City of Portland, Maine
Finance Committee Meeting
Thursday, September 26, 2019
5:30 PM, City Hall, Room 209

AGENDA

1. **Introductions**

2. **City Council Executive Session, pursuant to 1 M.R.S. section 405(6)(E), to discuss pending litigation (Ten Voters of the City of Portland v. City of Portland) with Corporation Counsel.**

3. **$7M Bond to Capitalize the Housing Trust Fund Discussion**

   The Committee received a proposal from Mayor Strimling for a $7M bond to fund the Housing Trust. The Housing Trust is used to assist developers to meet the goal of providing increased availability in all segments of the housing market. Staff has provided cost analysis of the proposal and backup materials including draft bond authorization orders from Bond Counsel Jim Saffian have also been provided. An update on existing sources and uses of Housing Trust Funds has also been provided by staff. Additional discussion of the proposal will occur at this meeting. This item is a discussion item only – no action will be taken at the current meeting.

4. **Debt Management Policy Discussion**

   The Committee will continue their discussion of the City of Portland Debt Management Policy. The Committee will discuss proposed changes from the Finance Director which were developed after review of current rating agency criteria and in consultation with the City's financial adviser and bond adviser. This item is a discussion item only – no action will be taken at the current meeting.

5. **P-STEP Program Update – Communication Item**

6. **Future Meeting Dates**

Previously Discussed Materials – Capitalization of Housing Trust

Portland, Maine — Yes. Life's good here.

Office of the Mayor, Ethan K Strimling

DISTRIBUTE TO: Members of the Finance Committee; Councilor Nicholas Mavodones, Chair and Councilor Justin Costa
FROM: Ethan Strimling, Mayor
DATE: Oct 4, 2018
SUBJECT: **Housing Bond**

Please consider this memo a formal proposal for the Finance Committee to help us meet the 2017 & 2018 Council Priorities of capitalizing the Housing Trust (see attachment #1) and the 2018 Council Priority to "Increase access to rental and ownership housing that is safe and affordable for working and low income families." (see attachment #2).

This particular proposal is to authorize $7M in borrowing to be available for our Housing Trust [HT] to then be distributed for the development of affordable and mixed use housing in Portland.

Why Capitalize the Housing Trust?

Although this has been a council priority for at least two years, it bears reminding ourselves why the Housing Trust is such a valuable tool and why capitalizing it is so essential. Here is how the fund is described by city staff in two memos to the Housing Committee this year:

"*The Housing Trust Fund is a valuable tool that can assist the City in meeting the goal of providing increased availability in all segments of the housing market. While the City has other resources such as the HUD HOME and CDBG Programs, those funds are limited in amount and scope..... The HOME program restricts rental housing assistance to households at or below 60% of the area median income and home ownership assistance to households at or below 80% of the area median income. The CDBG program is restricted to households at or below 80% of the area median income. City Ordinance allows the Housing Trust Fund to assist households at or below 120% of area median income.*" April, 2018 (see attachment #3)

Unfortunately, according to Housing staff, the lack of funding from a stable and steady source leaves our Housing Trust as an undependable source for Affordable Housing developers.

"*The Housing Trust Fund also does not provide a stable and steady source of funding for affordable housing* ***due to the lack of a dedicated funding source****. The absence of a dependable source of funding raises genuine concerns of uncertainty when addressing an issue that affects the entire community.*" (bold added) February, 2018 (see attachment #4)

The Need for Housing

I won't spend a lot of time re-examining the need for affordable housing in Portland, but perhaps there are a few important points to remember, as we determine our recommendation.

- In a Sept 8 presentation regarding a new shelter model, City of Portland Staff listed the "lack of affordable housing" as the number 1 issue causing our homeless shelter to be over-crowded (see attachment #5)

- According to Maine Housing, Portland is the least affordable city to buy or rent a home in all of Cumberland County. (see attachment #6)

    - The average family in Portland would have to earn almost double what they currently make to purchase a median priced home in Portland ($49K vs $87K).

    - 10,477 renters in Portland currently cannot afford the rent they pay.

- In a groundbreaking story in the Press Herald on the housing crisis, it outlined a rental market that has increased by 40% over five years and that had an affordability gap of $545 http://specialprojects.pressherald.com/no-vacancy/#firstPage

- Currently, Portland Housing Authority submitted testimony to the Finance Committee saying they have an unduplicated waiting list of 1,135 families looking for housing in Portland. (see attachment #7)

- According to Preble Street, when Huston Commons was created, our latest Housing First project, there was a waiting list of 120 people (and these are just the most low-income chronically homeless).

The impact $7M could have on the housing crisis

Because of the flexibility of the Housing Trust, it can be used to assist with all kinds of projects from Housing First to mixed use. Also, because of that flexibility and its ability to leverage other funds, the HT can help us develop units at a very low cost-per-unit. In understanding the full capacity of what $7M can do, historically the numbers provide a clear picture:

- Since 2000, Portland has subsidized 35 housing development projects which created 1,283 units of housing. The total City investment (from all sources excluding TIF's) was $14,303,762 which amounted to an average city contribution per unit of $11,149. (see attachment 8) **At this average cost per unit, $7M would produce 628 units.**

- Historically, over the past 15 years, the Housing Trust alone has expended $1.9M and is responsible for building at least 229 units. That is a cost of $8,296 per unit on average. **At this average cost per unit, $7M would build 844 units of housing.**

- In the past five years, utilizing all City of Portland resources (HOME/CDBG/HT, and excluding TIF's), PHA and AVESTA have been able to produce (or are about to produce) 512 units in Portland at a city subsidy cost of only $4.5M; $8,800 per unit. (see attachment #9) **At this average cost per unit, $7M would produce 795 units.**

In sum, based on past performance, it appears that investing $7M in the HT can create from 600 to 800 units of housing over five years.

Costs to the taxpayer

According to City Staff, borrowing $7M would cost about $10.1M over the life of the bond (20 years), assuming all of it were drawn down. On an annual basis this would be about 8 cents on the Mil Rate, or approximately $20 on an average $250K home in Portland.

It should be noted that we plan to retire and replace $12.9M of bonding this year, and project to add an additional $5M on top of that. Some of the borrowing proposed here could be included in those projections, thereby reducing the impact on the budget.

Recommendation

My recommendation is to pass the $7M bond with the stipulation that up to $1.5M a year be drawn down for distribution (as determined by applications reviewed by the Housing Staff and authorized by the Housing Committee). This reduces the single year impact on taxpayers to no more than than $5 a year on an average home, assuming this debt is outside our annual replacement cap for infrastructure debt.

The committee may also want to consider that an average per-unit expenditure limit be placed on the funds. For instance, we could stipulate that the expectation of the allocation of these funds is that they will garner a return of one unit for every $10,000 spent. That will ensure a minimum of 700 units being produced, thereby ensuring that the funds continue to be utilized in a way that maximizes the return for the taxpayers and for those in need of housing.

2

Conclusion

Housing is infrastructure. We need it like we need roads, parks, sidewalks, and schools. In the last few years we have authorized over $100M in borrowing for roads, public works and schools. It is time to prioritize housing. Indeed, in many ways, without housing, none of the others will matter.

I hope the committee will move this recommendation forward as soon as possible so the funds can become available. I look forward to our deliberations and to answering any questions. Thank you.

Attachment #1

Portland City Council Goal Setting Summary - 2017

The City Council and Mayor met on January 23, 2017 to develop a clear understanding of their key priorities and goals for 2017. It was also to develop a sense of which goals the Council and Mayor are most interested in seeing developed. While each committee and the Mayor will still work on all the goals each outlined (see below), the ranking identified the top three areas of greatest interest on each list. The top 3 goals from each list are:

Economic Development
- Eastern waterfront public infrastructure investment/increase utilization of the terminal
- Broad Band Access
- TIF financing policy

Finance
- Question on the ballot regarding elementary school renovations
- Combined tax increase no greater than 2.5%
- Develop proposal for targeted tax relief

Health & Human Services
- Pursue shelter improvements: expand zoning; improvement and new shelter
- Guidance and policy suggestions on substance abuse, opioid crisis, facilities, marijuana education, zoning, operation of the needle exchange
- Seek regional solutions: homelessness, substance abuse

Housing
- Identify opportunity to demonstrate a City partnership to leverage mixed use housing
- Implement policies to capitalize the Housing Fund (*incentives for affordable housing*) added at the meeting
- Pull together a current situation report on Housing Policy, availability and affordability

Mayor
- Universal All Day Pre-K
- Increase inclusionary zoning to 20%
- Earned Paid Sick Time

Nominating & Legislative
- Increase outreach to generate applications
- Establish state and federal intergovernmental relations
- "Ban the box:" examine disclosure requirements

Sustainability & Transportation
- Pedestrian crossings, stop lights, bike lanes, review existing plans, snow removal ordinance and plowing routes, transportation bonds, parking
- Parks: zoning, interactive parks
- Review Portland Climate Action Plan

Attached is a list of each committee's and the Mayor's goals.

Attachment #1 (Cont)

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Office of the Mayor, Ethan K. Strimling

2018 Goals

1. **Ensuring Educational & Lifelong Success -- Offering Universal Pre-K in Portland**

   The research is clear - kids who go through high-quality pre-k programs are better prepared for kindergarten than those who don't. Right now the city is only meeting 25% of our need with the current pre-k program and our lowest income kids are being the hardest hit. This proposal is to put out an advisory referenda to ask Portland residents if they are willing to pay for a high quality universal Pre-K program for every four year old in the city. (Will work with School Board on this goal)

2. **A Sustainable City – Solarize Portland**

   Many cities around Portland have instituted "Solarize" programs to promote solar power and help facilitate the bulk purchase of solar energy conversion. Portland should do the same, as well as switching the City's electric plan to renewable, purchasing more electric vehicles for our fleet, installing more charging stations around the city, and exempting environmental upgrades to homes from increased valuation. (Plan is to refer to Sustainability)

Already on Committee Work Plans

3. **Affordable Workforce Housing - Capitalizing the Housing Trust Fund to $10 Million**

   One of the Council's 2017 goals was to fully capitalize the Housing Trust Fund [Trust]. This proposal will inject $8 million into the Trust by the end of 2019 - three million from the sale of the WEX property and $5 million through a bond. Growing the Trust to $10 million will leverage upwards of $50-60 million in additional money toward our housing crisis and build upwards of 1,000 units of affordable housing over the next five years. (Finance Committee)

4. **A Safe, Healthy Workforce - Earned Paid Sick Time**

   Currently 20,000 workers in Portland can't earn even one paid day off to care for their own medical well-being or that of their child. This proposal will ensure that every worker in Portland receives at least 6 paid days off a year to take care of health or safety issues for themselves or their family. (HHS Committee)

5. **Responsible Contracting for City Contracts**

   Last year, the council passed a revision to our TIF policy to require that all contractors that work on a project which receives a CEA, pay their workers a livable wage with benefits. This proposal will require that the same standard apply to all city contracts with private entities, plus require that they have an apprenticeship program. (Finance Committee)

4

Attachment #2

Portland City Council Committee on Housing

Goal/Objective: Increase access to rental and ownership housing that is safe and affordable for working and low-income families.

