Minutes

Remote Housing and Economic Development Committee

May 20, 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, May 20, 2025, at 5:30 p.m. via Zoom. Present from the HEDC were Chair Pious Ali, and members, Sarah Michniewicz, Reginia Phillips and Kate Sykes. Also present from the City Council was Mayor Mark Dion and Wesley Pelletier. Present from the City staff were Housing and Economic Development Department Director Greg Watson, Housing and Community Development Division Director Mary Davis, Corporation Counsel Michael Goldman, Associate Corporation Counsel Avery Dandreta, Planning and Urban Development Department Director Kevin Kraft, Special Projects Director Nell Donaldson, Senior Planner Zach Powell, Principal Administrative Officer Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Discussion: Staff Presentation of 2024 Annual Housing Report

Mr. Kraft introduced the item noting it is a valuable tool to see how the housing market is doing, particularly with updated local controls in place due to ReCode. He thanked the Planning staff and Victoria Volent for getting this report done and out to the public.

Mr. Powell then presented the report to the committee, highlighting new housing with comparisons between rental versus homeownership, indicating that 85% of new units were rental and completed on the peninsula. He went over production trends, noting that the City's goals were met or exceeded. Staff is currently working on an updated hotel inclusionary zoning policy, updating the housing dashboard, and developing more best practices for regulatory oversight.

Ms. Volent highlighted the City financing contributions using HOME, Jill C. Duson Housing Trust Fund, and Tax Increment Financing. Affordable housing development would not be possible without the City's contributions. Inclusionary Zoning funds come into the City from market rate housing developers, noting the fee is payable when the Certificate of Occupancy is approved by the City. Since 2021, the City has seen a total of $577,000 in IZ funding. Monitoring of affordable housing projects is ongoing by the Division staff to ensure compliance with grant awards. She then highlighted affordable housing tax increment financing projects and workforce housing projects undertaken in 2024.

Councilor Chair Ali thanked the staff for the update and asked if there were Committee questions or comments.

The Committee and staff held a discussion on items such as density bonuses, IZ study going on this year and its impacts will be highlighted, looking at building code requirements and those items that are onerous, and how tariffs may factor into costs. It was noted that 57% of all approved units have been completed. ADUs will be further reviewed in partnership with GPCOG. The majority of new construction is affordable housing and market rate is re-use – noting additional research into this trend, both current and historically. There was also discussion about how long it takes to get to yes from the City for a development project, versus other communities - staff will continue to review best practices.

Councilor Chair Ali thanked all for the presentation and discussion.

<u>Item #2:</u> <u>Communication: Quarter 1 (January 1, 2025 to March 31, 2025) Rent Control Report</u>

Greg Watson introduced the 2025 First Quarter Rent Control communication and noted a larger discussion will take place in June during the planned Rent Control Workshop.

<u>Item #3: Consideration: FY 2025 Agreement for the Portland Tourism Development District and vote on a recommendation to the City Council for approval</u>

Chair Councilor Ali noted for the public that since public comment has been taken on this item at a previous meeting, no public comment will be taken today.

Mr. Watson noted that Visit Portland's (VP) Executive Director is an attendee and can be available for any questions/comments. He noted that the Tourism District provides economic development for the entire City, including hotels, businesses that serve the hotel, restaurants, and tourism. The District is made up of hotels with 40 or more rooms, for a total of 23 hotels. The District was approved for the second half of 2024, so FY2026 would be its second full year of operation. He is the City's representative on its Board of Directors. At the creation of the District, the City requested DEI efforts account for 10% of the revenue, and VP surpassed that by 7% (total of 17% of district funds). The District does serve a public purpose and investment in our workforce, and VPis creating a website that provides for workforce development. Staff is recommending that the City Council support this District.

Councilor Sykes noted that the memo from Civitas, the consultant for VP in forming the District, of 5/12/2025 in the packet regarding her proposed amendments, but her memo did not get posted in the packet until 5:00 p.m. today. Her suggestions were intended to improve the contract.

There was discussion among Committee members noting that it would be good to postpone this item so that all could be better prepared. A motion was then made by Councilor Sykes, seconded by Councilor Phillips to postpone this item to the next meeting. A vote was then taken and it passed 4-0.

Item #4: Consideration: Review and vote on a recommendation to the City Council regarding Minimum Wage Policy

Michael Goldman introduced this item noting on August 19, 2024, the City Council voted to refer this item to the Housing and Economic Development Committee to review and vote on a recommendation to the City Council to raise the minimum wage in Portland (i.e. Order 24-24/25).

The originally proposed amendment to Chapter 33 (from 2024) is being updated to push the effective dates up one year (from January 1, 2025 to January 1, 2026). All other dates are being similarly amended.

