiary of the city's PHA, Atlanta Housing. Georgia law allows PHAs and their subsidiaries to grant tax exemptions. The AUD also relies on public land, funding, and debt guarantees from the City of Atlanta, and underwriting and development capacity from the city's economic development agency, as well as FHA risk-share loans for permanent financing.

Finally, unlike traditional public housing or fully affordable developments, Group A models produce mixed-income housing, with most units priced at market rates. To reduce the need for ongoing subsidies, these models expect to rely on revenue from market-rate rents to subsidize the affordable units, typically targeted to households earning 50-80 percent of the Area Median Income (AMI). These projects are usually larger in scale, often with hundreds of units, compared to the typical size of LIHTC developments in many regions.

Considerations for Adoption of Group A Models

Adopting Group A models requires careful consideration of both market conditions and financial feasibility. On the demand side, market-rate rents must generate enough income to cross-subsidize affordable units targeted at households earning 50-80 percent of the AMI. On the supply side, development costs—such as land acquisition, construction, and labor—must remain manageable to keep the project viable, even when leveraging public subsidies. If costs are too high or market rents are insufficient, the model may struggle to be financially feasible without additional support.

Group A's cross-subsidization strategy works best when paired with publicly owned land and investment, particularly for creating "workforce housing" rather than addressing the need for the most deeply affordable units. In this respect, Group A models can complement an overall strategy that maximizes the use of LIHTC by focusing on affordability gaps for moderate-income households and offering rental options for voucher-holders who may face challenges in the private market.

Proponents also argue that Group A models have the potential to produce returns through rental income and property value appreciation—which could be reinvested in affordable housing. But this can create a certain tension. Capitalizing on property value growth can conflict with maintaining long-term affordability, and decisions on how returns are used—whether reinvested into the development or distributed to stakeholders—depend on the model's structure.

Finally, operational capacity and expertise are critical to the successful adoption of Group A models. Public entities must manage all stages of development, including underwriting, financing, construction, and long-term asset management. Entities like Montgomery County's HOC, with a history of public-private partnerships, illustrate the need for strong development expertise and strategic decision-making. Additionally, determining which aspects of the development process to outsource—such as architectural design, construction, and project management—requires careful consideration of costs and skills needed.

13. U.S. Department of Housing and Urban Development. (2023). *FHA Risk Sharing Program for Multifamily Housing: Section 542(c).* https://www.hud.gov/program_offices/housing/mfh/progdesc/riskshare542c. The FHA Risk Sharing Program allows eligible housing finance agencies (HFAs) to partner with the Federal Housing Administration (FHA) to provide affordable financing for multifamily housing. Under this program, the HFA and FHA share in the risk of potential losses on the mortgage, with the HFA assuming a portion of the risk in return for more flexible underwriting and loan terms, aiming to facilitate the development and preservation of affordable housing through attractive, lower-cost financing options.

Broad Policy Considerations Group A Models Present

Several policy considerations arise from the structure and goals of Group A models, which leverage public funds to secure ownership stakes in mixed-income developments:

Balancing Rents and Affordability. To support affordable units, these models partially rely on market rents that can raise sufficient revenue to fund the upkeep of affordable units and the building overall. If the model is designed to sustain a revolving fund, the revenue may need to exceed costs to the extent that it can replenish the fund for future projects. A key aspect of these models is balancing revenue brought in via market rents against development and operations costs and the depth and breadth of affordability. For this reason, these models are often designed to provide "workforce housing" for households earning higher incomes than those typically targeted by LIHTC development. In addition, these properties also typically combine tools, such as public land and property tax exemptions, to lower costs. Even with these tools, however, these models typically need higher market rents to make a project "pencil out," and, for that reason, may be limited to the highest cost markets in a region.

Managing Development Risks. By taking a more active role in the development of a new project as an equity investor, public entities open themselves up to additional risk involved in developing and owning a property. For example, the public entity takes on additional responsibility in terms of the property design and construction, as well as moving the project from the conception stage, through securing financing and the permitting process, all the way to construction and ensuring lease up. Each of these steps involves risk, time, and expertise. While entities can partner with a developer to gain some of that expertise, they will still need to ensure that they are well-aligned in terms of project goals and mission. However, in these models, the trade-off of additional development risk is a long-term ownership stake in housing.

Navigating Construction and Market Risks. While the primary goal of such funds is to provide lower-cost capital to support affordable housing development, public entities still face substantial risks similar to those encountered in private lending, investing, and building. Offering financing at reduced rates means that these entities assume financial risk without the compensation of higher interest returns (and instead focus on affordability). As a result, public entities must exercise careful underwriting and risk assessment, as they could face challenges if a project underperforms or revenues fall short of covering costs. Additionally, public entities would be responsible for managing unforeseen circumstances, such as economic downturns that affect rental income or unexpected maintenance costs from events like severe weather. To mitigate these risks, public entities need robust risk management strategies, ensuring that the potential benefits—the creation of affordable housing units and public ownership stakes—outweigh the financial risks involved.

These models also demand strong underwriting and development capacity within the public sector to manage the financial exposure effectively. To be successful, they will demand a competitive approach. To be competitive, public entities must be able to adapt quickly to changing market conditions and respond to pressures from private developers.

Result in large-scale development that includes affordable units in neighborhoods with higher housing costs. Group A models work best in more expensive neighborhoods, where market rents can subsidize affordable units. Group A models are designed to produce larger scale projects without federal tax credits.

Building mixed-income housing increases the overall housing supply and can produce a significant number of new affordable units, even if only a proportion of the units are designated as such. This approach provides low-income households access to high-opportunity areas they might not otherwise be able to afford and where it is more difficult to make 100 percent affordable housing deals financially feasible.

Require additional public financing and regulatory tools beyond a revolving loan fund. Beyond revolving loan funds, Group A models rely on a variety of public tools to support development, including using recycled tax-exempt bonds, property tax exemptions, and public land. The ability to coordinate these resources effectively is key to enhancing project feasibility and ensuring the revolving nature of the loan fund.

Group B: Public Housing Conversions

Examples:

- Boston Housing Authority
- Cambridge Housing Authority
- Hawaii Public Housing Authority

Summary: Public housing authorities like those in Boston, MA; Cambridge, MA; and Hawaii are leveraging programs like Faircloth-to-RAD to expand their portfolios by redeveloping existing public housing units and adding new ones while retaining a public ownership stake. These models use federal and local subsidies to renovate or rebuild housing, often adding deeply affordable units and, in some cases, market-rate units to cross-subsidize rent-restricted units.

The second set of models, Group B models, involves the redevelopment and expansion of existing public housing. Using federal and other subsidies, Boston, Cambridge, and Hawaii's public housing authorities aim to preserve or replace existing affordable units, add additional deeply affordable units, and in some cases add market-rate units to cross-subsidize rent-restricted units.

What Distinguishes Group B Models

Unlike Group A models, which focus on creating new mixed-income developments, Group B models are centered on revitalizing and expanding existing public housing. Importantly, the models in Group B all leverage Faircloth-to-RAD conversions.[14] Faircloth-to-RAD allows PHAs to build new public housing units and immediately convert them to units funded with Project-Based Section 8 contracts. The conversion to Project-Based Section 8 funding contracts enables PHAs to access a higher per-unit subsidy than the operating and capital funds typically available to public housing. This subsidy, tied to the tenant's income, ensures that rent is capped at 30 percent of the household income, and any shortfall between the rent paid by tenants and the operating costs of the property is covered by the subsidy. However, it's important to note that these subsidies come from a limited federal funding pool, and their availability can be subject to annual budget constraints and allocation processes. The enhanced subsidy structure can make the development or redevelopment of affordable housing more financially feasible, providing a deeper and more predictable revenue stream to support operations, services, and debt service payments on any financing used for the development. In the models we examined,

14. The Faircloth Amendment prohibited the construction of any new public housing beyond the number of units PHAs owned as of October 1, 1999. Many PHAs have since de-densified their public housing stock through HOPE VI and other programs, and so are below their "Faircloth Limit." Faircloth-to-RAD allows these authorities to convert their unbuilt Section 9 public housing units into Section 8 Project-Based Vouchers. In 2021, HUD first offered guidance for Faircloth-to-RAD conversions. Faircloth-to-RAD builds on the Rental Assistance Demonstration (RAD) Program, which was created in 2011 to enable PHAs to preserve and improve their public housing by converting it from Section 9 to project-based Section 8. Section 8 contracts are stable, predictable, and can unlock opportunities to increase the subsidy the federal government pays for the unit relative to public housing operating subsidies, though there are limits on when those opportunities are available. PHAs use this margin to reinvest in their public housing stock. Faircloth-to-RAD uses the same model to enable housing authorities to build *new* units.

PHAs used or anticipated using Faircloth-to-RAD to add new units as part of redeveloping existing public housing sites. They also intended to retain an ownership stake in and management responsibility for these units, though that is not a requirement of the Faircloth-to-RAD program.

Considerations for Adoption of Group B Models

Faircloth-to-RAD comes with several caveats that PHAs must navigate. First, PHAs can only harness this tool to build up to the number of units they owned or operated as of 1999 (their "Faircloth limit"); some PHAs have much less Faircloth capacity than others. Second, although PHAs can better leverage Section 8 Project-Based Vouchers to attract other private or public financing for development, Faircloth-to-RAD typically still leaves a financing gap. The PHAs we include in our scan are finding different ways to address this gap. The Boston Housing Authority, as a non-Moving to Work (MTW) authority that has implemented Small Area Fair Market Rents (SAFMRs),[15] has a special ability to increase RAD rents to their small area payment standards, creating a deeper level of ongoing federal subsidy in high-rent ZIP Codes. The Cambridge Housing Authority, on the other hand, is an MTW authority, and so does not have the ability to implement SAFMRS. Instead, the Cambridge Housing Authority must combine Faircloth-to-RAD with LIHTC financing in order to make new development financially feasible.

In these models, a PHA's capacity, experience, and reputation as a developer or development partner is critical. The Boston Housing Authority's strong in-house development capacity has allowed them to successfully partner with private developers in large-scale public redevelopment projects. The Cambridge Housing Authority has gained so much development expertise that it acts as a development and preservation consultant to at least two other Massachusetts housing authorities.

Broad Policy Considerations Group B Models Present

We find that Group B models, which use programs like Faircloth-to-RAD to leverage existing public housing authorities to add affordable units:

Result in much-needed improvements to existing public housing. Group B models take advantage of the statutory powers retained by PHAs in order to improve the quality of existing public housing, which serves very low-income and vulnerable households. In addition, they expand the supply of these deeply affordable units, opening up new opportunities for households that would otherwise struggle to pay rent on the open market.