Safe, affordable and accessible housing remains the core objective. The 2018 Housing Committee will focus on policies that help residents match their housing needs with appropriate options over a lifetime. Success is when we have a broad array of housing choices to serve evolving individual and family housing needs.

Solid housing stock, parks and open space, quality education, proximity to jobs and entertainment are all important elements that significantly influence whether Portland can retain and sustain current residents and attract new residents of all ages, backgrounds and abilities.

2018 Committee Workplan Priorities

1. Identify an opportunity to engage the city in a public/private partnership project or projects to add rental and ownership units to our housing inventory, by leveraging policy, planning expertise, funding, zoning, public land, creating a Land Trust and /or other strategies. Towards this goal, the Committee initiated a general exploration in its February meeting of work done in other cities using surplus city property to leverage housing development through formation of a Community Land Trust (CLT). The Land Trust idea is but one of a number of strategies the Committee may explore to develop and forward to proposal to the full council.

2. Identify and recommend policy to remove barriers to Accessory Dwelling Units in residential zones – the Committee proposes to review the effectiveness of loosened ADU policy approved by the council several years ago and consider revisions or additional adjustments in tandem with the first phase of the ReCode Portland zoning rewrite.

3. Develop and recommend a Housing Advisory Board consistent with the language approved by the Council as part of the 2016 Housing security package, including housing professionals, tenant and landlord representatives, to assist the City in developing and implementing policy options to address existing and developing issues.

Other Projects highlighted for action by the Committee

Develop a proposal for a "hotel linkage fee" to fund City housing programs and recommend action to the full council.

Evaluate the condominium conversion ordinance to assess compliance with the tenant notice and relocation assistance requirements and recommend if the condominium conversion fee should be increased to fund TBRA and/or the Housing Trust Fund.

Sponsor development of a cost neutral proposal to take on administration the Portland Water District's water efficiency and repair services program and recommend action to the full council.

5

Notes: In addition to the 2018 items noted above, the Housing Committee will continue to serve as the lead council committee for guidance, evaluation and implementation of ongoing multi-year housing program and policy initiatives including, for example:

- The Rental Housing Safety & Inspection Program
- The Short Term Rental Registration Program
- The Inclusionary Zoning Requirements
- Revisions to Chapter 14 Land Use Code **Division** 30
- Develop framework, policy and priorities for use of the Housing Trust Fund
- Review and Recommendation of HUD funded Community Development and Home Program budget
- Sponsor review of Housing market data and policy developments and publish a 2018 addendum to the October 2017 Housing Report including an update and evaluation of policy implementation e.g. inclusionary zoning, housing safety and inspections, short term rentals, Landlord/Tenant disputes and evictions, and the impact of the Division 30 revisions. dispute housing security. This work is a continuation of the commitment made last year to establish a dashboard for annual data mining and semi-annual publication of a State of Housing Report.

Attachment #3

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Mary Davis
Division Director, Housing & Community Development Division

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Mary Davis, Division Director
Housing and Community Development Division

DATE: April 20, 2018

SUBJECT: 2018 Housing Trust Fund Annual Plan

The Housing Trust fund is established by Section 14-489 of the City's Code of Ordinances. Section 14-489 (e) states that "the city council shall adopt a housing trust fund annual plan" and that the "housing committee of the city council or such other committee as the council shall designate shall conduct public hearings on the recommended plan and refer the matter to the council for action."

The plan establishes the priorities in which the current balance of the Housing Trust Fund will be allocated. Over the last few years, the annual plan has been deliberately broad due to the relatively small amount of available resources. With an increase in resources, it is prudent that a more detailed plan be put in place. Housing Trust Fund resources should be focused on opportunities where other funding sources do not work or are not effective. As always, the City should act prudently when deciding to invest these funds.

Staff is requesting committee approval and recommendation to the City Council of the proposed 2018 Housing Trust Fund Annual Plan.

6

389 Congress Street / www.portlandmaine.gov / tel. 207•756•8246 / tty. 207•874•8936 / fax. 207•874•8949

Attachment #3 (Cont)

HOUSING TRUST FUND
2018 ANNUAL PLAN

BACKGROUND

The Housing Trust fund is established by Section 14-489 of the City's Code of Ordinances. Section 14-489 (e) states that "the city council shall adopt a housing trust fund annual plan" and that the "housing committee of the city council or such other committee as the council shall designate shall conduct public hearings on the recommended plan and refer the matter to the council for action."

The Annual Plan will establish the priorities in which the current balance of the Housing Trust Fund will be allocated. The plan is in line with the 2018 City Council Goal of increasing access to rental and ownership housing that is safe and affordable for working and low-income families.

This budget is based on the current balance in the Housing Trust Fund. At this time, Housing Trust Fund revenue is generated from fees triggered by the Housing Preservation and Replacement Ordinance and fee-in-lieu contributions from the Inclusionary Zoning Ordinance, along with other funding resources under Council consideration. The balance of the Housing Trust Fund is $913,502. While staff anticipates increases in revenue in the Housing Trust Fund as a result of the Inclusionary Zoning Ordinance and other sources being considered by the City Council, those anticipated resources are not included in the 2018 Annual Plan.

Sources and Uses of Housing Trust Fund:

DEPOSITS		**EXPENDITURES**	
Maine Medical Center 2002-2003	$ 315,580	Avesta Oak Street Lofts 2011	$ (380,585)
Sportsman's Grill 2002	$ 40,000	Housing First Pre-Development RFP 2014	$ (75,000)
Berlin City Auto 2009	$ 116,000	65 Hanover St 2015	$ (9,250)
Stop n Shop 2010	$ 289,250	65 Munjoy St 2017	$ (175,000)
Rockbridge/Eastland Park 2012	$ 42,500		
Riverwalk/Ocean Gateway 2012	$ 250,000	**Total Expenditures**	**$ (639,835)**
118 Congress LLC April 2014	$ 3,500		
Sale of Belfort Street 2017	$ 86,424		
Sale of 116 Upper A Street 2017	$ 78,527		
443 Congress Street 2017	$ 280,000		
Previous INTEREST EARNED	$ 51,556		
Total Deposits	**$1,553,337**	**BALANCE**	**$ 913,502**

City Ordinance requires that the Housing Trust Fund Annual Plan include a description of the programs to be funded, a budget for each program and identify how the funds will be distributed among very-low (at or below 50% of the area median income), low (at or below 80% of the area median income) and moderate income (at or below 120% of the area median income) households.

7

Attachment #3 (cont)

The Housing Trust Fund is a valuable tool that can assist the City in meeting the goal of providing increased availability in all segments of the housing market. While the City has other resources such as the HUD HOME and CDBG Programs, those funds are limited in amount and scope. The proposed Housing Program budget for FY 2018-2019 includes $325,064 in HOME funding for affordable housing development, $100,000 for housing rehabilitation and $224,096 in CDBG housing program income for housing rehabilitation. The HOME program restricts rental housing assistance to households at or below 60% of the area median income and home ownership assistance to households at or below 80% of the area median income. The CDBG program is restricted to households at or below 80% of the area median income. City Ordinance allows the Housing Trust Fund to assist households at or below 120% of area median income.

As always, the City should act prudently when deciding to invest these funds. The Housing Trust Fund should maintain a minimum balance of $500,000 in order to have resources to act quickly when there is an emergency, such as a need to cure a potential mortgage default that could result in loss of an affordable unit.

FUNDING PRIORITIES

The purpose of the Housing Trust Fund is the "…promotion, retention and creation of an adequate supply of housing, particularly affordable housing, for all economic groups and to limit the net loss of housing units in the City." and "To serve as a vehicle for addressing very low, low and median income housing needs…".

A 2018 priority will be to support the Portland Housing Authority in the implementation of their Strategic Vision Plan when other funding sources are not available. The Housing Authority's current priorities in that Plan are the Boyd Street and Front Street sites.

Allocation Process

Housing Trust Funds will be distributed through a competitive application process. A Notice of Funding Availability will be issued at a minimum of an annual basis to notify potential applicants that the application is available. Applications will be reviewed by an evaluation team that will include City of Portland staff. Selection criteria as well as a point system will be used for evaluating and scoring the applications.

Recommendations will be forwarded to the City Council's Housing Committee for review and approval. The Housing Committee recommendations will be forwarded to the City Council for final review and approval.

Eligible Activities

Activities eligible for funding from the Housing Trust Fund are those that promote, retain, and create an adequate supply of housing, particularly affordable housing for all economic groups, and to limit the net loss of housing units in the city. Eligible activities may include: new construction, preservation/rehabilitation of existing affordable housing, adaptive reuse, acquisition, housing first.

8

Attachment #3 (cont)

The Housing Trust Fund resources are also intended to promote the retention of affordable housing. Staff recommends that Housing Trust Fund resources be made available, if necessary, to exercise the City's right of first refusal in connection with potential foreclosure issues with affordable homeownership units. This is unlikely to occur in the near future but may come up as more workforce homeownership units are created through Portland's inclusionary zoning ordinance. Similarly, Housing Trust Fund resources should also be considered for aiding households that own affordable units to pay special assessments from their condominium or homeowners association in order to help maintain the unit's affordability and reduce any risk of foreclosure. It is important to allow for the consideration of using funds in these manners as foreclosure of a unit can jeopardize any affordability restrictions associated with the property.

Financing Parameters

Housing Trust Funds should be a resource of last resort.

Form of Awards: A variety of funding mechanisms will be utilized including no-interest loans, below-market loans, forgivable loans, and grants. Type of funding will be determined after review of a number of factors including amount necessary to make the project feasible, the project type, income targeting, number of affordable units, and duration of the affordability period.