The Committee discussed the timing of the Council vote to ensure the proposed amendment appears on the November ballot and discussed allowing the Finance Committee to also review this item prior to the Council vote. Mayor Dion will facilitate the communication with the chair of the Finance Committee regarding adding this item to their agenda.

On a motion by Councilor Sykes, seconded by Councilor Phillip, the Committee voted 3-1 (Michniewicz) to recommend to the City Council amendment of Chapter 33 to raise the minimum wage in Portland.

Item #5: Consideration: Proposed Commercial Vacancy Program and vote on a recommendation to the City Council for approval

Mr. Watson noted that this has been discussed by staff and Committee previously to provide a way to support activity in the core of the downtown area, including input from area stakeholders, aimed to discourage vacancies in commercial storefronts. The PDC last week approved a zero interest loan program to storefronts in this area to get at some of the same things this ordinance is attempting to prevent. City staff is focused on steps to activate space, including bringing back the Farmer's Market and Police discouraging the wrong kind of behavior and currently looking for a space for a presence in the Monument Square area.

Ms. Martin noted that this proposed ordinance is one of several complementary actions to increase activation and thanked Councilor Sykes for proposing amendments to step up fees and enforcement. She then went over proposed amendments in further detail and noted that she is working with the Roux Institute and City staff from IT and GIS for a publicly available vacancy property registry.

There was discussion among the Committee and staff regarding pop-ups, the database being regularly updated, activation of public spaces with Seattle's public market being referred to as an example of success, timing of when fines would occur – perhaps 90 days is too short, registration fees, enforcement process and how property owners would be notified, commercial broker feedback, and more clarity needed when this comes back for review, including a communication strategy when rolled out. Staff accepted the feedback from the Committee and will provide a redlined version of the ordinance and updated memo to provide further clarification at the next meeting.

Item #6: Consideration: Review and vote to recommend to the City Council an Affordable Housing Tax Increment Financing District and Credit Enhancement Agreement for Front Street Phase III

Mary Davis provided an overview of the request from Portland Housing Development Corporation (PHDC) for an Affordable Housing Tax Increment Financing (AHTIF) District and Credit Enhancement Agreement (CEA) for Front Street Phase III for an eight unit townhouse style condominium project. Two of the units would be market rate and six would be affordable to households earning up to 120% of the Area Median Income.

PHDC is requesting an AHTIF of 75% for up to 30 years. The captured revenue in the district would be used to pay the debt service on the Genesis loan. Under the terms of the CEA, captured revenue would return to the developer their actual costs paid on the annual debt service on the Genesis loan based on an annual maximum 75% capture rate for upwards of thirty (30) years. The CEA would include a total captured revenue cumulative "cap" or maximum amount which would be equal to the total actual debt service cost. The actual term of the TIF would be the date of complete repayment of the Genesis bridge loan (expected in approximately 15 years).

Per the Committee's request for further information regarding the depth of return of the requested AHTIF and CEA, staff noted Phase 3 was part of the Master Development Plan and did not require any affordability requirements. Also, this project would create much needed homeownership housing for middle income households which is another targeted need in Portland.

Councilor Ali opened the meeting to public comment.

Sarah Tatarczuk of Portland Housing Authority noted the project's homeownership direction came directly from community meeting comments received by PHA from the public. Six of the townhouses would provide affordable home ownership at $298,500 (for four two-bedroom units) and $358,000 (for two four-bedroom units)

Councilor Ali closed the public comment period.

On a motion by Councilor Michniewicz, seconded by Councilor Phillips the Committee voted (4-0) to recommend to the City Council approval of an Affordable Housing Tax Increment Financing District and Credit Enhancement agreement for the Front Street Phase 3 Project, with the terms as presented by staff.

Item #7: Communication: Update on the Housing and Urban Development Allocation for Community Development Block Grant Program, the HOME Investment Partnership Program, and the Emergency Solutions Grant Program

Mary Davis provided an update to the Committee in regards to the Housing and Community Development (HCD) Department Budget. Originally when the City Council approved the HCD Budget on May 5, 2025, it was with the understanding that the U.S. Department of Housing and Urban Development (HUD) had not released the 2025-2026 formula allocation for the programs administered by the HCD. HUD announced the 2025-2026 formula allocations on May 14, 2025. Subsequently, the City of Portland received $1,807,636 for the CDBG program which is about 1.2% less than was expected. The final HUD allocation for the HOME program was $800,654, which was $39,269 less than the budget estimate. And the final HUD allocation for the ESG program was $161,146 which was $852 less than the budget estimate. The Committee did not have any questions or comment.

On motion made by Councilor Michniewicz, seconded by Councilor Sykes, the Committee voted 4-0 to adjourn the meeting at approximately 8:52 p.m.

Next meeting is scheduled for June 17, 2025

Respectively submitted, Lori Paulette and Victoria Volent