Depend on Faircloth capacity. To develop housing under Faircloth-to-RAD, a PHA must have a gap between the number of public units that they owned or operated in 1999 and the current number of public housing units in their portfolio. This "Faircloth capacity" can then be filled via the creation of new public units. However, not all PHAs have Faircloth capacity.

Typically require additional public investment (in the form of tax credits and other sources). Even after converting public housing to Section 8 Project-Based Vouchers under Faircloth-to-RAD, PHAs are typically faced with a financing gap. This gap can be filled in a variety of

15. Moving to Work (MTW) is a demonstration program for PHAs that gives participating agencies the opportunity to design and test new strategies. It exempts from many existing public housing and voucher rules and allows greater flexibility with how they use their federal funds. Small Area Fair Market Rents (SAFMRs) are payment standards for Section 8 Voucher holders that are calculated at the ZIP Code level, rather than at the level of the entire metropolitan area. SAFMRs are designed to allow voucher holders to access high-cost neighborhoods by increasing the amount a PHA can pay in those neighborhoods. HUD permits non-MTW agencies to augment Faircloth-to-RAD rents in certain scenarios, including in ZIP Codes where 90 percent of the SAFMR is more than 110 percent of the metropolitan area FMR.

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ways. For example, PHAs that have implemented SAFMRs can leverage the deeper subsidy provided by small area rents in more expensive neighborhoods. While MTW PHAs are not eligible for SAFMRs, their MTW designation does give them greater flexibility to shift funds between programs, including using LIHTC financing to fill the gap in Faircloth-to-RAD projects.

Group C: Affordable Housing (No Market-Rate Units)

Examples:

- Dakota County, Minnesota's Community Development Agency (CDA)
- Idaho's The Housing Company (THC)

Summary: Established public or quasi-public models showcase long-term public development and ownership with and without federal tax credits.

While Groups A and B include emerging models, there are longer-standing models of public development and ownership in the U.S. One example is the Dakota County CDA in Minnesota, which has developed relatively small, 100 percent affordable buildings housing seniors without using federal tax credits since the 1980s. Minnesota state statute allows the CDA to issue tax-exempt "essential function" bonds, which are credit-enhanced with a general obligations pledge from Dakota County, to finance new senior housing developments. Each new bond issuance is amended to join one, large common bond, which allows the CDA to pool revenue from across its developments to service the debt.[16] It is important to note that Dakota County CDA's approach is successful partly because of its large portfolio, which helps support the model. Aggregating all operating revenue and costs also allows the CDA to allocate the cost of major repairs, such as new roofs, windows, and siding, over time—an approach that is increasingly important as its earlier projects reach thirty and forty years of age. Importantly, in addition to its rent revenue, the CDA relies on a special property tax levy authorized by the Minnesota legislature in 1999 to service a portion of the bond debt.

Moreover, because the CDA does not use any LIHTC financing for its senior housing program, it has more freedom to design its projects without more expensive amenities such as dishwashers, in-unit washers, or large common spaces. These construction cost savings are passed along in the form of more deeply affordable rents. According to the CDA, it has not experienced any lack of demand for its units despite the absence of such amenities, but it is not clear whether the same would be true in buildings aimed at families.

Another long-standing model in Idaho highlights the importance of developing a strategy to avoid cannibalizing existing funding streams for affordable housing. The state's HFA, the Idaho Housing and Finance Company, created a nonprofit called The Housing Company (THC) in 1992, when there was little competition for the state's LIHTC allocation. As evidence of how public development entities can grow and evolve, THC has since become a relatively large affordable housing developer, producing units all over the state and, like the Dakota County CDA, uses this large portfolio to leverage investment into new developments.

16. In New York City, a similar model is employed by the New York City Housing Development Corporation (HDC). HDC uses its Open Resolution, established in 1993, to issue bonds under a single, overarching framework. This allows for cross-collateralization and pooling of revenue streams across multiple developments, which enhances HDC's ability to manage financial risk, stabilize cash flow, and draw from a larger pool of resources to fund repairs and improvements. A key difference, however, is that HDC is not a direct owner of property, instead acting as a direct lender.
New York City Housing Development Corporation. (2024, June 17). *Official Statement: Open Resolution Bonds*. https://www.nychdc.com/sites/default/files/2024-06/2024BC%20OS_06172024.pdf.

Considerations for Adoption of Group C Models

THC was founded to fill a gap in developers positioned to build affordable housing via the LIHTC program. However, THC must now perform a careful balancing act. On the one hand, because it competes with other nonprofits for the state's allocation of tax credits, it must be seen as not benefiting from the HFA's favoritism. On the other hand, its expertise and public mission have made it an attractive way to funnel non-LIHTC financing, including Idaho's American Rescue Plan Act (ARPA) funds, into affordable housing. Such a model runs the risk of raising concerns in the local development community about creating additional competition for tax credits, as well as preferential treatment for the government agency. As such, this model is designed to address a recognized shortfall in affordable housing development capacity. The CDA models one way to alleviate concerns about limited tax credits or other forms of funding, by drawing on a separate dedicated funding source (via a tax levy) and using their bonding authority to finance affordable projects.

This model would also face significant financial barriers in high-cost markets, where development expenses are much higher. In such areas, the per-unit costs for building affordable housing can be substantially greater than in lower-cost regions, especially when models cannot leverage LIHTC. Without LIHTC equity, which reduces the funding gap by providing substantial federal subsidies, public entities will need to allocate significantly more local or state resources to finance the development. This could make the model less viable or require substantial subsidies that may be difficult to sustain over time, ultimately limiting the model's scalability in high-cost environments. If public entities focus on smaller-scale, less expensive projects, these challenges may be mitigated. However, this tradeoff might not be one that entities in higher-cost regions would be willing to make in order to achieve the broader goals of expanding affordable housing in high-demand areas and promoting desegregation at a larger scale.

Broad Policy Considerations and Lessons Learned from Group C Models

Our analysis finds that Group C models, which showcase long-term, fully affordable development with and without federal tax credits:

Create smaller, fully affordable buildings, which may be more politically and financially feasible in certain localities. Dakota County's model focuses on smaller properties (often around 60 units), which can be more politically palatable than larger-scale developments, given that they might not require zoning amendments.

Highlight the value of a large portfolio of units, which can be used to allocate the cost of financing, management, and repairs over time. Both models in Group C benefit from a large number of properties developed over many years, which can help cross-subsidize operating and maintenance costs.

Benefit from specialized entities equipped to focus on affordable housing needs. The CDA and THC models illustrate the advantages of having a dedicated entity, such as a nonprofit, to manage affordable housing development and operations. This specialization allows them to build and maintain affordable housing effectively, bringing deep expertise to financing, regulatory, and property management decisions. It also ensures mission alignment and allows these entities to be more responsive to the specific needs of affordable housing markets, ultimately contributing to long-term sustainability and affordability.

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New York Context: PACT and the Preservation Trust

Recently, the New York City Housing Authority (NYCHA) implemented two models to finance the renovation and modernization of existing public housing units: the Permanent Affordability Commitment Together (PACT) program and the Public Housing Preservation Trust (the Trust). Under both programs, NYCHA retains ownership of the public properties and land while unlocking new sources of subsidy and financing. As of 2022, residents in select NYCHA developments can vote to remain in Section 9 (public housing), convert to Section 8 Project-Based Vouchers via the PACT program, or convert to Section 8 under the Trust.[17]

Unlike the rest of the models in this paper, these new models were designed with a focus on preservation rather than new development. However, the PACT program has already led to one project that includes new mixed-income units.[18] The PACT program converts public housing units to Project-Based Section 8 via the Federal Rental Assistance Demonstration (RAD), unlocking public and private financing options that would otherwise be inaccessible to NYCHA, including bond financing through the New York City Housing Development Corporation (HDC). PACT relies on partnerships with private for profit and non-profit developers, who lease properties from NYCHA and take on responsibility for property management.[19] As a result, PACT properties are removed from the purview of a federal monitor that manages a 2019 settlement with NYCHA, which has raised concerns about a loss of oversight and transparency.[20] However, they remain subject to HUD's Project-Based Section 8 regulations. Residents do have the option, a year after the conversion, to apply for a portable voucher and use that voucher to move to another property.

The Trust, a state-created public entity known as a public benefit corporation, enables NYCHA to access funding for renovations via bond issuances. The legislation that created the Trust gave the entity flexibility to employ alternative project delivery methods, such as construction manager build, construction manager at risk, and design-build contracts, with the goal of expediting and modernizing rehabilitation work. The Trust uses third parties to conduct facility work and manage the property; however, under the Trust, properties are not leased to a third party, unlike in the PACT program.

Under both PACT and the Trust, tenants retain existing protections. Rents are capped at 30 percent of household income. Tenants also retain succession rights and the right to organize, and future tenancy is restricted to low-income households and pulled from NYCHA waitlists.[21]

17. New York City Housing Authority. (2023). *Residents Vote*. https://www.nyc.gov/site/nycha/residents/voting.page.

18. The redevelopment of the Fulton and Elliot-Chelsea Houses under the PACT program is slated to demolish and replace the 2,056 existing NYCHA units at the campus, as well as add approximately 3,500 new mixed income units (including an estimated 875 new affordable units). New York City Housing Authority. (2024). *Fulton and Elliot-Chelsea Houses*. https://www.fultonelliottchelsea.com/home.

19. New York City Housing Authority. *Permanent Affordability Commitment Together (PACT)*. https://www.nyc.gov/site/nycha/about/pact.page.

20. Human Rights Watch. (2022, January 27). *"The Tenant Never Wins": Private Takeover of Public Housing Puts Rights at Risk in New York City*. https://www.hrw.org/report/2022/01/27/tenant-never-wins/private-takeover-public-housing-puts-rights-risk-new-york-city#.