Maximum Award Amount: Funding awards will be determined on a per affordable unit basis. The City contribution per unit will not exceed $15,000. This amount may be adjusted at the discretion of the City Council.

Income Targeting

Housing Trust Fund resources should be focused on (1) opportunities where other funding sources do not work or are not effective, (2) projects designed to create housing affordable to households earning at or below 50% of the area median income, and (3) projects designed to create housing affordable to households earning 80% to 120% of the area median income.

Affordable means that the percentage of income a household is charged in rent and other housing expenses, or must pay in monthly mortgage payments (including insurance and taxes), does not exceed 30% of a household's income, or other amount established in city regulations that does not vary significantly from this amount.

Affordability Restrictions

Affordability restrictions are required. In the case of rental or cooperative units, the units must remain affordable for the life of the housing unit which is presumed to be a minimum of thirty (30) years.

9

Attachment #3 (Cont)

Homeownership units must include resale restrictions that maintain an "equitable balance" between the interests of the owner and the City. These restrictions must be documented and recorded in the Cumberland County Registry of Deeds.

Sales must be made through an arms-length arrangement. No employee, agent, stockholder, officer, director, servant, or family member of the Owner or its Management Company, or its employees, agents, or servants thereof, related either by blood, marriage, or operation of law may qualify for a unit financed with Housing Trust Funds or receive any benefit related in any way to the administration or compliance with the conditions contained therein.

Implementing Regulations

Regulations to further specify the details of the parameters outlined in this Annual Plan, shall be developed, including, but not limited to:

1. Specific methodology for income verification; and
2. Underwriting criteria.

Attachments
2018 Housing Trust Fund Application

10

Attachment #4

Portland, Maine | Yes. Life's good here.

Planning & Urban Development Department

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Victoria Volent, Housing Program Manager

DATED: February 23, 2018

SUBJECT: Overview of the Housing Trust Fund

Background

The City of Portland's Housing Trust Fund is established by Section 14-489 of the City's Code of Ordinances. The supports the promotion, retention, and creation of an adequate supply of housing, particularly affordable housing, for all economic groups and to limit the net loss of housing units in the City. Grants or loans are made to fund the acquisition, construction, and substantial rehabilitation of rental, cooperative, and home ownership housing that is restricted to ensure long-term affordability. The Housing Trust Fund is a much more flexible financial tool than other sources of funding available to the City. While the city has resources such as the HUD HOME and CDBG Programs, those funds are limited in amount and scope. Revenue for the Housing Trust Fund is generated from fees triggered by the City's Housing Preservation and Replacement Ordinance, and fee-in-lieu contributions from the Inclusionary Zoning Ordinance. Each fiscal year, the City Council adopts the Housing Trust Fund annual plan which describes proposed programs, funding levels, and benefitted households. The Housing Committee conducts a public hearing on the use of the funds and refers recommendations to the City Council for action. The 2017 Housing Trust Fund Annual Plan is attached for reference purposes.

Housing Trust Fund Priorities

Priorities for the expenditure of Housing Trust funds collected pursuant to the Housing Replacement Ordinance are given to the creation of new housing stock. Priorities for the expenditure of funds collected pursuant to the Inclusionary Zoning Ordinance are not specified in Section 14-489 (Housing Trust Fund). Some communities that prioritize funding requests adopt a ranking system based on a pre-established set of criteria. The Center for Community Change; the Housing Trust Fund Project issued a report titled *Opening Doors to Homes for All. The 2016 Housing Trust Fund Survey Report* (HTFSR) which noted surveyed cities that prioritize via ranking gave more points for the following projects (from highest priority to lowest priority):

11

Attachment # 4 (cont)

lowest incomes; leverage funds; homeless; disabled persons; specific neighborhood preservation/rehab; elderly; distressed communities; developed by nonprofits; energy efficiency; weatherization/upgrades; renewable energy; water efficiency upgrades. Other communities do not prioritize but instead set aside a portion of the trust fund revenue for specific activities. Set aside of funds were given to projects targeting: 50% AMI; 30% AMI; 80% AMI; 60% AMI; 100% AMI, and projects for: homeless services and housing; permanent supportive housing; first time homebuyers; preservation of rental housing rental assistance; persons with disabilities; and energy efficiency upgrades. A third method is the "first come, first serve" in which projects are considered for funding in the order in which they are received.

Eligible Activities

Activities eligible for funding from the Housing Trust Fund are those that promote, retain, and create an adequate supply of housing, particularly affordable housing for all economic groups, and to limit the net loss of housing units in the city. This broad language allows a fluid interpretation of the ordinance to support a full variety of housing proposals that satisfy the appropriate conditions.

Some communities have retained this degree of flexibility in their ordinance while also providing a list of eligible activities. For example, listed eligible activities may include: new construction of affordable housing; preservation/rehabilitation of existing multi-family housing; housing for elderly; or permanent homeless housing. Other communities provide a list of preferred projects such as: Housing First; Rapid Rehousing; projects that leverage additional resources; or gap financing.

As currently written, Portland's Housing Trust Fund Ordinance provides the flexibility necessary to adapt to opportunities where other sources do not work or are not effective.

Eligible Applicants

The Housing Trust Fund Ordinance does not describe eligible applicants but does identify ineligible applicants. The option is available to define the term "eligible applicants". If inclined, a definition may include for-profit businesses, local government entities, housing authorities, nonprofit agencies, community action agencies, nonprofit corporations, and private individuals or corporations.

Financing

Form of Awards

Housing trust funds provide funding in a variety of forms including no-interest loans, below-market loans, forgivable loans, and grants. Some housing trust funds restrict financing to nonprofit developers. Others provide loans to private developers while making grants available to nonprofit developers. And others only offer grants to help reduce homelessness. Portland's

12

Attachment #4 (Cont)

Housing Trust Fund Ordinance disburses funds "as grants or loans" (without further interpretation).

Maximum Award Amount

The level of funding from housing trust funds is usually the minimum amount necessary to achieve the desired degree of affordability, on a case-by-case basis, and subject to funding availability. Portland's Housing Trust Fund allows distributions in an amount "as the city council in its discretion has approved in the housing trust fund annual plan" (section 14-489 (f) 2). The lack of a steady stream of dedicated revenue into the City's Housing Trust Fund begets prudent decisions to preserve limited funds that fluctuate year to year.

Funding awards may be limited by specific dollar amounts per project or per affordable unit. Portland has subsidized thirty housing development projects since 2000. The total City investment of $13,826,598 created 951 units of affordable housing at an average city contribution per unit of $14,539.01.

Current Balance

The balance of the Housing Trust Fund is $913,501.54. The chart on the next page breaks down deposit and expenditure activity to date.

DEPOSITS		**EXPENDITURES**	
Maine Medical Center 2002-2003	$315,580	Avesta Oak Street Lofts 2011	($380,585)
Sportsman's Grill 2002	$40,000	Housing First Pre-Development Grants	($75,000)
Berlin City Auto 2009	$116,000	65 Munjoy Street 2017	($175,000)
Stop n Shop 2010	$289,250	65 Hanover & 62 Alder Streets Feasibility Study	($9,250)
Rockbridge/Eastland Park 2012	$42,500	**Total Expenditures**	($639,835)
Riverwalk/Eastland Park 2012	$250,000		
118 Congress LLC 2014	$3,500		
Interest earned	$51,555.81		
91 & 97 Belfort St sale 2017	$86,423.99		
116 Upper A St., Peaks Island sale 2017	$78,526.74		
443 Congress St. fee-in-lieu (IZ) 2017	$280,000		
Total Deposits	$1,553,336.54	**Balance**	$913,501.54

As noted in the above chart, projects funded with Housing Trust Funds include the Avesta Oak Street Loft project which produced 37 efficiency units of rental housing affordable at 60% of the area median income (AMI) and below (including four units at 40% of AMI); 65 Munjoy Street which produced eight condominium units available for sale to households earning at or below

13

Attachment #4 (Cont)

120% of AMI; Avesta's Huston Commons which produced 30 efficiency Housing First units; and Community Housing of Maine purchased a property on St. John Street which produced four Housing First units.

Summary

The Housing Trust Fund is a valuable tool that can assist the City in meeting the goal of providing affordable housing for all economic groups. The benefit and advantage of the Housing Trust Fund is the local control of the funding process structured to address particular opportunities and priority housing needs. The program as designed allows for spending discretion, flexibility, and adaptive uses. The program does not restrict funding awards, determine grant or award eligibility, or provide detailed preferences or priorities. The Housing Trust Fund also does not provide a stable and steady source of funding for affordable housing due to the lack of a dedicated funding source. The absence of a dependable source of funding raises genuine concerns of uncertainty when addressing an issue that affects the entire community.

Prior to establishing the 2018 Housing Trust Fund Annual Plan, staff recommends incorporating the City Council's 2018 Goals when established, along with a review of the Housing Trust Fund administration, program parameters, and revenue source in order to design a plan that will ensure the promotion, retention, and creation of an adequate supply of housing, particularly affordable housing, for all economic groups and to limit the net loss of housing units in the City. The topics introduced in this memo, priorities, eligible activities, eligible applicants, types of financing, maximum award amounts are introduced as a starting point for future Committee consideration.

Attachment:

Housing Trust Fund Ordinance

Copy of the 2017 Housing Trust Fund Annual Plan

14

Attachment #5

The Future of Homeless Services in Portland

•••

September 8, 2018

RESURGAM. CITY OF PORTLAND, MAINE

Attachment #5 (Cont)

Why are we here? Root causes of homelessness

1 | Lack of affordable housing

- There is a lack of affordable housing options in Portland and the Greater Portland area.
- Several Housing 1st projects have helped, as well as Avesta developments.

2 | Untreated behavioral health issues

- Mental illness and lack of needed services
- Substance abuse and lack of treatment services.

3 | Unemployment & poverty

- Our HIRE and Opportunity Crew programs work with individuals to help them attain the necessary skills needed to regain employment and ultimately housing.

