Minutes

Remote Housing and Economic Development Committee

April 15, 2025

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, April 15, 2025, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Councilor Pious Ali, and member Councilors Sarah Michniewicz, Regina Phillips, and Kate Sykes. Present from the City staff were Housing and Economic Development Department Director Greg Watson, Housing and Community Development Division Director Mary Davis, Planning and Urban Development Department Director Kevin Kraft, Director of Special Projects Nell Donaldson, Corporation Counsel Michael Goldman, Corporation Counsel Avery Dandreta, Assistant City Manager Dena Libner, Business Programs Manager Nancy Martin, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Review and accept Minutes of previous meeting held on March 18, 2025

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

Item #2: Discussion: Hotel Inclusionary Zoning Ordinance and identify policy concerns for the Planning Board to consider in developing potential amendments to the Ordinance for consideration by the City Council

Kevin Kraft presented the history, background, and development trends related to the City's hotel inclusionary zoning ordinance. Nell Donaldson presented GPCOG's Nexus and Linkage Fee Study.

According to lodging license data from the Maine Department of Health and Human Services, there are currently 41 licensed lodging places in the City of Portland, with approximately 3,500 total rooms. 68% of these hotels have been developed since 2000, with 18 (44%) having been developed since 2010. In 2019, the City proposed and established a hotel inclusionary zoning ordinance. In the case of the City's IZ policy, a linkage fee study was completed in 2018 to document the nexus between hotel development and demand for affordable housing. The current linkage fee-in-lieu is $4,831 per guest room. When the hotel policy was created, it was also the intent that the linkage fee would be periodically updated. In early 2025, City staff requested an updated fee-in-lieu analysis from GPCOG. Based on available data sources, GPCOG supplies three possible update fee-in-lieu figures based on three alternative rental cost date sources. These figures range from $9,520 to $10,620 to $13,731 per room, depending on the rent date source used.

Staff is providing three options on moving forward. With committee guidance, staff is recommending the hotel moratorium be extended to allow time for staff to draft proposed Land Use Code revisions for Planning Board review (in May/June) and eventually for consideration by the full City Council (in June/July).

The Committee held a discussion regarding the study methodology, and intended outcomes. Questions regarding the linkage fee, wage rates, number of hotel employees in Portland, creating housing affordable for hotel employees, and other methods to measure how to address the housing crisis were discussed. The Committee also noted that to create municipal led public housing, there would need to be a massive, revolving housing trust fund. Staff asked the Committee for their goal for the Hotel Inclusionary Zoning ordinance - is it to create the housing units required in the ordinance or is it to support investment into the Housing Trust Fund to leverage funding to create a greater amount of affordable housing?

Councilor Sykes noted the benefits of municipal led public housing is greater efficiency when compared to developers in the private market, and for that reason, leans towards trying to get a larger fee (that is more in line with what it costs to create housing) and try to capitalize a fund the City could use to produce publicly-owned housing.

Councilor Phillips indicated she would like to meet with the Planning Department.

Councilor Michniewicz asked staff to discuss their recommendation for option 2 ("raise IZ fee-in-lieu and reduce applicable threshold").

Staff noted the current fee-in-lieu has not discouraged hotel development, so there is the thought there is room to increase the fee. Also, the current fee was calculated based on data from at least 2018 or earlier, so there is needed updating. Recalibrating the fee includes considering the impact on local developers. The fee should not be set so high that the unintended consequence is limiting the pool of developers from local and large commercial developers to only large commercial developers. Reducing the threshold from applying to projects that include ten or more guest rooms would maintain consistency with changes made during ReCode.

Councilor Sykes indicated she leans towards option 2, but thinks the fee is far too low. The fee should be at a place that does not completely disincentivize hotel development. Larger corporations that are building hotels are probably in a place that is much easier for them to absorb the fee-in-lieu. Therefore, maybe tier the fee on the cost of the hotel room or ask the developer what the rate would be to rent a room for a week and then have that be the fee-in-lieu.

The Committee held a discussion on directing staff on how to proceed. Staff will implement the changes requested by the Committee, then bring the revised proposal to the Planning Board who would then make a recommendation to the City Council for consideration.

To allow the time necessary to conduct this work and hold the public hearings, the Committee directed staff to bring an extension request to the City Council to extend the moratorium from ending on June 2 to ending an additional six months from that date.

Councilor Ali opened the meeting to public comment. Seeing no one, the public comment period was closed.

On a motion by Council Sykes, seconded by Councilor Michniewicz, the Committee voted 4-0 to recommend to the City Council extension of the current 180-day moratorium on new hotel projects and expansions to allow time for a review of the Hotel Inclusionary Zoning ordinance.

Item #3: Review and Vote on recommendation to approve the FY2026 agreement for the Portland Tourism Development District

Mr. Watson noted that Lynn Tillotson, Executive Director for Visit Portland, is present today and doing good work with the new Tourism Development District and would provide an overview.