21. New York City Housing Authority. (2022). *Public Housing Preservation Trust*. https://www.nyc.gov/site/nycha/about/public-housing-preservation-trust.page, New York City Housing Authority. *Permanent Affordability Commitment Together (PACT)*. https://www.nyc.gov/site/nycha/about/pact.page

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The Economics of Public Development: Resources Needed to Close the Financial Gap

To explore the financial pathways and obstacles to developing affordable housing beyond the prevailing method of using LIHTC equity, we worked with affordable housing finance experts at Forsyth Street Advisors to build a simple model of a hypothetical multifamily rental project in Rhode Island, the area of focus for our recent report.[22] This analysis aims to shed light on the financing needs for a prospective mixed-income project, as well as the potential impact of various financing and regulatory tools commonly used by the public development entities we studied.[23]

Regardless of where the funding comes from, public development and ownership models will need more state and local funding per unit as compared to deals that include LIHTC funding, because they cannot leverage LIHTC equity (a cost which ultimately the federal government absorbs). In sum, because the construction costs of development do not change solely because a public development entity is involved, to see affordable housing built, local and state governments would need to bridge the financing gap that would typically be covered by LIHTC funding using local funds.

The full workbook used in the analysis below is available for download on our website, localhousingsolutions.org:

ACCESS THE FINANCIAL WORKBOOK

22. The Rhode Island context is, of course, specific and this analysis and its findings are not representative of every development context. As we highlight in our report, much of Rhode Island has comparatively low rents and high construction costs, for example. However, specifying a location allows for the collection of the data needed to identify the assumptions in a pro forma financial analysis. To conduct this analysis with different assumptions, please use the financial workbook linked above.

23. Although this brief is focused on public development and ownership, the economics of this model hold regardless of whether the development is owned and developed by a public, nonprofit, or for-profit entity. It is also important to note that this model is simplified, and cannot substitute for a full financial analysis of a project. See Appendix A for more details on the model assumptions.

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Baseline Case

To understand how different combinations of subsidies work together to underwrite a project, we begin with a "baseline case" of a simple mixed-income, multifamily project in Rhode Island. The base project uses the following high level assumptions:

- 100 units
  - *All 2-bedroom units (800 square feet per unit)*
  - *100,000 square feet of development, 80,000 of which is rentable*
- Mixed income
  - *70 percent market-rate*
  - *20 percent affordable - 60 percent AMI*
  - *10 percent affordable - 40 percent AMI*
- Public land
- Partial property tax exemption[24]
- Located in Rhode Island

For more detailed information on our assumptions please refer to Appendix A.

Our model highlights the challenges of developing affordable housing without relying on LIHTC equity. Using construction cost and market condition assumptions for Rhode Island, we find that in the baseline mixed-income case, there is a substantial financing gap of $12 million ($120,000 per unit and nearly $400,000 per affordable unit), after accounting for a conventional construction loan and an equity investment.[25] This is the case even assuming no site acquisition cost and preferential property tax treatment, implying that not even a shift in land acquisition costs could make such deals financially feasible. This gap highlights the necessity of deploying multiple strategies to achieve financial feasibility.

Even with free land and preferential property tax treatment, ***our base case has a financing gap of $12 million (or $120,000 per unit)***.

24. In this analysis, we use Rhode Island's 8 percent property tax treatment which can be applied to affordable housing properties. Under Rhode Island statute §44-5-13.11 (enacted in 1995), properties in which a covenant restricts either rents or tenants' incomes (or both) may be taxed at a rate that equals eight percent of the property's previous years' gross scheduled rental income, or a lesser percentage as determined by each municipality. There has been some debate about whether the preferential tax treatments apply only to low-income units, or to the entire property, and whether 'low-income' should be better defined. Providence City Council in April 2024 passed an ordinance restricting application of the '8-Law' to housing that restricts tenants' income to 80 percent of AMI, and where rent is capped at 30 percent of income. Source: Leslie, A. (2024). "'8-Law' Tax Break Ordinance Passes Providence Council Despite Concerns." *WPRI,* April 19, 2024. https://www.wpri.com/news/local-news/providence/8-law-tax-break-ordinance-passes-providence-council-despite-concerns/. A recent report also found that not all low-income housing in Rhode Island uses the 8 percent tax treatment. Potential reasons include the completion of developments prior to the creation of the 8 percent tax, the use of separate local tax stabilization agreements, or cases where the general tax structure is more advantageous. RI Housing. (2024). *2024 Report on RIHousing Development Activity and 8% Tax.* https://www.rihousing.com/wp-content/uploads/2024-Report-on-RIHousing-Development-Activity-and-8-Tax.pdf.

25. Financing gap refers here to the shortfall that remains after accounting for a project's available equity investment and conventional construction loan. Even with these financial resources in place, the project may still lack sufficient funds to cover total development costs, especially in affordable housing projects where rental income is capped at lower levels. This gap arises because the equity investment and loan, constrained by underwriting standards and debt service coverage ratios, often fall short of what's needed to fully finance the project. Closing this gap typically requires additional subsidies or innovative financing tools to achieve project feasibility.

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Table 1. Hypothetical Mixed-Income Project, Base Case

Development Program	
Residential Rentable SF	80,000
Maximum Dwelling Units	100
Average Unit Size per Unit (SF)	800

Operating Proforma	**Unit Distribution**	**$/Unit**	**Total**
Rental Revenue - Market Rate Units	70%	3,000 (per month)	2,520,000
Rental Revenue - Low-Income Units 60%	20%	1,686 (per month)	404,640
Rental Revenue - Low-Income Units 40%	10%	1,124 (per month)	134,880
Gross Potential Rental Revenue	**100%**		**3,059,520**
Residential Vacancy	5%		(152,976)
Effective Gross Income			**2,906,544**
Operating Expenses Before Property Tax		(9,150)	(915,000)
Property Tax (Applying Rhode Island's 8% Law)		(2,448)	(244,762)
Net Operating Income			**1,746,782**
Max First Mortgage Debt Service		(15,189)	(1,518,941)
Net Cash Flow			**227,841**

Development Budget	**$/Unit**	**Total**
Total Development Cost	**422,500**	**42,250,000**

Permanent Sources	**$/Unit**	**Total**
Total Sources	**302,588**	**30,258,811**

(Financing Gap)	**(119,912)**	**(11,991,189)**

Closing the Gap

Financing gaps are typically closed using a combination of interventions. To better understand how different tools can impact project feasibility, we test a variety of interventions often employed by the public development entities featured in the models above. They include a full property tax exemption that could accompany land owned and/or developed by a public entity, along with layering the rental income from Project-Based Section 8 Vouchers in affordable units. We also look at the impact of the soft subsidy that might come from a revolving loan fund or other subsidized financing source, a 40-year loan (typical of FHA risk-share), and relatively high market-rate rental income (reflecting supplying this kind of housing in the highest demand markets).

As Table 2 shows, these key interventions individually lower the $12 million existing financing gap in our base case by between $1.5 and $4.6 million each. ***Combining all of these interventions would fully eliminate the financing gap***, making the project financially feasible, leaving $2.6 million in residual value (typically considered residual land value, although this model assumes no cost for land acquisition).

Table 2. Financing Gap Under The Base Case And Interventions

Case Examples	Total Financing Gap
Base case	$12.0M
+ Full property tax exemption	– $3.1M
+ Project-Based Section 8	– $3.0M
+ Subsidy loans of $5k/affordable unit	– $150K
+ Extended loan term (40 years)	– $2.1M
+ Higher market-rate rents ($3,500)	– $4.6M
Combined Interventions	**None - excess value of $2.6M** (residual land value)

While our analysis demonstrates the importance of knitting together several tools and funding sources that states and localities are able to use to achieve feasibility for mixed-affordability projects without LIHTC, it does not address broader questions about whether public development or ownership generates long-term benefits that justify its cost, particularly in comparison to the prevailing tax credit-financed development model. Agencies should conduct this analysis themselves, with a particular focus on the specific structure of the public entity, its capitalization and funding, staff capacity and expertise, its authority and ability to manage risk, competition, and access to public land, property tax exemptions, Section 8 subsidies, and other public goods. As discussed, these are critical questions for policymakers to consider when grappling with the question of standing up a public developer entity, and answers will significantly depend on local context.

Summary of Key Policy Considerations

Our analysis surfaced a number of key takeaways for policymakers and stakeholders to have in mind when considering the potential role that public development and ownership could play in an overall affordable housing strategy.

For each typology of public development and ownership we identified, it is important to consider:

Risks and returns of public funds.

Public entities will need to assess and manage the risks associated with acting as real estate developers, including market fluctuations, public resistance to development, and changes in institutional structure or capacity. These risks must be weighed against potential returns, including new housing units, length and depth of affordability, and profits that can be reinvested in further development or housing programs. Public developers could also be designed to work in "counter-cycles" when market development has slowed down due to broader economic factors.

Ways to maximize and streamline existing programs.

Alongside any expansion of public development, policymakers should make sure to maximize the use of existing programs like LIHTC, FHA risk-share loans, and the U.S. Department of Housing and Urban Development's (HUD) RAD program to finance new affordable housing projects.

Discrete needs that only a public developer can fill.

Public development models should be used when they add to the affordable housing landscape, and where they can create and or utilize new or underused resources. Rather than replacing existing partners that are already capable of performing development work, policymakers should also consider the specific needs that a public developer could address—either because for-profit and nonprofit organizations are unable to fulfill these roles or because a public entity would have a distinct advantage. Examples include using publicly-owned land for mixed-income housing, handling tax lien foreclosed properties, and rehabilitating distressed government-owned properties.

Unique local contexts that may facilitate or hinder development.

The success of any of the models described above depends on local context and resources. For example, policymakers should consider whether current zoning requirements allow for the density that some public development relies on for efficiencies of scale, or if rezoning or inclusionary zoning may be helpful in smoothing the path for affordable housing. In addition, understanding local market conditions, including land, construction, and labor costs, as well as rent levels, is vital. Cross-subsidization models, which rely on market-rate rents to subsidize affordable units, may be limited by local market conditions such as relatively high development costs.

The importance of establishing a dedicated funding stream.

Policymakers should explore ways to establish dedicated funding streams for public investment in housing, similar to Dakota County's property tax levy. Such funding can provide a stable foundation for development and maintenance that is less susceptible to shifts in policy priorities.

The local capacity and expertise needed to act as a public developer.

While public entities can hire consultants to help them navigate the potential risks outlined above, they should also have internal underwriting and risk management capacity to oversee contracts and ensure that public funds are used responsibly.

Long-term sustainability.

Policymakers should consider the long-term sustainability of publicly-developed housing through proper maintenance, management, and reinvestment strategies. Such projects need re-capitalization every 15-20 years to address issues from aging building systems and require quality management for successful operations, including leasing, maintenance, and compliance with local, state, and federal laws.