Attachment #6

2017 Housing Facts and Affordability Index for Cumberland County

MaineHousing
Maine State Housing Authority

HELPING MAINERS RENT, BUY & HEAT THEIR HOMES SINCE 1969

Homeownership Affordability Index

Cumberland County	Year	Index	Median Home Price[1]	Median Income[2]	Income Needed to Afford Median Home Price	Home Price Affordable to Median Income
	2013	0.88	$230,000	$58,500	$66,662	$201,839
	2014	0.87	$237,000	$58,423	$66,935	$206,862
	2015	0.89	$241,000	$60,474	$67,919	$214,584
	2016	0.81	$256,000	$59,748	$73,365	$208,484
	2017	0.82	$282,000	$66,656	$81,616	$230,310
Portland		0.56	$285,000	$49,333	$87,989	$159,791
Frye Island		0.60	$225,000	$41,000	$68,187	$135,290
Yarmouth		0.62	$450,000	$84,950	$136,867	$279,304
Harpswell		0.67	$399,500	$68,695	$102,418	$267,958
Scarborough		0.73	$395,000	$82,882	$114,313	$286,392
Cape Elizabeth		0.73	$496,000	$106,151	$146,005	$360,610
Westbrook		0.73	$231,000	$50,479	$69,044	$168,886
Brunswick		0.74	$268,000	$60,137	$81,734	$197,184
Freeport		0.76	$358,750	$79,819	$105,501	$271,420
South Portland		0.77	$260,000	$59,490	$77,018	$200,829
Falmouth		0.79	$477,000	$107,980	$136,579	$377,119
Cumberland County		0.82	$282,000	$66,656	$81,616	$230,310
North Yarmouth		0.85	$377,500	$95,306	$111,986	$321,274
Pownal		0.90	$276,000	$73,921	$82,225	$248,125
Cumberland		0.92	$410,000	$112,230	$122,476	$375,701
Casco		0.92	$215,450	$56,944	$61,897	$198,209
Maine		0.93	$197,000	$53,190	$57,089	$183,546
Bridgton		0.96	$171,500	$47,461	$49,667	$163,881
Gray		0.97	$245,000	$69,522	$71,761	$237,357
Naples		0.98	$204,750	$56,777	$57,836	$201,001
New Gloucester		0.99	$237,250	$67,305	$67,949	$235,003
Gorham		1.00	$270,000	$78,622	$78,919	$268,983
Long Island		1.00	$200,000	$52,381	$52,347	$200,129
Windham		1.01	$250,000	$72,803	$72,047	$252,625
Raymond		1.07	$259,000	$76,563	$71,680	$276,643
Harrison		1.09	$193,250	$58,269	$53,701	$209,689
Sebago		1.10	$182,250	$56,333	$51,188	$200,570
Standish		1.10	$232,000	$71,561	$64,904	$255,796
Baldwin		1.16	$175,000	$57,172	$49,331	$202,816

The Homeownership Affordability Index is the ratio of Home Price Affordable at Median Income to Median Home Price. An index of less than 1 means the area is generally unaffordable - i.e., a household earning area median income could not cover the payment on a median priced home (30 year mortgage, taxes and insurance) using no more than 28% of gross income.

17

Attachment #6 (cont)

Households Unable to Afford Median Home

Location	Households Unable to Afford Median Home		Total	Median	Income Needed to Afford Median Home	
	Percent	Number	Households	Home Price[1]	Annual	Hourly
Portland	72.6%	23,212	31,961	$285,000	$87,989	$42.30
Frye Island	72.2%	13	18	$225,000	$68,187	$32.78
Harpswell	69.4%	1,605	2,314	$399,500	$102,418	$49.24
Westbrook	67.2%	5,385	8,008	$231,000	$69,044	$33.19
Brunswick	63.4%	5,637	8,896	$268,000	$81,734	$39.30
South Portland	63.3%	7,283	11,499	$260,000	$77,018	$37.03
Cumberland County	60.2%	74,411	123,551	$282,000	$81,616	$39.24
Freeport	59.8%	2,044	3,418	$358,750	$105,501	$50.72
Scarborough	58.7%	4,698	8,006	$395,000	$114,313	$54.96
Yarmouth	57.3%	2,101	3,665	$450,000	$136,867	$65.80
New Gloucester	56.2%	1,224	2,179	$237,250	$67,949	$32.67
Pownal	56.0%	337	602	$276,000	$82,225	$39.53
Maine	54.1%	305,534	565,115	$197,000	$57,089	$27.45
Casco	53.9%	867	1,609	$215,450	$61,897	$29.76
Gray	53.7%	1,811	3,370	$245,000	$71,761	$34.50
North Yarmouth	53.2%	734	1,379	$377,500	$111,986	$53.84
Long Island	52.8%	59	112	$200,000	$52,347	$25.17
Bridgton	52.0%	1,239	2,383	$171,500	$49,667	$23.88
Windham	51.9%	3,478	6,695	$250,000	$72,047	$34.64
Naples	51.0%	834	1,634	$204,750	$57,836	$27.81
Gorham	50.2%	3,073	6,124	$270,000	$78,919	$37.94
Raymond	48.9%	895	1,829	$259,000	$71,680	$34.46
Cape Elizabeth	47.1%	1,757	3,731	$496,000	$146,005	$70.19
Falmouth	46.4%	2,170	4,679	$477,000	$136,579	$65.66
Harrison	46.0%	551	1,198	$193,250	$53,701	$25.82
Cumberland	44.7%	1,326	2,969	$410,000	$122,476	$58.88
Sebago	44.3%	363	819	$182,250	$51,188	$24.61
Standish	44.0%	1,624	3,687	$232,000	$64,904	$31.20
Baldwin	43.7%	267	612	$175,000	$49,331	$23.72

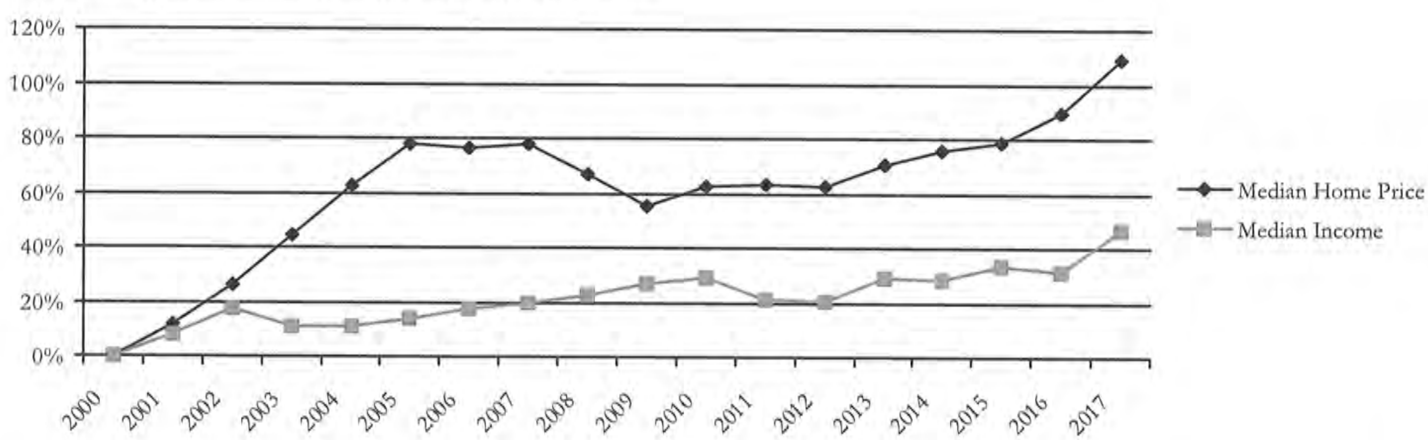
18

Attachment #6 (cont)

Unattainable Homes as a Percentage of Homes Sold

Location	Percentage of Unattainable Homes	Affordable Homes Sold	Unattainable Homes Sold
Portland	97.1%	27	897
Frye Island	94.1%	1	16
Westbrook	84.0%	52	272
Yarmouth	82.3%	25	116
South Portland	78.5%	84	306
Harpswell	72.1%	38	98
Scarborough	71.7%	116	294
Cape Elizabeth	71.4%	54	135
Falmouth	71.1%	67	165
Brunswick	68.6%	86	188
Cumberland County	67.7%	1,653	3,459
North Yarmouth	66.7%	24	48
Gorham	58.4%	119	167
Gray	58.0%	68	94
Cumberland	57.1%	73	97
Freeport	56.5%	60	78
Bridgton	54.2%	77	91
Maine	53.9%	9,513	11,139
Pownal	53.8%	6	7
Long Island	50.0%	5	5
New Gloucester	48.1%	42	39
Naples	48.0%	65	60
Casco	46.8%	50	44
Windham	44.8%	181	147
Raymond	43.0%	53	40
Harrison	35.8%	43	24
Sebago	33.9%	39	20
Standish	29.1%	127	52
Baldwin	23.8%	16	5

Relative Increases in Income and Home Price [3]



19

MaineHousing
Maine State Housing Authority

Attachment #6 (cont)

Rental Affordability Index

Cumberland County	Year	Index	Average 2 BR Rent (with utilities)[4]	Renter Household Median Income[2]	Income Needed to Afford Average 2 BR Rent	2 BR Rent Affordable to Median Income
	2013	0.90	$1,017	$36,438	$40,667	$911
	2014	0.75	$1,124	$33,886	$44,948	$847
	2015	0.78	$1,165	$36,470	$46,604	$912
	2016	0.83	$1,024	$33,930	$40,973	$848
	2017	0.94	$1,025	$38,559	$40,988	$964
Portland		0.82	$1,053	$34,681	$42,111	$867
Gorham		0.83	$1,400	$46,505	$56,000	$1,163
Falmouth		0.86	$1,700	$58,458	$68,000	$1,461
Maine		0.88	$880	$30,804	$35,181	$770
Bridgton		0.89	$831	$29,620	$33,222	$740
Gray		0.92	$1,150	$42,320	$46,000	$1,058
Cumberland County		0.94	$1,025	$38,559	$40,988	$964
Yarmouth		0.96	$1,292	$49,850	$51,662	$1,246
South Portland		1.10	$925	$40,759	$36,990	$1,019
Freeport		1.21	$930	$44,978	$37,206	$1,124
Brunswick		1.23	$703	$34,499	$28,110	$862
Scarborough		1.27	$1,025	$52,126	$41,000	$1,303
Windham		1.29	$962	$49,683	$38,467	$1,242
Cumberland		1.80	$933	$67,240	$37,316	$1,681

The Rental Affordability Index is the ratio of 2-Bedroom Rent Affordable at Median Renter Income to Average 2-Bedroom Rent. An index of less than 1 means the area is generally unaffordable – i.e., a renter household earning area median renter income could not cover the cost of an average 2-bedroom apartment (including utilities) using no more than 30% of gross income.

