

SOCIAL HOUSING TASK FORCE



Wednesday, February 4, 2026 at 6:00 PM
Via Zoom

MEMBERS

City Councilor Kate Sykes, Co-Chair
City Councilor Sarah Michniewicz
Paul Styslinger
Bill Stauffer
Jason Spector
Catherine Buxton
Wendy Cherubini
Cullen Ryan
Matthew Peters
Kristin Leffler
Jon Fetherston, Co-Chair
Jonathan Culley
Tim Wells

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The Social Housing Task Force will conduct this meeting remotely via Zoom pursuant to the Remote Meeting Policy adopted by the Social Housing Task Force. 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.

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PUBLIC COMMENT INFORMATION:

To submit written public comment on an agenda item, email socialhousingtaskforce@portlandmaine.gov. Submissions must be received by 12:00 pm the day before the Social Housing Task Force 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).

AGENDA:

1. **Welcome and Introductions - Kate Sykes, City Councilor and Task Force Co-Chair**

2. **Follow-up Discussion regarding City of Portland Municipal Bond Program - Presented by Brendan O'Connell, Finance Director**
 - i. Staff Memo

3. **Task Force Members Questions and Discussions**

City of Portland | Finance Department

Brendan O'Connell, *Director*



To: Members of the Social Housing Task Force

From: Brendan T. O'Connell, Finance Director

Mary Davis, Housing & Community Development Division Director

Date: February 4, 2026

Re: Bond Discussion Follow Up

SUMMARY

The purpose of this memo is to respond to questions that were raised during the November 19, 2025 meeting of the Social Housing Task Force. The answers within this memo have been compiled by City staff (Finance Director Brendan T. O'Connell, Housing & Community Development Director Mary Davis, Housing and Economic Development Director Greg Watson) and, where noted, also by the City's external Bond Advisory firm (Moors & Cabot) and external legal counsel.

Task Force Question 1: Do revenue bonds impact the City's credit ratings?

Response from the City's external Bond Advisor – Moors & Cabot: Paying for a project with the proceeds from a Revenue Bond financing is legally a non-recourse obligation supported only by cash flows to pay associated debt service. The security for a municipal revenue bond is typically defined in a bond resolution or a trust indenture, which acts as a contract between the issuer and its bondholders. The resolution or indenture most often identifies the bond's security as a lien on the net revenues of the system after the payment of regular operating and maintenance expenses. It may also be enhanced by posting collateral, albeit burdensome to bondholders who would have to liquidate such.

The closer the City is to the incorporation and/or governance of an organization that would construct, manage, or share in typical operating involvement of a project, the more difficult it is to deny involvement or responsibility. This is not a legal responsibility of the City per se, but investors will look to and even expect implicit support by the City in times of financial or operational difficulty. The larger the project, the more vulnerable the City becomes in a "too big to fail" concept.

Also, while there is no "moral obligation" for the City to be involved it is not unreasonable to expect that parties affected by misfortunes of the project would seek, and maybe even obtain, a more active participation of the City than the City had anticipated. The rating analysts are aware of this circumstance and look to the history of bailouts or lifeboats in their analysis of these probabilities ... and rate accordingly.

Finally, the rating analysts look first at "is it necessary" and then "is it desired"? Having passed that level of due diligence, the next hurdle is "is this consistent with essential uses that the City is to provide". Finally, they question the origination capacity, skill sets and depth of experience and talent available to make the project work. This is a major component of "Management", one of the four major rating

criteria ... that could have an impact on the City's rating.

This comes to a discussion of "Notching". This is the qualitative process of adjusting a specific debt issue's rating to reflect credit-specific risks relative to the issuer's overall creditworthiness. While top-tier, tax-backed debt may align with the issuer's rating, other debt instruments (revenue bonds, special tax bonds) may be notched up or down based on security, legal pledges, and structural features. This also has the reverse effect. If the subordinate obligor experiences difficulty than this could easily have an affect on the City's direct operations (e.g., if the school budget is out of wack, the City's general fund is expected for the cure; similarly, it is not uncommon that a TIF financed enterprise fails in its expectations thus leading to reduced expected TIF revenue or, worse, a draw on City reserves).

Task Force Question 2: Is the principal repayment (structure) requirements a condition of the bond or is it set by the City's Debt Management Policy? If set by the policy, are there guidelines or requirements in the policy for principal repayment?

Response from staff: The City's [Debt Management Policy](#) notes that debt service "Payments will be structured with level principal and declining interest over the life of the debt, except in instances where level debt service payments offer economic benefit, such as for rate stabilization."