Conclusion

By examining emerging models across states and localities, this brief highlights a growing interest in reclaiming a stronger government role in developing and owning housing. While these models present potential benefits—such as increased control over affordability, long-term stability, and broader social outcomes—they also come with inherent risks and challenges that demand careful consideration.

Key takeaways from our analysis underscore the importance of balancing financial feasibility, regulatory flexibility, and operational capacity. Public development models succeed by assembling a mix of funding sources, managing risk, and navigating market and political contexts. Whether leveraging mixed-income developments to cross-subsidize affordable units, redeveloping and expanding existing public housing stock, or creating fully affordable buildings without federal tax credits, each model has unique requirements and implications that policymakers must evaluate based on local context.

Ultimately, expanding public development and ownership won't be a one-size-fits-all solution. Success is more likely when these models adapt to local conditions, and build on existing local efforts, rather than launching entirely new, large-scale, and costly initiatives. Finally, ensuring long-term sustainability is critical, as public developers need the capacity to build, maintain, and operate housing developments over time.

The decision to engage more directly in housing development and ownership should also align with broader policy goals, especially the preservation of deeply affordable housing and public housing. In considering the use of these emerging models, policymakers should weigh them against existing approaches to creating and preserving affordable housing, assessing how the cost, risk, and long-term impacts align with their broader housing and community goals.

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Appendix A

Financial Model - Assumptions

The analytic model describe above utilizes several key variables and assumptions:

Project Scale

Our baseline case assumes a 100-unit rental project, which can be scaled up or down. For simplicity, the model assumes that the project contains only 2-bedroom apartments, each sized at 800 square feet. Both the number of units and average square footage per unit are variables that can be manipulated.

Income Mix

The baseline model assumes the following mix of apartments by affordability:

Market-Rate Units

In the base case, 70 percent of the apartments (70 units) are available at market rents of $3,000 per month, which represents rents at the highest end of the market, and the likely rent in a few years when a project is completed and leased up. In general, market rents vary by location (see Figure 2, below), and this market rent is not likely to be supported in Rhode Island's lower-cost areas. Conversely, a well-located project with desirable amenities will support a higher market rent. Analysis of ACS microdata suggests that the 75th percentile of contract rents exceeds $2,500 in only five census tracts in Rhode Island, which are located primarily in coastal areas–Melville (a very small US Census-designated place between Portsmouth and Middletown), Barrington, Portsmouth, and Little Compton–with the exception of a tract in North Providence (the village of Greenville).[26] According to CoStar data, the average rent in Providence was $1,920 (with a high of $2,180 in its most expensive submarket) as of summer 2024.[27] These tracts also all have high homeownership rates (averaging more than 85 percent), which suggests that it may be difficult to build new multifamily rental buildings in these areas even if market rents would support development.

Moderate-Income Units

The model provides the user an opportunity to include moderate-income units affordable to households at 80 percent of Rhode Island's AMI, although the base case assumes no units at this affordability band.

Low-Income Units

20 percent of the apartments in the base case (20 units) are priced at rents that are affordable to low-income households earning 60 percent of AMI. In this model we assume a monthly rent for these apartments is $1,686.

Very Low-Income Units

Finally, 10 percent of the apartments (10 units) are priced at rents that are affordable to households earning 40 percent of AMI. In this model, we assume monthly rent for these apartments will be $1,124.

The model allows the user to change the distribution of units and the rents charged for each unit type. The affordable rents presented in the base case are based on statewide averages. Actual AMI-based rents vary by region. Additionally, for simplicity, the model does not adjust for utility

26. These figures reflect American Community Survey (ACS) 5-year estimates from 2018 to 2022, reported in 2023 dollars, and may not fully capture recent rent increases in some neighborhoods.

27. RIHousing. (2024, August). *Underwriting Report: 99 Water St.*

allowances. In an actual rather than a hypothetical mixed-income project, utility costs borne by low-income tenants are deducted from rent, resulting in a modest decrease in the revenue available to support the project.

Operating Expenses

Based on an analysis of comparable market-rate multifamily rental projects in Rhode Island, the baseline model assumes that it will cost $9,150 per unit per year to fund the operations of the project before property tax obligations. Operating expenses include maintenance and repairs, electricity and heating costs for the common areas of the building, water and sewer expenses, insurance, property management fees as well as staffing and administrative costs. It is possible to adjust operating expenses to reflect projects designed to operate at a lower cost, if, for example, passive house standards are used to reduce energy use, or if government co-insurance programs are available to reduce insurance premiums. They can also be adjusted upwards, if, for example, insurance costs escalate.

Property Taxes

In the baseline case, we assume that the property will benefit from the 8-Law, which sets property taxes at 8 percent of scheduled gross rental income ($2,448 per unit).[28]

Debt Sizing

Our model assumes that first mortgage debt is sized based on a 1.15 debt service coverage ratio, with a 30-year loan term and a fixed interest rate of 5.7 percent. Lending institutions require debt service coverage for all developers, whether non-profit or for-profit. The return on equity for the developer/owner is factored into this debt service coverage ratio. All three of these variables may be adjusted to understand how financing rates and terms can impact financing gaps. Under the baseline case, the project can support a maximum mortgage loan of $21.8 million.

Development Costs

The following variables are used for the development budget, all of which can be manipulated:

Acquisition Cost

For this hypothetical analysis, we assume zero land acquisition cost.

Hard Construction Costs

Based on recently developed comparable projects, the analysis assumes hard costs of $325,000 per unit.

Soft Construction Costs

For simplicity, we assume that soft costs are equal to 30 percent of hard costs, which equals $97,500 per unit. Soft costs generally include architectural and engineering fees, legal fees, permitting fees, environmental assessments, title fees, financing fees and carrying costs during the construction period.

Developer Cash Equity

The analysis assumes that the developer invests 20 percent cash equity.

28. See footnote 24.

City of Portland | Housing and Economic Development Department - Housing and Community Development Division
Mary P. Davis, Division Director

To: Housing and Economic Development Committee
Councilor Pious Ali, Chair

MEETING DATE
November 19, 2024

AGENDA ITEM
Agenda Item # Staff Memo re: Low Income Housing Tax Credit Expiring Use

PURPOSE
In response to a question posed by Councilor Kate Sykes, staff has prepared this memo to outline expiring use restrictions for the Low Income Housing Tax Credit (LIHTC) Program in the State of Maine.

COMMITTEE WORK PLAN/CITY COUNCIL GOAL ALIGNMENT
The information presented supports both the Committee workplan emphasis on housing policy and development as well as the City Council Goal to impact the affordability crisis in the short term and long term by working on regulations, financing and coordination.

BACKGROUND/ANALYSIS
As a result of an article published in the Portland Press Herald on October 6, 2024 Councilor Kate Sykes requested information regarding the City of Portland's process for monitoring affordability covenants imposed by the LIHTC Program on properties in Portland. The article was focused on a national perspective of this issue. MaineHousing, the state allocating agency for the LIHTC Program, takes a more restrictive approach to long-term affordability.

The LIHTC program requires that LIHTC properties commit to ***at least*** 30 years of affordability. However, the tax credit compliance period is only 15 years. During the compliance period, tax credits can be re-captured if the property does not comply with LIHTC regulations. For the remaining 15 years, the project is still required to comply with the LIHTC rules, however there is no ability to re-capture credits for non-compliance. State allocating agencies, like MaineHousing, are able to develop their own enforcement terms.

MaineHousing imposes a 45 year affordability covenant on LIHTC projects in the State of Maine. MaineHousing's documentation prohibits a change to market rate during the 45 year affordability term. The covenants are secured by an Extended Use Agreement and Program Declaration of Covenants document that is recorded in the Cumberland County Registry of Deeds.

The City of Portland requires LIHTC projects receiving financial assistance through the Affordable Housing Tax Increment Financing Program to maintain affordability for the full term of the TIF district, which is typically 30 years. LIHTC projects receiving financial assistance through the HOME Program or the JIll C. Duson Housing Trust Fund are required to maintain affordability for 90 years. City affordability restrictions are documented in a Declaration of Covenants and Restrictions which is recorded in the Cumberland County Registry of Deeds.

As the agency with oversight of the LIHTC Program in Maine, MaineHousing takes a proactive approach to the preservation of affordable units. As noted in the attached email from Robert Conroy, Director of Asset Management at MaineHousing, the agency provides opportunities to affordable property owners to refinance or restructure their debt or obtain new debt to make capital improvements in an effort to extend the affordability term. In addition to these financing opportunities, MaineHousing has also taken steps over the last few years to strengthen the Ownership Transfer rule and the QAP to give the agency more oversight to protect ongoing affordability. The QAP or Qualified Allocation Plan, is the document that outlines the rules and guidelines for the LIHTC Program.

Often, as an investor in LIHTC projects, the city is asked to restructure or extend its financing to allow for capital improvements during the affordability period. This typically happens after the 15-year LIHTC compliance period and provides an opportunity for the city to extend the affordability of the project.

There is a website that tracks federally assisted housing, including but not limited to the LIHTC and HOME programs. National Housing Preservation Database (NHPD) was created by the Public and Affordable Housing Research Corporation and the National Low Income Housing Coalition to assist communities in accessing information about affordable housing. It should be noted that not every LIHTC or federally assisted housing project receives financing assistance from the City of Portland.

FISCAL IMPACT

There is no anticipated fiscal impact associated with this item.

CONCLUSION(S)

The LIHTC Program is an important tool available to assist with the creation of affordable housing. The State of Maine’s LIHTC Program includes rules that protect, as much as possible, the ongoing affordability of projects. Both MaineHousing and the City of Portland leverage programs and resources to preserve affordable housing.

PRIOR COMMITTEE REVIEW

N/A

PREPARED BY

Mary P. Davis, Division Director
Housing and Community Development
Division

ATTACHMENTS
Attachment A - Email from Councilor Kate Sykes dated October 7, 2024.
Attachment B - Portland Press Herald Article *"As Affordable housing disappears, states scramble to shore up the losses"*, dated October 6, 2024.
Attachment C - Email from Bob Conroy, Director, Asset Management, MaineHousing, dated October 11, 2024.
Attachment D - HUD Report "What Happens to LIHTC Properties After Affordability Requirements Expire?"
Attachment E - National Housing Preservation Database
Attachment F - Spreadsheet of Portland LIHTC Projects with Covenant Expiration Dates

Request for Information on Expiring LIHTC Affordable Housing Covenants

1 message

Kate Sykes <ksykes@portlandmaine.gov> Mon, Oct 7, 2024 at 7:29 AM
To: Gregory Watson <gwatson@portlandmaine.gov>
Cc: Mary Davis <mpd@portlandmaine.gov>, Greg Jordan <gjordan@portlandmaine.gov>, Pious Ali <pali@portlandmaine.gov>

Good morning Greg and Mary,

I hope you had a relaxing weekend and got to enjoy the beautiful fall weather!