Renter Households Unable to Afford Average 2 Bedroom Rent

Location	Households Unable to Afford Average 2 BR Rent: Percent	Number	Total Renter Households	Average 2 BR Rent (with utilities)[4]	Income Needed to Afford Average 2 BR Rent: Annual	Hourly
Gorham	57.5%	668	1,161	$1,400	$56,000	$26.92
Portland	57.0%	10,477	18,371	$1,053	$42,111	$20.25
Falmouth	56.0%	474	846	$1,700	$68,000	$32.69
Maine	55.9%	90,353	161,746	$880	$35,181	$16.91
Bridgton	53.9%	324	601	$831	$33,222	$15.97
Gray	52.8%	393	744	$1,150	$46,000	$22.12
Cumberland County	52.3%	21,362	40,812	$1,025	$40,988	$19.71
Yarmouth	51.5%	566	1,100	$1,292	$51,662	$24.84
South Portland	45.9%	2,082	4,540	$925	$36,990	$17.78
Freeport	42.2%	340	805	$930	$37,206	$17.89
Brunswick	42.1%	1,200	2,847	$703	$28,110	$13.51
Windham	40.9%	557	1,363	$962	$38,467	$18.49
Scarborough	39.8%	629	1,581	$1,025	$41,000	$19.71
Cumberland	27.9%	76	272	$933	$37,316	$17.94

20

Attachment #7

Housing Trust Fund Appropriation

1 message

Mark B. Adelson <madelson@porthouse.org> Thu, Aug 2, 2018 at 11:09 AM

To: "estrimling@portlandmaine.gov" <estrimling@portlandmaine.gov>, "jcosta@portlandmaine.gov" <jcosta@portlandmaine.gov>, Nick Mavodones <nmm@portlandmaine.gov>
Cc: Jon Jennings <jpj@portlandmaine.gov>, "Jill Duson (jduson@portlandmaine.gov)" <jduson@portlandmaine.gov>, Pious Ali <PALI@portlandmaine.gov>, "kcook@portlandmaine.gov" <kcook@portlandmaine.gov>, Brian Batson <bbatson@portlandmaine.gov>, "bsr@portlandmaine.gov" <bsr@portlandmaine.gov>, "sthibodeau@portlandmaine.gov" <sthibodeau@portlandmaine.gov>, Jay Waterman <jwaterman@porthouse.org>, "Dana Totman (dtotman@avestahousing.org)" <dtotman@avestahousing.org>

Members of the Finance Committee,

...Below is a table showing our current Public Housing Waiting List. Individuals, small households and the disabled are the largest groups in search of housing assistance at this time.

Thank you, Mark B. Adelson

Portland Housing Authority Public Housing Waiting List						7/20/2018	
BR Size Requested	**Total Applicants**	**%**	**Disabled**	**Elderly**	**Family**	**Single**	**Totals**
1	765	66.51%	417	97	53	198	765
2	199	18.24%	42	3	154	0	199
3	121	10.84%	20	2	99	0	121
4	41	3.61%	9	1	31	0	41
5	7	0.62%	0	1	6	0	7
6	2	0.18%	0	0	2	0	2
	1135	**100%**	**488**	**104**	**345**	**198**	**1135**
			43%	**9.16%**	**30.40%**	**17.44%**	**100%**
Average Days on Waiting List			363				

Mark B. Adelson, Executive Director

21

Attachment #8

Subsidized Housing Development in Portland Since 2000

No.	Owner/Project	Units	HOME	HDF	CDBG	HTF	TIF	NSP
1	Adams School	16	$ -	$ -	$ -	$ -	$ -	$ 1,710,000
2	Bayside Anchor	45	$ 500,000	$ -	$ -	$ -	$ -	$ -
3	Bayside East	20	$ 250,000	$ -	$ -	$ -	$ -	$ -
4	58 Boyd Street	55	$ 200,000		$ 30,000		$ 2,144,566	
5	977 Brighton Avenue	40	$ -	$ -	$ -	$ 300,000	$ 1,954,486	$ -
6	17 Carleton	37	$ -	$ -	$ -	$ -	$ 726,000	$ -
7	409 Cumberland	57	$ 500,000	$ -	$ -	$ -	$ 759,392	$ -
8	53 Danforth	43	$ 325,000	$ -	$ -	$ -	$ -	$ -
9	Deering Place	80	$ 200,000	$ -	$ -	$ -	$ 4,185,757	$ -
10	Elm Terrace	38	$ 403,795	$ -	$ -	$ -	$ -	$ -
11	Florence House	25	$ 240,000	$ -	$ -	$ -	$ -	$ -
12	Fore River	20	$ 388,474	$ -	$ -	$ -	$ -	$ -
13	37 Front Street	111	$ 510,174	$ -	$ 250,000	$ 925,000	$ -	$ -
14	IRIS Park Apartments	31	$ -	$ 250,000	$ -	$ -	$ -	$ -
15	Island View Apartments	70	$ 71,015	$ 192,639	$ 136,346	$ -	$ -	$ -
16	178 Kennebec Street	46	$ 370,000	$ -	$ -	$ -	$ 2,889,164	$ -
17	Logan Place	30	$ 435,000	$ -	$ -	$ -	$ -	$ -
18	Motherhouse	88	$ 627,223	$ -	$ -	$ -	$ -	$ -
19	65 Munjoy	8	$ -	$ -	$ -	$ 175,000	$ -	$ -
20	Oak Street	37	$ -	$ -	$ -	$ 380,585	$ -	$ -
21	Pearl Place - Phase I	60	$ 427,000	$ -	$ -	$ -	$ 615,502	$ -
22	Pearl Place - Phase II	54	$ 400,000	$ -	$ -	$ -	$ -	$ -
23	Rosa True School	10	$ 118,500	$ -	$ -	$ -	$ -	$ -
24	Shalom House	10	$ 93,000	$ -	$ -	$ -	$ -	$ -
25	Peaks Senior Housing	12	$ 150,000	$ -	$ -	$ -	$ -	$ -
26	Peninsula Community II LP	16	$ 307,700	$ -	$ -	$ -	$ -	$ -
27	Peninsula Community III LP	10	$ 200,000	$ -	$ -	$ -	$ -	$ -
28	Peninsula Community LP	12	$ 300,000	$ -	$ -	$ -	$ -	$ -
29	St. Doms Family Housing	12	$ -	$ 436,500	$ -	$ -	$ -	$ -
30	Unity Village	33	$ 86,500	$ -	$ 363,863	$ -	$ -	$ -
31	Valley Street	24	$ 320,000	$ -	$ -	$ -	$ -	$ -
32	Walker Terrace	40	$ 382,000	$ 220,000	$ -	$ -	$ -	$ -
33	134 Washington Ave	18	$ 522,448	$ -	$ -	$ -	$ 207,116	$ -
34	Wellesley Estates	45	$ -	$ 256,000	$ -	$ -	$ -	$ -
35	Yale Court	30	$ 150,000	$ 200,000	$ -	$ -	$ -	$ -
		Units	HOME	HDF	CDBG	HTF	TIF	NSF
	Total	1283	$8,477,829	$1,555,139	$780,209	$1,780,585	$13,481,983	$1,710,000

Total City Investment	$	27,785,745
Avg. City Contribution/Unit	$	**21,657**
Avg. City Contribution/Unit w/o TIF	$	**11,149**

Last Updated 10-02-2018

O:\HCD\Housing\Housing Data\Housing Development:

22

Attachment #9

From: **Dana Totman** <DTotman@avestahousing.org>
Date: Mon, Oct 1, 2018 at 9:46 AM
Subject: FW: Housing Trust
To: Ethan Strimling <estrimling@portlandmaine.gov>
CC: Mark Adelson <madelson@porthouse.org>, Donna Yellen <dyellen@preblestreet.org>, Rebecca Hatfield <RHatfield@avestahousing.org>, Greg Payne <GPayne@avestahousing.org>, pmerrill@MAINEHOUSING.org <pmerrill@mainehousing.org>

Ethan,

The chart below indicates that our last seven Portland affordable housing developments cost $57,972,673. Portland's contribution (from a variety of sources) was $4,939,851 or 9% of the total. So…..Portland's $4,939,851 was combined with (leveraged?) $53,032,822 of non-Portland funds. For every $1.00 of Portland funds we had $11.74 of non-Portland funds.

The average Portland housing unit costs $191,962 and Portland's average contribution was $16,357. At these rates $7,000,000 of city funds could support the creation of 428 units.

Dana

			City of Portland					
Project	**Units**	**TDC**	**FedHOME**	**Other Grant**	**HTF**	**TIF Value***	**Total City Funds**	**% of TDC**
Brighton Ave	40 (34 affordable)	8,513,204	-	-	300,000	414,235	714,235	8%
Deering Place	75 (45 affordable)	14,685,918	500,000	-	-	1,325,715	1,825,715	12%
Carleton	37	6,290,018	-	-	-	286,024	286,024	5%
Bayside Anchor	45	7,735,003	500,000	-	-		500,000	6%
Huston Commons	30	5,893,952	-	50,000	-		50,000	1%
Thomas Heights	18	3,628,083	522,448	-	-	62,582	585,030	16%
409 Cumberland	57	11,226,495	500,000	-	-	478,846	978,846	9%
TOTAL		**57,972,673**	**2,022,448**	**50,000**	**300,000**	**2,567,403**	**4,939,851**	**9%**

*6% 30-year debt equivalent.

23

Attachment #9 (cont)

From: **Mark B. Adelson** <madelson@porthouse.org>
Date: Mon, Oct 1, 2018 at 11:11 AM
Subject: FW: Housing Trust
To: estrimling@portlandmaine.gov <estrimling@portlandmaine.gov>
Cc: Dana Totman (dtotman@avestahousing.org) <dtotman@avestahousing.org>, Jay Waterman <jwaterman@porthouse.org>

Ethan, our numbers are below, we also included Bayside Anchor, so if you're totaling Avesta and PHA numbers don't count it twice. The City has provided 10% for the funds for our projects. For every $1.00 of Portland funds it helped generate $9.77 of non-Portland funds. Hope this is helpful, good luck on Thursday.
Thanks, Mark A.