Ms. Tillotson thanked all for this opportunity and provided an overview of how the District works, similar to the Portland Downtown District. The hotels with 40 rooms or more are assessed based on a formula, and then City retains 10% of that for administrative purposes. The goal of the District is to increase shoulder visitation to Portland. She shared her screen and went over the 11/2024 Winter marketing program and the Spring/Summer campaign, including working with the Portland International Jetport, and campaigns in Boston. Campaigns also targeted the LBGTQ and BIPOC communities, and associated influencers including Black Travel Maine. She noted that this Summer VP will also work on a branding project with various stakeholders including residents and visitors. VP is also building on Portland being named by *Sports Business Journal* as the #1 Minor League destination in US in 2024.

Ms. Tillotson indicated that VP is working on a more complete FYE2025 Report for the City Council in June.

Chair Councilor Ali thanked Ms. Tillotson for VP works and asked if the Committee had any questions/comments before taking public comment.

Councilor Michniewicz appreciated the work VP is doing to increase awareness of Portland.

Councilor Sykes also thanked VP, noting that it is hitting all the goals and various communities. In the Agreement, she mentioned adding resources towards workforce development and childcare voucher programs to assist the workforce here to be more reliable.

Councilor Phillips thanked Ms. Tillotson and asked about VP's relationship with Black Travel Maine, as well as its Board of Directors and diversity on that Board.

Ms. Tillotson noted the relationship and the Board is made up of hospitality business owners and the City representative being Greg Watson and that currently it is an all-white Board.

There was discussion regarding more diversity on the VP Board, with a suggestion being an annual meeting of black business owners to help market Portland.

Chair Councilor Ali noted many organizations want to visit here, and Ms. Tillotson added that VP targets many different conferences. She also noted VP's Annual Meeting on April 30th and invited all to participate – it includes many diverse business owners.

Chair Councilor Ali opened the meeting for public comment.

Joey Brunelle, 11 Fore Street, noted that VP does good work but the Board has no one from the public and no public meetings. It should serve the whole needs of the City and not just its members.

Mary Allen Lindemann, owner of Coffee By Design and a member of VP, noted Portland does benefit extensively from its work and its work for diversity. Regarding its Board membership, it is up to the community to get involved and help to diversity it. VP helps to keep her business open.

Seeing no further public comment, Chair Councilor Ali closed the public comment session.

The Committee discussed VP and more public oversight, Board diversity, and potential amendments to the Agreement, working with Corporation Counsel and HEDD offices.

Mr. Goldman noted that this District has to benefit the property owners that pay the assessment per State law. The makeup of the Board is made up of property owners and Mr. Watson; that is intentional. All funds paid into the District are being paid by hotels not taxpayers and benefit those property owners.

Ms. Tillotson added that VP is marketing the community which does not cost the taxpayers anything. Living here starts with a visit, and VP's marketing campaigns targets a multitude of audiences and brings economic vitality and jobs to Portland.

Chair Councilor Ali asked about timing if this were to be postponed, and Mr. Watson indicated if this were to come back for the May meeting, it may be ready for the June City Council meetings.

On motion then made by Councilor Sykes, seconded by Councilor Phillips, the Committee 4-0 to postpone this item to the next meeting.

Item #4: Review of FY2026 HUD Annual Action Plan

Mary Davis presented the FY2026 HUD Annual Action Plan recommendations for the Community Development Block Grant (CDBG) Program, HOME Program, and Emergency Solutions Grant (ESG) Program to the Committee for their review and questions. The Annual Action Plan describes how the funds for each program will be distributed to address the needs, goals and priorities identified in the Consolidated Plan.

HUD has not announced the annual allocation amounts for the CDBG, HOME and ESG Programs. The estimated budgets being presented to the City Council assume level funding from FY2025. HUD should announce the allocation amounts on or before May 15.

The Committee held a discussion regarding priority setting. Mary Davis noted that the Action Plan addresses three different programs and that each program has requirements, established by the U.S. Department of Housing and Urban Planning (HUD), that call for a response on the use of federal funds by the City. Local community priorities are established during the Consolidated Planning process in collaboration with non-profit organizations, neighborhood groups, and community stakeholders in a combination of community outreach and public hearings. Before submittal to HUD, the Consolidated Plan is made available to the public through a 30-day comment period as well as two public hearings. All programs and activities funded through CDBG, HOME and ESG programs help fulfill one of four main locally established goals. Most communities follow a five-year goal setting process. FY26/27 will be the fifth year of the Consolidated Report. Public outreach for the next Consolidated Plan will begin during FY26/27.

Councilor Sykes requested a five-minute recess beginning at 7:42.

Item #5: Review and Vote on a recommendation regarding Minimum Wage Policy

Councilor Sykes opened this item, noting she originally wanted to get this out to the voters November 2024 and now it may be November 2025. It is about stabilizing the economy over a 4-year timeframe.

Councilor Phillips supported this noting that the cost of housing is not coming down anytime soon and increasing income may assist the citizens.

Chair Councilor Ali opened the meeting for public comment.