I read this article in the Press Herald today this morning, which discusses the significant number of Low-Income Housing Tax Credit (LIHTC) properties nationwide that could potentially lose their affordability status within the next five years, putting low-income residents at risk of displacement due to rising market rents.

To better understand the situation locally, I would appreciate it if you could provide a summary for me of how the City of Portland currently monitors and ensures the continued affordability of LIHTC properties and other subsidized housing units.

In light of the looming expiration dates for many LIHTC developments, I feel that the HEDC should do a proactive review of the City's portfolio of LIHTC properties. Would it be possible for you to produce a report detailing the dates on which each property will be reaching the end of its affordability terms? Having this information will help us understand the potential scope of the challenge and explore strategies to maintain these critical housing resources into the future.

Thank you, and I look forward to your response and any additional insight you can provide on this issue.

Kate Sykes (she/they)
Councilor, Dist. 5
City of Portland
389 Congress Street
Portland, Maine 04101
ksykes@portlandmaine.gov
c: 207.558.5764
Read the District 5 Insider newsletter

Portland Press Herald

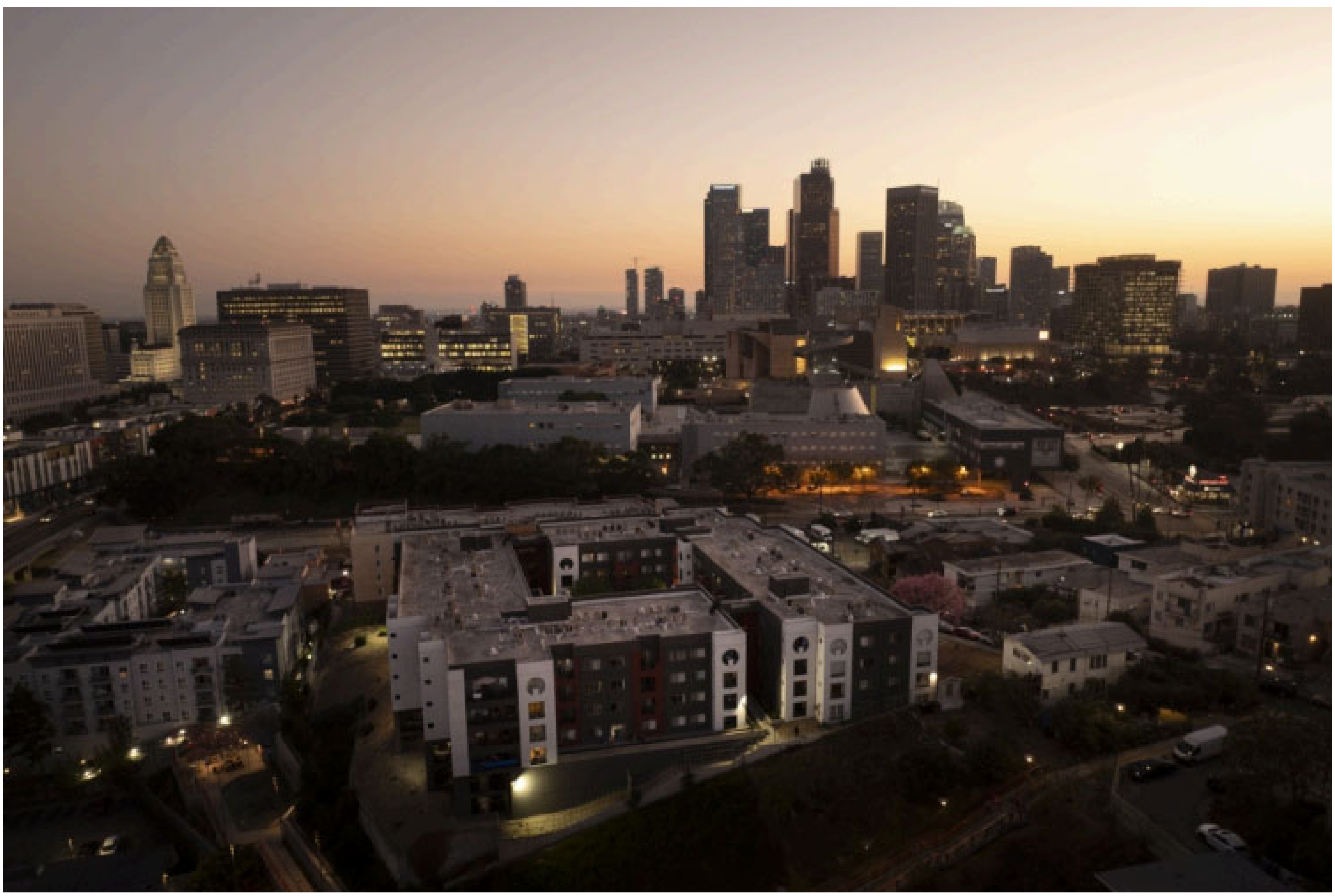
https://www.pressherald.com/2024/10/06/as-affordable-housing-disappears-states-scramble-to-shore-up-the-losses

As affordable housing disappears, states scramble to shore up the losses

While Americans continue to struggle under high rents, as many as 223,000 affordable housing units could disappear in the next five years.

Posted October 6 Updated October 6

JESSE BEDYAN and ARUSHI GUPTA
Associated Press/Report for America



An aerial view taken this month shows Hillside Villa, bottom center, an apartment complex where Marina Maalouf is a longtime tenant, in Los Angeles. *Jae C. Hong/Associated Press*

LOS ANGELES — For more than two decades, the low rent on Marina Maalouf's apartment in a blocky affordable housing development in Los Angeles' Chinatown was a saving grace for her family, including a granddaughter who has autism.

But that grace had an expiration date. For Maalouf and her family it arrived in 2020.

The landlord, no longer legally obligated to keep the building affordable, hiked rent from $1,100 to $2,660 in 2021 – out of reach for Maalouf and her family. Maalouf's nights are haunted by fears her yearslong eviction battle will end in sleeping bags on a friend's floor or worse.

While Americans continue to struggle under unrelentingly high rents, as many as 223,000 affordable housing units like Maalouf's across the U.S. could be yanked out from under them in the next five years alone.

It leaves low-income tenants caught facing protracted eviction battles, scrambling to pay a two-fold rent increase or more, or shunted back into a housing market where costs can easily eat half a paycheck.

Those affordable housing units were built with the Low-Income Housing Tax Credit, or LIHTC, a federal program established in 1986 that provides tax credits to developers in exchange for keeping rents low. It has pumped out 3.6 million units since then and boasts over half of all federally supported low-income housing nationwide.

"It's the lifeblood of affordable housing development," said Brian Rossbert, who runs Housing Colorado, an organization advocating for affordable homes.

That lifeblood isn't strictly red or blue. By combining social benefits with tax breaks and private ownership, LIHTC has enjoyed bipartisan support. Its expansion is now central to Democratic presidential candidate Kamala Harris' housing plan to build 3 million new homes.

The catch? The buildings typically only need to be kept affordable for a minimum of 30 years. For the wave of LIHTC construction in the 1990s, those deadlines are arriving now, threatening to hemorrhage affordable housing supply when Americans need it most.

"If we are losing the homes that are currently affordable and available to households, then we're losing ground on the crisis," said Sarah Saadian, vice president of public policy at the National Low Income Housing Coalition.

"It's sort of like having a boat with a hole at the bottom," she said.

Not all units that expire out of LIHTC become market rate. Some are kept affordable by other government subsidies, by merciful landlords or by states, including California, Colorado and New York, that have worked to keep them low-cost by relying on several levers.

Local governments and nonprofits can purchase expiring apartments, new tax credits can be applied that extend the affordability, or, as in Maalouf's case, tenants can organize to try to force action from landlords and city officials.

Those options face challenges. While new tax credits can reup a lapsing LIHTC property, they are limited, doled out to states by the Internal Revenue Service based on population. It's also a tall order for local governments and nonprofits to shell out enough money to purchase and keep expiring developments affordable. And there is little aggregated data on exactly when LIHTC units will lose their affordability, making it difficult for policymakers and activists to fully prepare.

There also is less of a political incentive to preserve the units.

"Politically, you're rewarded for an announcement, a groundbreaking, a ribbon-cutting," said Vicki Been, a New York University professor who previously was New York City's deputy mayor for housing and economic development.

"You're not rewarded for being a good manager of your assets and keeping track of everything and making sure that you're not losing a single affordable housing unit," she said.

Maalouf stood in her apartment courtyard on a recent warm day, chit-chatting and waving to neighbors, a bracelet with a photo of Che Guevarra dangling from her arm.

"Friendly," is how Maalouf described her previous self, but not assertive. That is until the rent hikes pushed her in front of the Los Angeles City Council for the first time, sweat beading as she fought for her home.

Now an organizer with the LA Tenants' Union, Maalouf isn't afraid to speak up, but the angst over her home still keeps her up at night. Mornings she repeats a mantra: "We still here. We still here." But fighting day after day to make it true is exhausting.

Maalouf's apartment was built before California made LIHTC contracts last 55 years instead of 30 in 1996. About 5,700 LIHTC units built around the time of Maalouf's are expiring in the next decade. In Texas, it's 21,000 units.

When California Treasurer Fiona Ma assumed office in 2019, she steered the program toward developers committed to affordable housing and not what she called "churn and burn," buying up LIHTC properties and flipping them onto the market as soon as possible.

In California, landlords must notify state and local governments and tenants before their building expires. Housing organizations, nonprofits, and state or local governments then have first shot at buying the property to keep it affordable. Expiring developments also are prioritized for new tax credits, and the state essentially requires that all LIHTC applicants have experience owning and managing affordable housing.

"It kind of weeded out people who weren't interested in affordable housing long term," said Marina Wiant, executive director of California's tax credit allocation committee.

But unlike California, some states haven't extended LIHTC agreements beyond 30 years, let alone taken other measures to keep expiring housing affordable.

Colorado, which has some 80,000 LIHTC units, passed a law this year giving local governments the right of first refusal in hopes of preserving 4,400 units set to lose affordability protections in the next six years. The law also requires landlords to give local and state governments a two-year heads-up before expiration.