From: Jay Waterman
Sent: Monday, October 1, 2018 11:01 AM
To: Mark B. Adelson <madelson@porthouse.org>
Subject: Re: Housing Trust

Mark,

Here are our numbers for City subsidy. I included Bayside Anchor. The City has provided, on average, about 10% of the funds for our recent projects.

PHA Projects			City of Portland					
Project	**Units**	**TDC**	**FedHOME**	**CDBG**	**HTF**	**TIF Value***	**Total City Funds**	**% of TDC**
Bayside Anchor	45 units (36 affordable)	7,735,003	500,000	-	-	-	500,000	6.5%
58 Boyd Street	55 (44 affordable)	12,455,989	200,000	30,000	-	842,000	1,072,000	8.6%
Front Street Re-Development	110 units (88 affordable)	31,499,787	510,174	250,000	925,000	2,031,216	3,716,390	11.8%
TOTAL		**51,690,779**	**1,210,174**	**280,000**	**925,000**	**2,873,216**	**5,288,390**	**10.2%**

* 6% / 30-year debt equivalent

Jay Waterman, LEED AP BD+C/Homes
Development Director
Portland Housing Development Corporation
Direct: 207.221.8009
Cell: 207.272.2562

24

MEMORANDUM

TO: Members of the Finance Committee

FROM: Brendan T. O'Connell - Finance Director

CC: Jon P. Jennings - City Manager

DATE: September 28, 2018

SUBJECT: **Cost Analysis - $7M Housing Trust Bond**

During the October 4, 2018 meeting of the City of Portland Finance Committee Mayor Strimling will be presenting a proposal for a $7M bond authorization. The proposal includes appropriation of these funds to capitalize the City of Portland Housing Trust Fund. The Committee requested a cost analysis of the proposal be presented at the meeting.

Assuming these bond were issued in full with a 20 year term with level principal repayments at a 4.25% interest rate, the annual debt service in the first year of bond repayment would be approximately $647,500. This additional debt service expense in the City budget would add approximately 8 cents to the mil rate (an increase of 0.4%). Debt service related to the bonds would be included in the City budget for 20 consecutive fiscal years. The impact would decrease slightly each fiscal year as the bonds were repaid (interest each year would be based on a lower outstanding principal amount) and debt service would slowly decrease down to an estimated $364,875 by the final year of the bonds. Total estimated debt service on the $7M of debt over the life of the bonds would total approximately $10.1M.

A complete estimated debt service schedule is available on Page 2 of this document.

City of Portland, Maine

2019 General Obligation Bonds (Federally Taxable)

(Affordable Housing Pioject)

Level Principal Payments

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/1/2019			148,750.00	148,750.00	
2/1/2020	350,000.00	4.2500%	148,750.00	498,750.00	647,500.00
8/1/2020			141,312.50	141,312.50	
2/1/2021	350,000.00	4.2500%	141,312.50	491,312.50	632,625.00
8/1/2021			133,875.00	133,875.00	
2/1/2022	350,000.00	4.2500%	133,875.00	483,875.00	617,750.00
8/1/2022			126,437.50	126,437.50	
2/1/2023	350,000.00	4.2500%	126,437.50	476,437.50	602,875.00
8/1/2023			119,000.00	119,000.00	
2/1/2024	350,000.00	4.2500%	119,000.00	469,000.00	588,000.00
8/1/2024			111,562.50	111,562.50	
2/1/2025	350,000.00	4.2500%	111,562.50	461,562.50	573,125.00
8/1/2025			104,125.00	104,125.00	
2/1/2026	350,000.00	4.2500%	104,125.00	454,125.00	558,250.00
8/1/2026			96,687.50	96,687.50	
2/1/2027	350,000.00	4.2500%	96,687.50	446,687.50	543,375.00
8/1/2027			89,250.00	89,250.00	
2/1/2028	350,000.00	4.2500%	89,250.00	439,250.00	528,500.00
8/1/2028			81,812.50	81,812.50	
2/1/2029	350,000.00	4.2500%	81,812.50	431,812.50	513,625.00
8/1/2029			74,375.00	74,375.00	
2/1/2030	350,000.00	4.2500%	74,375.00	424,375.00	498,750.00
8/1/2030			66,937.50	66,937.50	
2/1/2031	350,000.00	4.2500%	66,937.50	416,937.50	483,875.00
8/1/2031			59,500.00	59,500.00	
2/1/2032	350,000.00	4.2500%	59,500.00	409,500.00	469,000.00
8/1/2032			52,062.50	52,062.50	
2/1/2033	350,000.00	4.2500%	52,062.50	402,062.50	454,125.00
8/1/2033			44,625.00	44,625.00	
2/1/2034	350,000.00	4.2500%	44,625.00	394,625.00	439,250.00
8/1/2034			37,187.50	37,187.50	
2/1/2035	350,000.00	4.2500%	37,187.50	387,187.50	424,375.00
8/1/2035			29,750.00	29,750.00	
2/1/2036	350,000.00	4.2500%	29,750.00	379,750.00	409,500.00
8/1/2036			22,312.50	22,312.50	
2/1/2037	350,000.00	4.2500%	22,312.50	372,312.50	394,625.00
8/1/2037			14,875.00	14,875.00	
2/1/2038	350,000.00	4.2500%	14,875.00	364,875.00	379,750.00
8/1/2038			7,437.50	7,437.50	
2/1/2039	350,000.00	4.2500%	7,437.50	357,437.50	364,875.00
	7,000,000.00		3,123,750.00	10,123,750.00	10,123,750.00

Portland Maine | Yes. Google's good here.

Fwd: affordable housing bond and CIP questions

2 messages

Wed, Nov 14, 2018 at 10:41 AM

---------- Forwarded message ---------
From: **Jennifer Thompson** <jlt>
Date: Wed, Nov 14, 2018 at 10:29 AM
Subject: affordable housing bond and CIP questions
To: Ethan Strimling <estrimling>
Cc: Danielle West-Chuhta <dwchuhta>

Mr. Mayor - It was nice to talk with you yesterday. To follow up, I have done some additional looking and my opinion remains the same. If there is a desire to fund affordable housing projects in Portland, there are likely a couple of ways that can be done.

First, if Jim Saffian has indicated that funding the Affordable Housing fund is an appropriate bond item, then I certainly defer to his determination on that. My understanding is that, under that approach, there would be a separate bond taken out for the specific and limited purpose of funding the Affordable Housing fund and/or funding grants to private property owners to support those developments.

Alternatively, if the City wants to appropriate monies from the General Fund for that same purpose, that seems doable to me. However, as we discussed, and as I've confirmed after further research, use of the City's capital improvement monies is not appropriate.

The term "capital improvement" is a defined term of art. Under multiple dictionary definitions, it is specif to real property or fixed physical facilities and assets and improvements to those. In Maine, according to GPCOG, a "capital improvement" is "a major project *acquisition* or *construction* that requires expenditure of funds from sources other than normal operating expenses. Capital improvements usually: are relatively expensive, don't recur annually, last a long time, and **result in fixed assets (of the municipality, not a private property owner). If you check out this guide, particularly pages 3-4, you'll see the kinds of facilities that constitute capital facilities. https://www.maine.gov/dacf/municipalplanning/docs/DevelopingCIP_GPCOG.pdf**

In Portland, as in most Maine communities, we have put together a list of those City-owned facilities together with a 5-year plan for maintenance, improvement, and acquisition. That plan is necessarily limited to City-owned facilities and does not contain property owned by private parties. That is the purpose and the focus of a capital improvement budget. That budget simply cannot be used to fund initiatives other than those that involve City-owned assets or facilities. So, grants or other funding of **private property** interests would be a mis-use of capital improvement monies. Importantly, though, you'll see that the State of Maine in the rules relating to Maine State Housing Authority has contemplated both separate bonding and appropriations from State general fund monies for a very similar purpose **in the attached.** So, the options both Danielle and I have outlined seem consistent with how the State has approached this issue as well.

So, my recommendation, again, is that the Committee consider either of those two options if it has an interest in moving in that direction.

I hope this helps. Please do let me know if there are further questions or concerns.

Jennifer L. Thompson
Associate Corporation Counsel
City of Portland
207.874.8915

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Danielle P. West-Chuhta
Corporation Counsel
City of Portland, Maine
(207) 874.8480
dwchuhta

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Tue, Nov 27, 2018 at 10:40 AM

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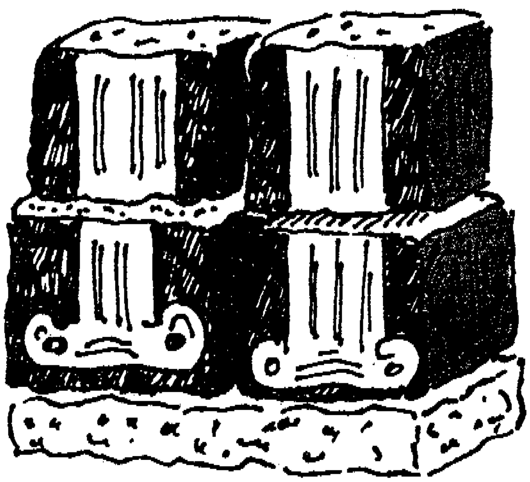
Developing a

CAPITAL IMPROVEMENTS PROGRAM



Prepared by the
Greater Portland Council of Governments

Advance scheduling of construction permits engineering design to be carried out on an orderly basis. Work forecasting allows equipment to be scheduled to eliminate conflicting demands. A CIP may show that the acquisition of special equipment can be justified because it can be put to continuous use on several projects in sequence. Programming of projects may also allow a smaller staff to carry out the projects because the work load is equally scheduled over a longer period, instead of intermittent rush periods followed by slack time.

* *To Improve Basis for Intergovernmental Cooperation* -

A CIP informs local governments of one another's intentions. Too frequently, needed public facilities are constructed without consideration of the service programs of other governments. For example, knowing about an adjoining town's plans for a new fire station might lead to a consideration to share fire protection services rather than build two fire stations in close proximity. Taxpayers may be inclined to vote down seemingly uncoordinated bond issues.

WHAT

Is a Capital Improvement?