Eamonn Dundon of the Portland Chamber and a resident of Portland opposed this item because of the feasibility of a nearly 30% increase to minimum wage. Stakeholder input is needed, as well as to discuss impacts on childcare. This would also put a financial impact on the City of Portland per the Finance Director.

Jenn Dearborn in Hollis, an HR director for a non-profit, noted opposition and estimated that it would cost them $350,000 annually forcing group homes to close.

Mary Allen Lindebaum, business owner and resident, noting none her employees make below $20/hour. There are many challenges and costs to running a business in Portland; this would not help and opposed the item.

Joey Brunelle, 11 Fore Street, supported this item.

Nate Cloutier of Hospitality Maine opposed this item noting this will add to closures and suggested there be further stakeholder input about the sustainability of their operations

Chris said this is macro problem and there should be more involvement.

Byron Bartlett, Portland resident, noted uncertainty in Federal and State funding, this needs to be solved on a Federal level.

Seeing no further public comment, Chair Councilor Ali closed the public comment session.

Councilor Michniewicz sees positives and negatives, as did public comment. She noted concern about non-profits and small businesses and impacts on them with raising the minimum wage and wanted to see a path that would not have unintended consequences. In addition, the Councilor inquired about the possibility of carving out businesses for child care and non-profits. Regarding the impact on the City of Portland and taxpayers, perhaps an updated note from the City Finance Director would be helpful in this process, adding the City is going to do a non-union pay study and that may further impact this.

Ms. Libner noted that the Finance Director's memo has not been updated with the new 2025 minimum wage. His memo included impacts if this were to start with the FY2026 budget. Regarding the non-union pay plan study, it has not started and would not be done by June 30, 2025.

Mr. Goldman added that he did not find anything that would prohibit the City from carving out specific businesses but it would need a thoughtful discussion of defined categories/tiers. Also, a revised schedule would be needed as Order 25 schedule would not work. He also checked in with the City Clerk about a drop dead to get this to the voters and this would have to be voted on by the Council during the August meeting.

There was discussion that more time was needed before forwarding to the Council for a vote.

On motion made by Councilor Phillips, seconded by Councilor Michniewicz, the Committee voted 3-1 (Sykes) to postpone this item to the next meeting.

Item #6: Review and Vote on a recommendation to approve the proposed Commercial Vacancy Program

Mr. Watson noted that staff has been discussing this with the business community beginning Spring 2024 and also has discussed it here in an effort to create shared solutions to solving challenges downtown businesses are confronting. Street level vacancy in the core downtown area is a big challenge to their own viability and the community in general. The national vacancy rate is 4.1% and a recent walking audit by staff shows Fore Street at 7.25% and Congress Street at 17.8%. Some of the vacancies in the downtown Arts District have been vacant for more than a decade. Mr. Watson noted a fee structure proposed through this Ordinance and an incentive being considered by the Portland Development Corporation for interest free loans to create better conditions for investment to the broader downtown area. He noted that Business Programs Manager Nancy Martin has done a lot of work to get to this point.

Councilor Sykes noted concern that she expected this to be City-wide like Bangor and Brewer, which should make it easier to administer. The fee structure seems quite low; the exemption for actively marketed is not specific enough, time limits are needed. The timeline of the registry needs to be specific, and automatic penalties need to be added.

Councilor Phillips noted that these are commercial properties and the City is in a housing shortage so questioned about turning some into housing.

Mr. Watson noted that this was targeted to first floor vacancies for a specific challenge. Housing and residential are important, but this proposed ordinance addresses a specific problem.

Councilor Michniewicz noted that the proposed ordinance matches the purpose for her; it will help vacant spaces look better. Some clarity as Councilor Sykes mentioned may be needed, but otherwise supports this.

Chair Councilor Ali then opened the meeting for public comment.

Eamonn Dundon of the Portland Chamber and Portland resident, noted some concerns and amendments are needed and it does not address core issues of public health, public safety, needles, feces, and crime.

Cary Tyson, Executive Director of Portland Downtown, said this is a step in the right direction and more discussion is needed. He will continue to work with staff and the Committee as this move forward.

Joe Brunelle, 11 Fore Street, noted the empty storefronts downtown is disturbing. The issue is high rents, and the Ordinance should include office space.

Seeing no further public comment, Chair Councilor Ali closed the public comment session.

Committee and staff discussed the current proposed ordinance as a pilot, that would need to go to the Planning Board and then to the City Council, and also the possibility of another separate ordinance which would be City-wide. Staff capacity and enforcement would also need to be considered.

Chair Councilor Ali suggested that this be postponed for Committee members and staff work on a draft for review at the next meeting.

On motion made by Councilor Michniewicz, seconded by Councilor Phillips, the Committee voted 3-1 (Sykes) to postpone this item to May.

On motion made by Councilor Michniewicz, seconded by Councilor Phillips, the Committee voted 4-0 to adjourn the meeting at approximately 9:42 p.m.

Respectfully, Lori Paulette and Victoria Volent