Still, local governments or nonprofits scraping together the funds to buy sizeable apartment buildings is far from a guarantee.

Stories like Maalouf's will keep playing out as LIHTC units turn over, threatening to send families with meager means back into the housing market. The median income of Americans living in these units was just $18,600 in 2021, according to the Department of Housing and Urban Development.

"This is like a math problem," said Rossbert of Housing Colorado. "As soon as one of these units expires and converts to market rate and a household is displaced, they become a part of the need that's driving the need for new construction."

"It's hard to get out of that cycle," he said.

Colorado's housing agency works with groups across the state on preservation and has a fund to help. Still, it's unclear how many LIHTC units can be saved, in Colorado or across the country.

It's even hard to know how many units nationwide are expiring. An accurate accounting would require sorting through the constellation of municipal, state and federal subsidies, each with their own affordability requirements and end dates.

That can throw a wrench into policymakers' and advocates' ability to fully understand where and when many units will lose affordability, and then funnel resources to the right places, said Kelly McElwain, who manages and oversees the National Housing Preservation Database. It's the most comprehensive aggregation of LIHTC data nationally, but with all the gaps, it remains a rough estimate.

There also are fears that if states publicize their expiring LIHTC units, for-profit buyers without an interest in keeping them affordable would pounce.

"It's sort of this Catch-22 of trying to both understand the problem and not put out a big for-sale sign in front of a property right before its expiration," Rossbert said.

Meanwhile, Maalouf's tenant activism has helped move the needle in Los Angeles. The city has offered the landlord $15 million to keep her building affordable through 2034, but that deal wouldn't get rid of over 30 eviction cases still proceeding, including Maalouf's, or the $25,000 in back rent she owes.

In her courtyard, Maalouf's granddaughter, Rubie Caceres, shuffled up with a glass of water. She is 5 years old, but with special needs, her speech is more disconnected words than sentences.

"That's why I've been hoping everything becomes normal again, and she can be safe," said Maalouf, her voice shaking with emotion. She has urged her son to start saving money for the worst.

"We'll keep fighting," she said, "but day by day it's hard."

"I'm tired already."

Report for America is a nonprofit national service program that places journalists in local newsrooms to report on undercovered issues.

Copy the Story Link

portland City of

Mary Davis <mpd@portlandmaine.gov>

FW: LIHTC Expiring Use

1 message

Bob Conroy <bconroy@mainehousing.org>
To: Mary Davis <mpd@portlandmaine.gov>

Fri, Oct 11, 2024 at 4:28 PM

Hi Mary:

The preservation of existing affordable properties is a very important focus of our portfolio oversight, and an issue that is always in mind as we think about how best to preserve affordable housing.

With our monitoring of projects comes the tracking of the affordability covenant and extended use agreement termination dates.

Typically these dates are co-terminus, but not always. Well ahead of reaching the end date, we take opportunities to work with owners on refinancing or providing new debt for capital improvements that will allow us to extend the affordability out to the maturity date of the new debt.

Often we will restructure the existing debt and re-term it for a longer period at interest-only thereby improving project cash flow while extending the affordability period as well. If the project is both a LIHTC and Sect. 8 we will work with owners to execute early term renewals on their HAP contracts which will add up to 20 years on to the remaining years left on the contract.

We also encourage the application of the attached State statute that gives the sellers of an affordable housing property with an affordability term of 10 years or less a State capital gains tax exemption if they sell the property to a non-profit owner willing to keep the property affordable for 30 years.

These are just some of the standard approaches we take but there are many others that are project or situation specific but with an intended purpose of extending the affordability. In general, because MaineHousing can offer financing for things like new roofs and other improvements at a lower rate than almost any other commercial lender, there is a natural tendency for Maine based affordable housing projects that need improvements (and all of them tend to need those during the course of their affordability period) to do those through our financing.

This is the best deal for the owner and will automatically extend affordability at the property, so it's a win-win situation for the owner, the tenants, and the community.

In addition, for LIHTC projects, MaineHousing has a 45 year affordability covenant (not the shorter affordability period of properties in some other states) . Our QAP is written to not allow Qualified Contracts so that members of the ownership structure cannot change the property to market rate or reduce the affordability during the 45 years.

In addition, we have an Ownership Transfer rule that allows MaineHousing a full review of any ownership changes so that we can protect the ongoing affordability of projects. Both the new guidance in the QAP and the stronger protections under the

Ownership Transfer rule are new in the past couple of years to further protect projects. In our program and QAP design we make every effort to preserve affordability.

We hope this information helps and if you have any additional questions please let me know.

Thank you for contacting us, Mary. We appreciate it.

Best,

Bob

Robert S. Conroy

Director, Asset Management

MaineHousing

353 Water St.

Augusta, Maine 04330

207-626-4624

Maine Relay 711

MaineHousing
MAINE STATE HOUSING AUTHORITY

CHAPTER 644

H.P. 808 - L.D. 1165

An Act To Encourage the Preservation of Affordable Housing

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 30-A MRSA §4722, sub-§1, ¶Y, as amended by PL 2005, c. 261, §2, is further amended to read:

Y. Expand access to housing for young professionals and young families. The Maine State Housing Authority shall develop recommendations to create or modify programs with the goal of expanding access to housing for young professionals and young families. The Maine State Housing Authority shall specifically consider strategies to assist renters and first-time home buyers who are under 35 years of age and explore options for linking assistance levels to student loan obligations. The Maine State Housing Authority shall collaborate with the Maine Community College System, vocational high schools and community action programs to encourage the development of affordable housing in high-cost housing areas of the State.

(1) The Maine State Housing Authority shall report its findings and recommendations regarding expanded access to housing for young professionals and young families to the Future for Youth in Maine State Work Action Tactics Team established in Title 5, section 13161 and to the joint standing committee of the Legislature having jurisdiction over housing matters no later than January 15, 2005 and annually thereafter; ~~and~~

Sec. 2. 30-A MRSA §4722, sub-§1, ¶Z, as enacted by PL 2005, c. 261, §3, is amended to read:

Z. Condition approval of funding of a housing project upon an applicant's compliance with municipal health, safety and sanitation standards. The Maine State Housing Authority may condition approval of funding for a housing project upon a municipality's representation that the applicant, an affiliate of the applicant or any owner controlled by the applicant has no record of a material municipal code violation of health, safety or sanitation standards~~.~~; and

Sec. 3. 30-A MRSA §4722, sub-§1, ¶AA is enacted to read:

AA. Certify transfers of multifamily affordable housing property that qualify for the deduction under Title 36, section 5122, subsection 2, paragraph W or Title 36, section 5200-A, subsection 2, paragraph Q. The affordability restrictions that apply under this paragraph must be contained in a declaration signed by the transferee and recorded in the appropriate registry of deeds at the time of the sale or transfer.

(1) For the purposes of this paragraph, "multifamily affordable housing property" means a decent, safe and sanitary dwelling, apartment building or other living accommodation that includes at least 6 units, that meets at least one of the following affordability restrictions and for which those affordability restrictions, as applicable, expire in 10 years or less from the date of the sale or transfer of the property:

(a) At least 20% of the units have restricted rents affordable to households earning no more than 80% of the area median income as determined by the United States Department of Housing and Urban Development;

(b) The property is assisted by the United States Department of Housing and Urban Development, the United States Department of Agriculture or the Maine State Housing Authority; or

(c) The property qualifies for low-income housing credits under the United States Internal Revenue Code of 1986, Section 42.

(2) For the purposes of this paragraph, property does not qualify as multifamily affordable housing property

unless:

(a) The transferee agrees to maintain the property as multifamily affordable housing property for an additional 30 years from the scheduled expiration;

(b) If the existing federal, state or other assistance is not available to maintain the property as multifamily affordable housing property, the transferee agrees to ensure that 1/2 of the units are affordable to persons at 60% of the area median income as determined by the United States Department of Housing and Urban Development for 30 years from the expiration of the then-existing affordability restrictions; or

(c) The transferee agrees to an alternative affordability agreement approved by the Maine State Housing Authority.

Sec. 4. 36 MRSA §4641-B, sub-§4, as amended by PL 2005, c. 12, Pt. H, §1, is further amended to read:

4. Distribution of State's share of proceeds. The State Tax Assessor shall pay all net receipts received pursuant to this section to the Treasurer of State, and shall at the same time provide the Treasurer of State with documentation showing the amount of revenues derived from the tax imposed by section 4641-A, subsection 1 and the amount of revenues derived from the tax imposed by section 4641-A, subsection 2. The Treasurer of State shall credit 1/2 of the revenues derived from the tax imposed by section 4641-A, subsection 1 to the General Fund and shall monthly pay the remaining 1/2 of such revenues to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853, except that in fiscal year 2003-04, fiscal year 2004-05~~,~~ and fiscal year 2005-06 ~~and fiscal year 2006-07~~, $7,500,000 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority and in fiscal year 2006-07, $7,687,067 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority. The Treasurer of State shall credit to the General Fund all of the revenues derived from the tax imposed by section 4641-A, subsection 2.

Sec. 5. 36 MRSA §5122, sub-§2, ¶U, as amended by PL 2005, c. 519, Pt. LLL, §2, is further amended to read:

Maine Revenue Service

Affordable Housing Certification

MaineHousing must certify to Maine Revenue Services the transfers of multifamily affordable housing property that qualify for the deduction under Title 36, section 5122, subsection 2, paragraph W or Title 36, section 5200-A, subsection 2, paragraph Q. The seller and the buyer must complete this form and return to MaineHousing, attention Asset Management 15 days prior to the scheduled transfer of the property.

PART I

To be completed by ***Transferor*** *(all sellers)*

I/we are the owner of ____________________(property) located in ______________________, Maine and certify that this property is a "multifamily affordable housing property" meaning a decent, safe and sanitary dwelling, apartment building or other living accommodation that includes at least 6 units, that meets at least one of the following affordability restrictions and for which those affordability restrictions, as applicable, **expire in 10 years or less** from the date of the sale or transfer of the property (check all that apply):

( ) At least 20% of the units have restricted rents affordable to households earning no more than 80% of the area median income as determined by the United States Department of Housing and Urban Development;

( ) The property is assisted by the United States Department of Housing and Urban Development, the United States Department of Agriculture or the Maine State Housing Authority; or

( ) The property qualifies for low-income housing credits under the United States Internal Revenue Code of 1986, Section 42.