A capital improvement is a major project acquisition and/or construction that requires expenditure of funds from sources other than normal operating expenses. Capital improvements usually:

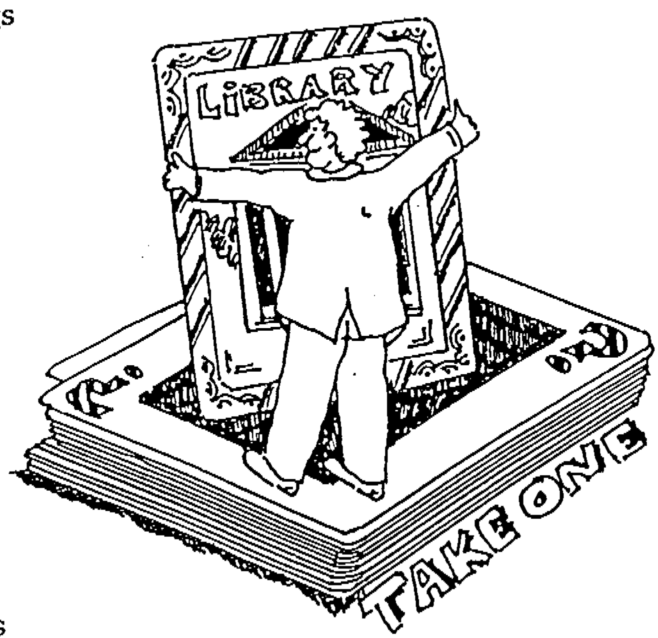
- are relatively expensive (for example, an acquisition cost of $5,000 or more).
- don't recur annually.
- last a long time (for example, at least 3 years).
- result in fixed assets.

EXAMPLES OF CAPITAL PROJECTS

- New and expanded physical facilities for the town which are relatively large and expensive.
- Large scale rehabilitation or replacement of existing facilities.
- Major pieces of equipment which are expensive and have a relatively long period of usefulness.
- Purchase of equipment for any public improvements when first erected or acquired.
- The cost of engineering or architectural studies and services relative to a public improvement.
- The acquisition of land for a community facility such as a park, street, sewer line, etc.

Capital facilities and equipment range from A to Z. Examples of capital facilities and improvements found in a town are listed below.

Airport
Cemeteries
Community Buildings
Computer
Fire Engine
Firehouse
Library
Parks
Playgrounds
Police Stations
School Buildings
Sewer Lines
Sidewalks
Streets & Curbs
Street Lights
Storm Drains
Swimming Pools
Town Hall
Treatment Plants
Waste Disposal Sites
Water Lines
Zoo



99 INDEPENDENT AGENCIES - NOT PART OF STATE GOVERNMENT

346 MAINE STATE HOUSING AUTHORITY

CHAPTER 21 Land Acquisition/Improvement and Housing Opportunity Zones Programs

Summary: The Affordable Housing Partnership Act of 1989 establishes programs for land acquisition and assistance to municipalities and nonprofit housing corporations to be administered by the Maine State Housing Authority. This rule establishes the procedures and selection criteria for the use of funds to finance the acquisition and improvement of land to be used in the development of affordable housing and the designation of housing opportunity zones.

1. Definitions

A. "Act" means the Affordable Housing Partnership Act, 30-A M.R.S.A. §5001 et seq., as amended.

B. "Affordable housing" means decent, safe and sanitary dwellings, apartments or other living accommodations for low-income and moderate-income households including:

1. Government-assisted housing;

2. Manufactured housing;

3. Multifamily housing; and

4. Group and foster care facilities.

C. "Authority" means the Maine State Housing Authority.

D. "Homeless" means a person or family that lacks, or is in imminent danger of losing legal access to, a fixed, regular and adequate nighttime residence or a person or family that has a primary nighttime residence that is:

1. A supervised publicly or privately operated shelter designed to provide temporary living accommodations;

2. An institution that provides a temporary residence for individuals intended to be institutionalized; or

3. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

E. "Homestead land trust" means a nonprofit housing corporation that is organized to hold in trust land and interests in land for affordable housing and leases land or interests in land to lower income households for affordable housing.

F. "Land trust" means land or interests in land, the title of which is held by a nonprofit housing corporation or a municipality to provide affordable housing for Maine citizens.

G. "Low income household" means a low-income or very low-income household as defined by the United States Department of Housing and Urban Development under the United States Housing Act of 1937, as amended.

H. "Minor capital improvements" means any site preparations or other capital improvements made to land to facilitate its use for housing, not including the actual construction of the housing units.

I. "Moderate income household" means a household with a gross income not exceeding 120% of the median income of the county or metropolitan statistical area in which the household is located.

J. "Municipal housing alliance" means a committee formed on behalf of a municipality with broad based citizen representation whose purpose is to develop and implement a housing agenda for the municipality.

K. "Nonprofit housing corporation" means a nonprofit corporation organized in the State of Maine under Title 13-B of the Maine Revised Statutes which qualifies for tax exemption under the Section 501(c) of the Internal Revenue Code of 1986, as amended, and which has as one of its corporate purposes the construction, rehabilitation, ownership or operation of housing.

2. <u>Maine Affordable Housing Land Trust Fund</u>

There is created and established under the jurisdiction of the Authority the Maine Affordable Housing Land Trust Fund. The Fund shall be a revolving fund with all money in the Fund being continuously applied to carry out the purposes of the Fund. There shall be paid into the Fund:

A. All money appropriated from the General Fund for inclusion in the Fund.

B. All proceeds from the issuance of bonds on behalf of the State for inclusion in the Fund.

C. All interest, dividends and pecuniary gains from investment of money of the Fund.

D. All proceeds from the sale of land purchased with money from the Fund.

E. Any other money available to the Authority and directed by the Authority to be paid into the Fund.

The Authority shall apply money in the Fund for grants, low-interest loans or no-interest loans to nonprofit housing corporations to finance the acquisition of land or interests in land in accordance with Chapter 202, subchapter IV and Chapter 201, subchapters III-A and XI of the Maine Revised Statutes and to finance minor capital improvements on acquired lands.

3. Municipal Land Acquisition Revolving Fund

There is created and established under the jurisdiction of the Authority the Municipal Land Acquisition Revolving Fund. The Fund shall be a revolving fund with all money in the Fund being continuously applied to carry out its purposes. There shall be paid into the Fund:

A. All money appropriated from the General Fund for inclusion in the Fund.

B. All proceeds from the issuance of bonds on behalf of the State for inclusion in the Fund.

C. All interest, dividends and pecuniary gains from investment of money of the Fund.

D. Any other money available to the Authority and directed by the Authority to be paid into the Fund.

The Authority shall apply money in the Fund for loans to municipalities to finance the acquisition of land or interests in land and to finance minor capital improvements on acquired lands in accordance with Chapter 202, subchapter IV of the Maine Revised Statutes.

4. Municipal Revolving Loan Fund

There is created and established under the jurisdiction of the Authority the Municipal Revolving Loan Fund. The Fund shall be a revolving fund with all money in the Fund being continuously applied to carry out its purposes. There shall be paid into the Fund:

A. All money appropriated from the General Fund for inclusion in the Fund.

B. All proceeds from the issuance of bonds on behalf of the State for inclusion in the Fund.

C. All interest, dividends and pecuniary gains from investment of money of the Fund.

D. Any other money available to the Authority and directed by the Authority to be paid into the Fund.

The Authority shall apply money in the Fund for loans and grants to municipalities to finance capital and public service infrastructure improvements necessary for the development of affordable housing in accordance with Chapter 202, subchapter II of the Maine Revised Statutes.

5. <u>Purposes of the Land Acquisition/Improvement and Housing Opportunity Zones Programs</u>

A. The purpose of the municipal and nonprofit housing corporation Land Acquisition Programs is to provide money and other resources to municipalities and nonprofit housing corporations to acquire or preserve land for affordable housing. Funds available under this program shall be used to acquire or preserve land for affordable housing for the homeless and lower and moderate-income households and to make minor capital improvements to land acquired under the programs.

B. The purpose of the municipal Land Improvement Program is to finance improvements to land such as public service infrastructure improvements necessary for the development of affordable housing.

C. The purpose of the Housing Opportunity Zones Program is to designate up to four demonstration zones as a means of determining the effectiveness of zones as a tool for stimulating residential revitalization in deteriorating neighborhoods.

D. Assistance to nonprofit housing corporations provided by the Authority under this program may be in the form of grants, low-interest loans or no-interest loans. Assistance to municipalities provided by the Authority under this program shall be in the form of low-interest loans for land acquisition and loans or grants for capital improvements to land. With regard to preservation of land for affordable housing, the Authority, nonprofit housing corporations and municipalities may use deed restrictions, trust agreements and any other type of agreement designed to maintain land for affordable housing.

6. Eligible Applicants

To be eligible to receive assistance made available by the Authority under these programs, an applicant must:

A. Develop a plan with long-term and short-term goals for developing and providing low-income housing in the region that the applicant serves.

B. Inventory housing programs and agencies in the area served by the applicant, including resources for the homeless.

C. Prepare a plan for the coordination of housing programs, services and resources in the area served by the applicant specifically for each project funding request.

D. Prepare information for each project funding request, as requested by the Authority, which shall include:

1. The number and development costs of units to be developed;

2. The cost of each unit to the buyer or renter;

3. The size of each housing unit;

4. The availability and cost of existing housing in the area; and

5. Household income in the area served by the proposed project.

E. Agree to report annually to the Authority with respect to the activities, accomplishments and problems of the applicant throughout the period of low-income affordability of the project.

F. Agree to comply with the rules of the Authority including record-keeping and accounting, reporting, and reserve funding.

G. Agree to publish a detailed annual report of its activities, including income and expenditures for the most recent fiscal year completed, throughout the period of low-income affordability of the project, and contract for an independent annual audit of its books and records as required by the Authority.

H. In the case of municipalities, have created a municipal housing alliance.

7. Forms of Assistance

Subject to the availability of funds, the Authority shall provide assistance under the Land Acquisition/Improvement Programs as follows:

A. Predevelopment loans for nonprofit housing corporations to cover mortgageable predevelopment costs directly related to the acquisition of the land. Predevelopment loans shall be unsecured and may be forgiven if the proposed project does not proceed for reasons which, in the opinion of the Authority, are beyond the control of the developer. The maximum term of predevelopment loans shall be thirty months and the maximum loan amount shall be $2,500 per proposed housing unit or $40,000 per applicant, whichever is less. The interest rate on predevelopment loans shall be 0%. Repayment shall be deferred until acquisition loan closing.