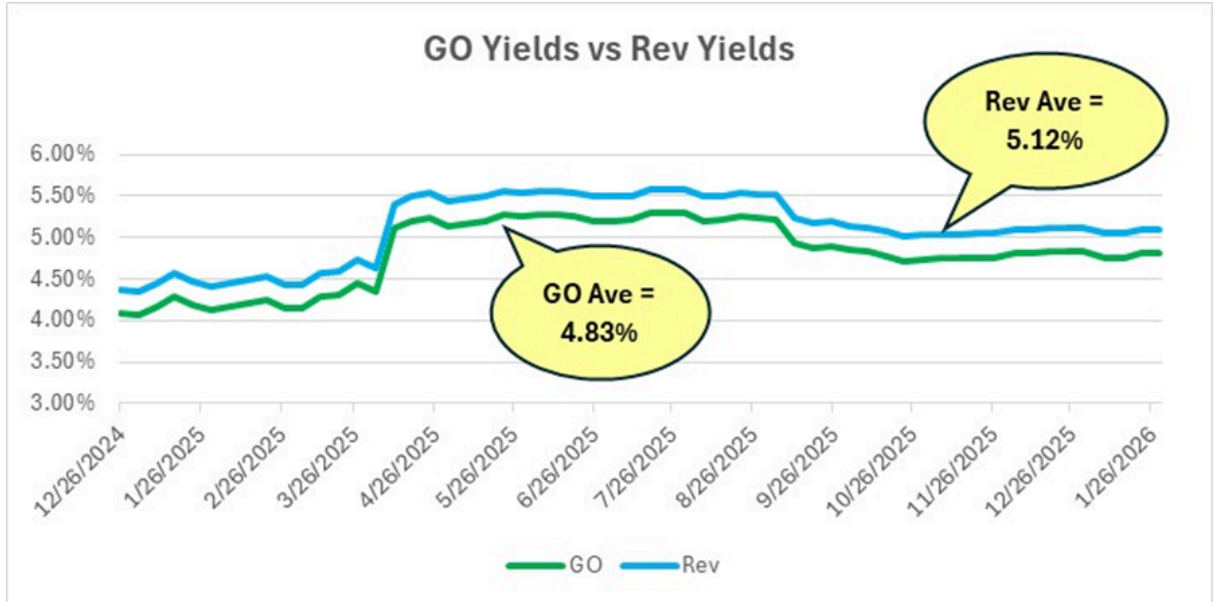
Once a specific debt issuance proposal is under consideration by the Social Housing Task Force, the specific projected cash flows / debt service payments could be projected by the Director of Finance and outside Bond Counsel.

Task Force Question 3: Is there a higher interest rate associated with either a general obligation bond or a revenue bond?

Response from the City's external Bond Advisor - Moors & Cabot: The methodology that covers debt backed by a general obligation ("GO") bond pledge to pay debt service is an unlimited tax, contractual "full faith and credit pledge," including, either explicitly or implicitly, the issuer's obligation to levy an unlimited ad valorem property tax to pay debt service. The unconditional and open-ended nature of the GO pledge typically means an issuer legally commits all of its revenue-generating capacity to meet debt service obligations.

A revenue bond is a category of municipal bond supported by the revenue from a specific project. Investors in revenue bonds focus heavily on the project's ability to generate cash flow. A key metric is the debt-service coverage ratio, which measures if the project generates enough income to cover interest and principal payments and if the project is desired and if the project is needed.

General obligation (GO) bonds are traditionally considered to have lower credit risk than revenue bonds because their payments are backed by a broader range of potential income streams. This bodes for lower ratings for revenue obligations, as they are generally considered slightly higher risk than GO bonds and, consequently, even in the same rating range, investors demand higher yields (interest rates) for revenue bonds.



(1) General obligation bonds maturing in 20 years are used in compiling these indexes. The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA.

(2) Revenue bonds maturing in 30 years are used in compiling this index. It has an average rating equivalent to Moody's A1 and S&P's A-plus.

Task Force Question #4: Is city ownership needed to stay under the 10% threshold for tax exempt bond issuance?

The general response below was provided by the City's external Bond Counsel - Pierce Atwood. It is worth noting that this particular question gets complex / nuanced fairly quickly, and that an engagement letter or contract may be required to research any specific proposal. We have rates from a variety of local firms which can be shared as needed.