Seller Name: ______________________________ Title: ________________ Signature: ______________________________ Date: _____
Print

Seller Name: ______________________________ Title: ________________ Signature: ______________________________ Date: _____

Seller Name: ______________________________ Title: ________________ Signature: ______________________________ Date: _____

PART II

To be completed by ***TRANSFEREE*** *(all buyers)*

By signing this certification the transferee certifies to the following:

( ) The transferee will maintain the property as multifamily affordable housing property for an additional 30 years from the scheduled expiration;

( ) If the existing federal, state or other assistance is not available to maintain the property as multifamily affordable housing property, the transferee agrees to ensure that 1/2 of the units will be affordable to persons at 60% of the area median income as determined by the United States Department of Housing and Urban Development for 30 years from the expiration of the then-existing affordability restrictions; or

( ) The transferee has agreed to an alternative affordability agreement approved by the Maine State Housing Authority.

The affordability restrictions that apply under this paragraph must be contained in a declaration signed by the transferee and recorded in the appropriate registry of deeds at the time of the sale or transfer. ***(attach a copy)***

Buyer: ______________________________ Title: ______________________ Signature: ________________ Date: ______
Buyer: ______________________________ Title: ______________________ Signature: ________________ Date: ______
Buyer: ______________________________ Title: ______________________ Signature: ________________ Date: ______

PART III

To be completed by ***Housing Program Official***

To the best of my knowledge and belief this property transfer meets all of the requirements noted above.

Name: _______________________ Date: ____________ Title: __________________ Housing Agency: __________________

Sec. 2. 30-A MRSA §4722, sub-§1, ¶Z, as enacted by PL 2005, c. 261, §3, is amended to read:

Z. Condition approval of funding of a housing project upon an applicant's compliance with municipal health, safety and sanitation standards. The Maine State Housing Authority may condition approval of funding for a housing project upon a municipality's representation that the applicant, an affiliate of the applicant or any owner controlled by the applicant has no record of a material municipal code violation of health, safety or sanitation standards~~.~~; and

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Sec. 5. 36 MRSA §5122, sub-§2, ¶U, as amended by PL 2005, c. 519, Pt. LLL, §2, is further amended to read:

What Happens to LIHTC Properties After Affordability Requirements Expire?

Launched in 1986, the Low-Income Housing Tax Credit (LIHTC) program uses tax credits to encourage private developers to create affordable housing. Typically, developers sell these tax credits to investors to raise equity for their construction or rehabilitation projects; this allows them to borrow less than they would have otherwise and to charge lower rents as a result.

Developers qualify for LIHTCs by agreeing to rent units to people with low incomes and to charge rents that are no more than a specified amount. Most tax credit developers choose the option under which the renters must have incomes below 60 percent of the area median income (AMI) and the rents must be no greater than 18 percent (30 percent of 60 percent) of AMI. From 1986 to 1989, federal law required developers to maintain these affordability provisions for at least 15 years. Beginning in 1990, however, new LIHTC properties were required to preserve affordability for 30 years. During the first 15 years, called the initial compliance period, owners must maintain affordability. The second 15 years are known as the extended use period, when owners can leave the LIHTC program through a relief process. Once the 15-year affordability period is over, LIHTC owners who seek and are granted regulatory relief from the program can convert their properties to market-rate units. Some states require longer affordability restrictions, and some LIHTC developments have local financing that comes with longer use restrictions.

From 1987 to 2009, approximately 2.2 million units were developed through LIHTC. During the program's first 20 years, LIHTC properties represented nearly a third of all newly constructed multifamily rental housing. Therefore, the future of the 400,000 units that reached Year 15 by 2009 has significant implications for the affordable housing supply (see table 1 below). A recent report by Abt Associates and commissioned by the Department of Housing and Urban Development, *What Happens to Low-Income Housing Tax Credit Properties at Year 15 and*

Beyond?, found that most of these properties remain affordable during the period immediately following the first 15 years. The focus of the research was LIHTC properties that entered the tax credit program between 1987 and 1994. Analysts interviewed people directly involved with the industry: developers of LIHTC properties, syndicators who act on behalf of equity investors, brokers involved in property sales, and housing finance agency (HFA) staff. They also talked with other experts and analyzed HUD's database that describes the characteristics of each LIHTC property.

	1987	1988	1989	1990	1991	1992	1993	1994	All 1987–1994
Number of projects	812	1,726	1,784	1,410	1,472	1,425	1,452	1,462	11,543
Number of units	20,781	43,792	54,095	53,722	53,320	52,957	65,289	67,456	411,412
Project size distribution									
0–10 units	42.3%	49.6%	44.4%	34.3%	30.7%	30.2%	19.4%	16.7%	33.5%
11–20 units	15.3%	13.3%	10.9%	11.8%	14.1%	14.0%	15.8%	12.2%	13.2%
21–50 units	31.7%	25.5%	29.0%	35.0%	38.3%	36.9%	40.3%	46.0%	35.2%
51–99 units	5.4%	5.5%	8.1%	9.2%	8.6%	10.9%	13.4%	14.0%	9.5%
100+ units	5.2%	6.2%	7.6%	9.8%	8.3%	8.0%	11.2%	11.2%	8.6%
Construction type									
New construction only	51.2%	46.5%	49.3%	59.5%	56.5%	65.5%	62.3%	66.0%	56.7%
Rehabilitation	48.8%	53.5%	50.7%	40.5%	43.5%	34.5%	37.7%	34.0%	43.3%
Nonprofit sponsor	1.7%	2.7%	8.2%	6.3%	9.8%	14.0%	18.4%	18.1%	10.1%
RHS Section 515	32.1%	23.2%	26.9%	36.5%	33.6%	34.6%	32.1%	33.8%	31.1%
Tax exempt bond financing	3.2%	2.3%	4.0%	3.7%	3.2%	3.1%	1.8%	3.4%	3.1%

LIHTC = Low-Income Housing Tax Credit; RHS = Rural Housing Service.
Notes: Projects used for analysis include only records with placed-in-service year data. Some columns do not total 100 percent because of rounding.
Source: *What Happens to Low-Income Housing Tax Credit Properties at Year 15 and Beyond?* and HUD National LIHTC Database.

Of the 11,290 properties in the study, researchers found that, by 2009, 3,699 (about 32%) were no longer monitored by state HFAs, which means that they could be charging higher rents. However, despite the lack of affordability restrictions, the researchers found that "the vast majority" of these properties are still affordable. Some are owned by mission-driven entities (nonprofit or even for-profit owners committed to long-term affordable housing) and some are subject to other affordability mandates. Other properties remain affordable simply by default; by Year 15, the restricted rents for LIHTC units are the same as market rents for similar units in similar locations. To further explore the properties no longer monitored by HFAs, researchers surveyed rents on 100 properties of 20 or more units in low-poverty areas. They found that about half (49%) had rents less than the LIHTC restriction, and another 9 percent had rents within 105 percent of the LIHTC rent.

The researchers found that a moderate proportion of properties are recapitalized as affordable housing, made possible by such additional public subsidies as new 4- or 9-percent tax credits allocated to the properties following the first 15 years. These credits may be used for rehabilitation or for buying the property from the original developer. The least common outcome, according to the study, is transforming LIHTC properties into market-rate housing, a scenario that is most likely when the property is located in a low-poverty area.

The Future of LIHTC Properties and Affordability

Researchers also suggested what may happen to LIHTC properties that entered the program after 1994 and will not reach Year 15 until after 2009. Overall, they found that the estimated 1.5 million properties reaching Year 15 between 2010 and 2024 would be even less likely to be converted to market-rate housing than those that reached Year 15 earlier. The picture changes at the end of the 30-year affordability provisions. By 2020, when the first of the 30-year LIHTC properties still participating in the program become eligible for market-rate conversions, the authors expect that more properties will be repositioned as market-rate housing or will no longer be rentals. But they point out that HFAs, the federal government, and affordable-housing advocates can help drive the future of these developments by, for instance, providing additional 9-percent tax credits. They suggest that HFAs preserve as affordable those developments that are most likely to be converted to market-rate housing because of their favorable locations, as well as developments that provide supportive housing for people with disabilities or people who have been chronically homeless.

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ATTACHMENT E- NATIONAL HOUSING PRESERVATION DATABASE

Property Name	Property Address	City	State	Zip Code	Total Units	Earliest Start Date	Latest End Date
CARLETON STREET	17 Carleton St	Portland	ME	04102-3467	37	1/1/2017	1/1/2062
VALLEY ST APARTMENTS	315 Valley St	Portland	ME	04102	24	1/1/2006	1/1/2096
IRIS PARK APARTMENTS	189 Park Ave	Portland	ME	04102-2909	31	1/1/2006	1/1/2096
FLORENCE HOUSE APARTMENTS	190 Valley St	Portland	ME	04102-3076	26	1/1/2010	1/1/2100
FORE RIVER APARTMENTS	63 Frederic St	Portland	ME	04102-2759	20	1/1/2006	1/1/2096
WESSEX WOODS	7 Wessex St	Portland	ME	04102-4102	40	1/1/2021	1/1/2066
LORING HOUSE	1125 Brighton Ave	Portland	ME	04102-1031	104	1/1/2016	1/1/2061
409 CUMBERLAND AVE APARTMENTS	409 Cumberland Ave	Portland	ME	04101-2865	57	1/1/2015	1/1/2060
FURMAN BLOCK	100 Parris St	Portland	ME	04101-7900	51	1/1/2021	1/1/2066
Bayside Unity Village	24 Stone St	Portland	ME	04101	33	1/1/2001	1/1/2031
PROP FAMILY HOUSING PHASE I	49 Hanover St	Portland	ME	04101-2034	14	1/1/2003	1/1/2033
YMCA APARTMENTS	231 High St	Portland	ME	04101-2822	32	1/1/2006	1/1/2036
PEARL PLACE	159 Oxford St	Portland	ME	04101-3193	60	1/1/2007	1/1/2097
PEARL PLACE PHASE II	184 Pearl St	Portland	ME	04101-3059	54	1/1/2012	1/1/2102
BRANNIGAN HOUSE	90 High St	Portland	ME	04101-3865	10	1/1/2002	1/1/2032
CASCO TERRACE	41 State St	Portland	ME	04101-3816	27	1/1/2004	1/1/2034
ST DOMINICS SCHOOL APARTMENTS	42 Gray St	Portland	ME	04102-3800	12	1/1/2004	1/1/2034
ELM TERRACE	68 High St	Portland	ME	04101-3973	38	1/1/2013	1/1/2103
MUNJOY SOUTH TOWNHOUSE APARTMENTS	37 Fore St	Portland	ME	04101	140	5/1/1968	1/1/2028
PROP FAMILY HOUSING PHASE II	77 Grant St	Portland	ME	04101-2269	17	1/1/2005	1/1/2035
DEERING PLACE	510 Cumberland Ave	Portland	ME	04101-2220	75	10/20/2008	1/1/2066
WALKER TERRACE	730 Congress St	Portland	ME	04102-3307	40	1/1/2006	1/1/2096
ROSA TRUE	140 Park St	Portland	ME	04101-3817	10	1/1/1992	1/1/2061
LAFAYETTE SQUARE APARTMENTS	638 Congress St	Portland	ME	04101-3316	92	1/1/1996	1/1/2026
53 DANFORTH STREET	53 Danforth St	Portland	ME	04101-4662	43	1/1/2009	1/1/2099
CONGRESS SQUARE PLAZA	10 Congress Square Plz	Portland	ME	04101-2871	160	1/1/2006	1/1/2096
OAK STREET LOFTS	72 Oak St	Portland	ME	04101-7500	37	1/1/2012	1/1/2102

DANFORTH ON HIGH	81 Danforth St	Portland	ME	04101-4745	30	1/1/2013	1/1/2103
SOLTERRA APARTMENTS	58 BOYD ST	PORTLAND	ME	04101	55	1/1/2020	1/1/2065
BAYSIDE ANCHOR	81 E Oxford St	Portland	ME	04101-5131	45	1/1/2016	1/1/2061
PROP FAMILY HOUSING PHASE III	135 Cumberland Ave	Portland	ME	04101	20	1/1/2006	1/1/2096
BAYSIDE EAST	9 Boyd St	Portland	ME	04101-3115	170	2/1/1965	1/1/2098
ISLAND VIEW APARTMENTS	151 Walnut St	Portland	ME	04101	70	1/1/2002	1/1/2032
EMERSON COMMONS	13 Emerson St	Portland	ME	04101-3263	39	1/1/2010	1/1/2100
NORTHFIELD GREEN	147 Allen Ave	Portland	ME	04103-5743	201	1/1/1989	1/1/2063
YALE COURT DEVELOPMENT	240 Harvard St	Portland	ME	04103-3533	30	1/1/2004	1/1/2034
AUBURN TERRACE	246 Auburn St Apt 34	Portland	ME	04103-2155	164	6/1/1973	1/1/2029
Townhomes At Ocean East Apartments	10 Sanctuary Ln	Portland	ME	04103	54	1/1/2004	1/1/2034
MOTHERHOUSE SENIOR HOUSING	605 Stevens Ave	Portland	ME	04103-2866	88	1/1/2018	1/1/2063
HUSTON COMMONS	72 Bishop St	Portland	ME	04103-2785	30	1/1/2017	1/1/2062
CHOM SCATTERED SITES SUPPORTIVE HOUSING	25 Wall St	Portland	ME	04103-2300	24	1/1/2001	1/1/2031
WELLESLEY ESTATES	1818 Forest Ave	Portland	ME	04103-1176	45	1/1/2003	1/1/2033

National Housing Preservation Database (NHPD)

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About the Database

The *National Housing Preservation Database (NHPD)* was created by the **Public and Affordable Housing Research Corporation** (PAHRC) and the **National Low Income Housing Coalition** (NLIHC) in 2011 in an effort to provide communities with the information they need to effectively preserve their stock of public and affordable housing. The database provides over 18,000 users access to de-duplicated information on federally assisted housing inventory across the US at no cost. The *NHPD* was created thanks to the generous support of the **MacArthur Foundation**, **Fannie Mae**, and **HAI Group**.

The *NHPD* is an address-level inventory of federally assisted rental housing in the US. The agencies and departments that fund these programs have data on the individual programs that they manage, but there is no central location where all of these data are integrated. This makes it difficult to get a clear picture of the current stock of public and affordable housing in a community. It also means those who wish to preserve public and affordable housing in their community, cannot easily get the information they need about particular properties. By creating the *NHPD*, the PAHRC and NLIHC hope to address these issues.

The data in the *NHPD* come from the US Department of Housing and Urban Development (HUD) and the US Department of Agriculture (USDA), and include ten federally subsidized programs. Only state and local subsidies from Connecticut, Florida, and Massachusetts are included in this database. If you are interested in adding state and local subsidy information to the *NHPD* for your community, please **contact us**.

Information on contract expiration dates, loan maturity dates, recent physical inspection scores, number of units, type of owner, and other property and subsidy characteristics are included to assist users in determining whether or not a property is at risk of leaving the subsidized housing stock. It is possible to download the entire dataset or a filtered subset of data for a city, county, congressional district, census tract, or state.

The *NHPD* is updated four times a year in January, April, August, and October. The data are cleaned and duplicate information is removed using an mated process in addition to manual checking. Every effort is made to ensure the information presented is as accurate as possible; however, there may accuracies. You may **contact us** to update the *NHPD* with the correct information.

Subsidized Housing Development in Portland Since 2000

Owner/Project	Appropriation Date	Units	HOME	HDF	CDBG	HTF	TIF	NSP	City Affordability Term Expiration
Unity Village at Bayside	2000	33	$ 86,500	$ -	$ 363,863	$ -	$ -	$ -	Aug. 2051
Island View Apartments	2001	70	$ 71,015	$ 192,639	$ 136,346	$ -	$ -	$ -	Feb. 2061
St. Dominic's Family Housing	2002	12	$ -	$ 436,500	$ -	$ -	$ -	$ -	Jul. 2107
Brannigan House	2002	10	$ 93,000	$ -	$ -	$ -	$ -	$ -	Jan. 2032
Wellesley Estates	2002	45	$ -	$ 256,000	$ -	$ -	$ -	$ -	Nov. 2047
Logan Place	2003	30	$ 435,000	$ -	$ -	$ -	$ -	$ -	Jun. 2095
Yale Court	2002	30	$ 150,000	$ 200,000	$ -	$ -	$ -	$ -	Apr. 2048
Peninsula Community I	2003	12	$ 300,000	$ -	$ -	$ -	$ -	$ -	Mar.2094
Peninsula Community II	2004	16	$ 307,700	$ -	$ -	$ -	$ -	$ -	May. 2095
IRIS Park Apartments	2004	30	$ -	$ 250,000	$ -	$ -	$ -	$ -	Jun. 2095
Fay Garman Senior Housing	2004	12	$ 150,000	$ -	$ -	$ -	$ -	$ -	Aug. 2044
Peninsula Community III	2005	10	$ 200,000	$ -	$ -	$ -	$ -	$ -	May. 2096
Walker Terrace	2004	40	$ 382,000	$ 220,000	$ -	$ -	$ -	$ -	Sept. 2095
Fore River	2006	20	$ 388,474	$ -	$ -	$ -	$ -	$ -	May. 2096
Valley Apts. (Shalom House)	2006	24	$ 320,000	$ -	$ -	$ -	$ -	$ -	Mar.2096
Pearl Place I Apartments	2007	60	$ 427,000	$ -	$ -	$ -	$ 615,502	$ -	Nov. 2096
Bayside East	2007	20	$ 250,000	$ -	$ -	$ -	$ -	$ -	Aug. 2097
53 Danforth Street	2008	43	$ 325,000	$ -	$ -	$ -	$ -	$ -	Sept. 2098
Florence House	2008	25	$ 240,000	$ -	$ -	$ -	$ -	$ -	Jan. 2099
Oak Street Lofts	2011	37	$ -	$ -	$ -	$ 380,585	$ -	$ -	Apr. 2101
Pearl Place II Apartments	2011	54	$ 400,000	$ -	$ -	$ -	$ -	$ -	Dec. 2101
Elm Terrace	2011	38	$ 403,795	$ -	$ -	$ -	$ -	$ -	Dec. 2101
409 Cumberland	2013	57	$ 500,000	$ -	$ -	$ -	$ 759,392	$ -	Dec. 2103
Thomas Heights (134 Washington	2014	18	$ 522,448	$ -	$ -	$ -	$ 207,116	$ -	Mar. 2105
Bayside Anchor	2015	45	$ 500,000	$ -	$ -	$ -	$ -	$ -	Jan. 2106
17 Carleton Street Apts.	2015	37	$ -	$ -	$ -	$ -	$ 726,000	$ -	Aug.2037
Rosa True School	2015	10	$ 149,500	$ -	$ -	$ -	$ -	$ -	Dec. 2105
Motherhouse	2017	88	$ 627,223	$ -	$ -	$ -	$ -	$ -	Jun. 2107
58 Boyd Street	2018	55	$ 200,000		$ 30,000		$ 2,144,566		May. 2109
977 Brighton Avenue	2018	40	$ -	$ -	$ -	$ 300,000	$ 1,954,486	$ -	Oct. 2109
Deering Place (510 Cumberland)	2018	75	$ 500,000	$ -	$ -	$ -	$ 4,185,757	$ -	Sept. 2109
37 Front Street	2018	60	$ 306,104	$ -	$ 250,000	$ 555,000	$ 6,056,916	$ -	Jun. 2111
63 Front Street	2018	45	$ 204,070	$ -	$ -	$ 370,000	$ -	$ -	Oct. 2112
178 Kennebec Street	2018	51	$ 370,000	$ -	$ -	$ -	$ 2,889,164	$ -	Aug. 2109
83 Midde Street	2019	45	$ 449,066	$ -	$ 200,000	$ 136,734	$ 1,559,287	$ -	Sept. 2111
66 State Street	2019	38	$ -	$ -	$ -	$ -	$ 2,672,169	$ -	May. 2051
155 Danforth Street	2019	30	$ 299,999	$ -	$ -	$ 150,000	$ -	$ -	Apr. 2112
200 Valley Avenue	2020	60	$ -	$ -	$ -	$ 491,540	$ 4,092,269	$ -	Dec.2111
577 Washington Avenue	2020	100	$ 400,000	$ -	$ 184,150	$ -	$ 3,809,991	$ -	Mar. 2111
73 Winter (Equinox)	2021	43	$ 400,000	$ -	$ -	$ -	$ 1,337,426	$ -	Apr. 2113
91 Winter (Winter Landing)	2021	52	$ 200,000	$ -	$ -	$ -	$ 1,473,978	$ -	Mar. 2113
45 Doherty (LITHC)	2022	63	$ -	$ -	$ -	$ 1,200,000	$ 2,329,683	$ -	Mar. 2114