For a workforce housing project (e.g., a project that does not meet applicable low-income, affordable housing limits) to qualify for tax-exempt financing, the project must be owned by the City and either operated by the City directly, or operated by a third-party manager under a qualified management contract. The project could be owned by the City directly, or by an entity formed by the City that qualifies under §115 of the Code.

Task Force Question #5: What other cities are using bond financing for housing development? What kind of bond financing is being used in these communities? How do we make sure that there is a revenue stream to repay the bond and create a revolving loan fund?

Response from City staff: Instances of municipalities directly issuing bonds to construct housing are somewhat limited. Examples of debt being issued by local or State redevelopment/housing authorities, such as the Providence, RI example shared during the [December 10, 2025](#) Social Housing Task Force meeting, are more prevalent. A few examples of where municipalities were the direct issuer of social housing debt intended to build new housing include the following cities/towns:

New York City [has sold over \\$2B in taxable general obligation bonds](#) to finance low income housing projects.

In 2023, **San Francisco** approved \$170,780,000 IN TAXABLE GENERAL OBLIGATION BONDS (SOCIAL BONDS – AFFORDABLE HOUSING, 2019) SERIES 2023C which were intended to:

- create new affordable homes, especially for the City's growing senior population;
- accelerate the rebuilding of distressed public housing sites for some of the City's most vulnerable residents;
- expand rental and homeownership opportunities for the City's middle-income residents and workforce, including educators, first responders, non-profit workers, and service industry employees;
- allocate one third of Proposition A (2019)'s bond funds to serve extremely Low-Income households (30% AMI or less).

In 2024, **Chicago** issued [\\$1.25B](#) in General Obligation and Sales Tax Securitization Corporation bonds, of which \$625 million over 5-years will be used to create affordable housing. The bonds will be primarily tax-exempt, however up to 35% will be taxable in order to use the funds as revolving loans and other non-capital expenses. The City will also leverage other resources such as tax increment financing and LIHTC to augment the bond funds.

Elsewhere in the State of Maine, the **Town of Rockland** is hoping to use a recently approved \$10M in bonding authority to assist homeowners and developers in building [affordable and workforce housing](#) by leveraging funding available through MaineHousing. However, the funds will not be used directly by the City to construct housing. The City hired a planning consultant and is facilitating a task force that will advise the City Council on ways to address housing needs and options for using the funding available through the housing bond. In addition to the housing bond, the City will also leverage tax increment financing and credit enhancement agreements.

Task Force Question 6: Would we need to stand up a separate entity, like the Jetport Enterprise Fund, to issue bonds for housing development? If so, would that require a charter amendment?

Response from City staff: Corporation Counsel's Office is conducting research regarding the Portland Renewal Authority to determine if the entity legally exists today and what authorities the Renewal Authority has, including the ability to bond.

Response from the City's external Bond Counsel: Just to be clear, the Jetport Enterprise Fund is not a separate legal entity. Rather, it is a "department" or "unit" of the City. The City could pursue a workforce housing project as the City proper, as a separate enterprise fund of the City (like the Jetport, which is not a separate legal entity), or through the establishment of an actual separate legal entity that qualifies under §115 of the Code.

Task Force Question 7: Didn't the state pass legislation recently that identified housing as public infrastructure?

Response from City staff: LD 1681, approved in 2025, added to the definition of public infrastructure "...municipal shelter facilities and housing projects managed and operated by a municipality or a municipal housing authority, as defined in section 4702, subsection 10-A,..." See text excerpt noted here.

APPROVED	CHAPTER
JUNE 10, 2025	250
BY GOVERNOR	PUBLIC LAW

STATE OF MAINE

—
IN THE YEAR OF OUR LORD
TWO THOUSAND TWENTY-FIVE

—
H.P. 1116 - L.D. 1681

**An Act to Consider Municipal Shelter Facilities and Housing Projects
Essential for Public Health, Welfare and Safety by Updating the Definition of
"Public Service Infrastructure"**

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 30-A MRSA §5903, sub-§8-A, as amended by PL 2001, c. 90, §3, is further amended to read:

8-A. **Public service infrastructure.** "Public service infrastructure" means those facilities that are essential for public health, welfare and safety. Those facilities include, without limitation, sewage treatment facilities, municipal water supply and treatment facilities, solid waste facilities, public safety equipment and facilities, roads, traffic control devices and other transportation facilities, sidewalks, trees, buried utility lines and other streetscape improvements, parks and other open space or recreational areas, public access to coastal and inland waters, geographic information systems, municipal shelter facilities and housing projects managed and operated by a municipality or a municipal housing authority, as defined in section 4702, subsection 10-A, and any other public facility that benefits the public.