B. Mortgage financing for nonprofit housing corporations and municipalities for the acquisition of land for affordable housing and to make minor capital improvements to land acquired under the Program. Acquisition and improvement financing shall be secured by a Mortgage and Security Agreement at least through the completion of the project, which Mortgage and Security Agreement may be subordinated to additional debt financing at the discretion of the Authority. The long-term affordability of the housing units created will be assured either through the Mortgage and Security Agreement or through restrictive covenants recorded in the appropriate Registry of Deeds which shall require repayment in full if the low-income benefit is not maintained. The maximum acquisition and improvement loan amount shall be the appraised value of the land and improvements or $250,000 per application, whichever is less. The interest rate on acquisition and improvement loans shall be 3% per annum or such lower rate determined by the Authority based on the financial feasibility of the project. Repayment shall be deferred as necessary to accomplish the low-income goals of the project. Prepayment may be prohibited or subject to penalties.

C. Loans or grants for municipalities for improvements to land, including necessary public service infrastructure, for the development of affordable housing. Mortgage financing shall be evidenced by a general obligation promissory note from the municipality and may be secured by a Mortgage and Security Agreement at least through the completion of the project, which Mortgage and Security Agreement may be subordinated to additional debt financing at the discretion of the Authority. The long-term affordability of the housing units created will be assured either through a Mortgage and Security Agreement or through restrictive covenants recorded in the appropriate Registry of Deeds which shall require repayment in full if the low-income benefit is not maintained. The maximum amount of infrastructure and improvement financing per project shall be $400,000. The interest rate on improvement and infrastructure loans shall be 3% per annum or such lower rate determined by the Authority based on the financial feasibility of the project. Repayment shall be deferred as necessary to accomplish the low-income goals of the project. Prepayment may be prohibited or subject to penalties.

D. Technical assistance to aid non-profit housing corporations in meeting the eligibility and threshold planning and development requirements of this program will be provided through the Authority's Office of Nonprofit Housing.

8. Application Process

A. Applications seeking financing for eligible initiatives will be accepted on an on-going basis. Completed applications for predevelopment loans will be reviewed for selection on an on-going basis, subject to the availability of funds. Completed applications for land acquisition financing and land improvement financing will be reviewed for selection on a calendar quarterly basis, subject to the availability of funds. The Authority may elect to make minor changes in these selection review dates based on scheduling conflicts and program activity. Unsuccessful applications may be carried forward to a future quarterly selection period.

B. Applications for predevelopment loans shall be on such form provided by the Authority and shall contain the following:

1. Evidence satisfactory to the Authority that the applicant has satisfied the eligibility requirements of Section 6.

2. Identification of the site or sites to be evaluated for acquisition, including preliminary site description, plot plan, zoning designation, topographical map and description of adjoining properties.

3. A predevelopment workplan and budget which identifies the activities necessary to secure site control and site plan approval, including all applicable state and local permits and approvals required prior to proceeding to construction and the projected timetable for the completion of this predevelopment activity.

4. Projected sales price information for the property or properties under consideration.

5. Identification of the development team, including professional service providers whose services will be funded with the predevelopment loan, and their experience and qualifications.

6. Description of the mechanism to be used to assure long-term affordability of the housing.

7. Such additional or follow-up information the Authority deems necessary in order to process an application.

C. Applications for land acquisition financing and land improvement financing shall be on such form provided by the Authority and shall contain the following:

1. Evidence satisfactory to the Authority that the applicant has satisfied the eligibility requirements of Section 6.

2. Evidence of satisfactory site control.

3. Evidence of site plan approval and all applicable state and local permits and approvals required to proceed to construction having been obtained.

4. Evidence of preliminary construction and permanent loan commitments or identification of a source of construction and permanent financing.

5. Market appraisal, in form satisfactory to the Authority, which supports the anticipated purchase price.

6. Project source and use statement, operating pro forma and cash flow statement for the project.

7. Project management plan/timetable.

8. Marketing plan for the project.

9. Description of the mechanism to be used to assure long-term affordability of the housing.

10. In the case of municipal applicants, evidence of satisfactory matching resources.

11. Such additional or follow-up information the Authority deems necessary in order to process an application.

D. The Authority reserves the right to set aside monies in the various funds created hereunder for financing particular types of projects, such as single-family subdivisions, rental housing projects or manufactured housing parks and to finance particular types of project sponsors, such as homestead land trusts. These set-asides may be established at any time and targeted to particular types of sponsors, housing types, geographic or market areas, etc., either through a specific request for proposals or, upon reasonable notice, with a regular quarterly funding cycle.

9. Selection Priorities

Selection of applicants for assistance shall be based on the following affordable housing goals/priorities:

A. Increasing the level of activity of municipal housing alliances to address the affordable housing crisis.

B. Providing a balance of homeownership and rental housing opportunities which are suitable and accessible to low and moderate income residents of the State.

C. Stimulating the leverage of local, state and federal resources, including self-help and volunteer efforts, for the creation of affordable housing.

D. Maximizing the long-term affordability of housing financed under the program.

E. Building the housing capacity of municipalities and nonprofit housing corporations.

F. Recycling and continued use of the monies in the various funds created hereunder.

10. Selection Criteria

A. The Authority shall select projects for financing after consideration of the following criteria:

1. The extent of the affordable housing crisis in the municipality or area in which the land will be acquired, improved or preserved for affordable housing.

2. The degree of impact that the grant or loan will have on the affordable housing problem.

3. The size of the lower income population in the area to be served.

4. The demonstrated interest and the ability of the applicant to address the affordable housing crisis.

5. The degree to which the grant or loan will serve very low-income households.

6. The degree to which the grant or loan will increase the economic activity of the eventual residents of the housing.

7. For nonprofit housing corporation applicants, the degree to which it provides for significant representation on its board of directors for both residents and community residents.

8. The degree to which the project will have significant self-help or volunteer labor in the development of the housing.

9. The degree to which the grants and loans will assure the long-term affordability of the housing by use of a homestead land trust or other technique.

10. The readiness of the project to proceed to construction and occupancy.

11. The relative cost-effectiveness of the proposed project, including the amount of subsidy per affordable housing unit, the per unit development cost, the net housing cost to the ultimate residents of the project compared to the average housing costs in the area, the proportion of program subsidy which is passed directly to the ultimate residents of the project in the form of reduced housing costs and the anticipated duration of the housing benefit contributing to long-term affordability.

12. The level of financing which will be recycled to the Authority for continued program activities hereunder.

11. <u>Housing Opportunity Zones</u>

A. The Authority may establish up to four demonstration housing opportunity zones, each comprised of a different municipality or portion of a municipality. These demonstration zones shall serve as a means of determining the effectiveness of zones as a tool for stimulating residential revitalization in deteriorating neighborhoods. There is created and established under the jurisdiction of the Authority the Housing Opportunity Zones Fund. The Fund shall be a revolving fund with all money in the Fund being continuously applied to carry out the purposes of the Fund. There shall be paid into the Fund:

1. All money appropriated from the General Fund for inclusion in the Fund.

2. All proceeds from the issuance of bonds on behalf of the State for inclusion in the Fund.

3. All interest, dividends and pecuniary gains from investment of money of the Fund.

4. Any other money available to the Authority and directed by the Authority to be paid into the Fund.

The Authority shall apply money in the Fund for direct financial assistance to municipalities selected as housing opportunity zones in the form of loans and grants in accordance with Chapter 202, subchapter VI of the Maine Revised Statutes.

B. The Authority shall select housing opportunity zones based on the selection priorities and criteria set forth in Sections 9 and 10, above, and the following:

1. The zones must be located in urban areas experiencing significant deterioration in residential neighborhoods.

2. All areas wishing to be designated as zones must demonstrate actual or potential local capacity for residential revitalization and the willingness to cooperate with the Authority.

3. The level of general assistance by the State and the municipality, as well as the level of federal assistance to persons in these areas, shall be considered.

4. The level of crime problem in the area requesting designation will be considered.

5. All municipalities requesting zone designation for areas within the municipality must have a municipal housing alliance which shall help develop a plan of action to revitalize deteriorating residential dwellings and neighborhoods. The plan shall address the major problems of these deteriorating areas, including a law enforcement component to significantly reduce crime in these areas and shall specify the type, amount and priority of assistance being requested in the categories set forth in subsection C, below.

Applications for designation of housing opportunity zones shall not be accepted on an on-going basis. Processing of applications shall be done periodically on a direct solicitation basis until up to four zones have been designated.

C. Subject to the availability of funds, the Authority may provide direct financial assistance to municipalities with designated housing opportunity zones in the form of loans and grants for the following:

1. Restoration of residential dwelling units.

2. Shelters for the homeless.

3. Removal of structures which are beyond rehabilitation.

4. Creation of recreational and park areas.

5. Such other types of assistance which the Authority determines are eligible under both the provisions of the Act and the restrictions on the available sources of funds.

Direct financial assistance shall be provided under the processing guidelines set forth in Section 8, above, and based on the selection priorities and criteria set forth in Sections 9 and 10, above.

12. Additional Requirements

A. Any provision of applicable Federal or Maine law, including without limitation, the Act and the Maine Housing Authorities Act, shall take precedence over this rule in the event of any inconsistency.

B. This rule does not preclude such additional or alternative requirements as may be necessary to comply with the Act or the Maine Housing Authorities Act.

C. This rule establishes a pool of eligible applicants but does not preclude additional reasonable criteria and does not confer any automatic right or entitlement to credit on any person or entity eligible hereunder.

D. The Director of the Authority, individually or by exercise of the delegation powers contained in the Act, shall make all decisions and take all action necessary to implement this rule. Such action of the Director shall constitute final agency action.

FISCAL IMPACT NOTE: The proposed rule will not impose any direct required cost on municipalities or counties for implementation or compliance. Municipalities are eligible applicants under the programs established hereunder and they may incur costs as a result of applying for financing and developing projects under these programs. Most of these costs would be development costs eligible for financing under the programs. Participation in these programs is voluntary and municipalities would be aware of the potential costs before proceeding.

BASIS STATEMENT: The rule sets forth the criteria and procedures for the awarding of grants and loans to nonprofit housing corporations for the acquisition or preservation of land for affordable housing. A public hearing was held on June 12, 1990 at which twelve people testified. In addition, the Authority received one written comment during the comment period. A summary of these comments and the Authority's responses follows.

Numerous comments were made on the need for technical assistance. The Authority is well aware of this need. Section 5, subsection C. has been added in response to these comments.

One comment raised a concern about the order of priority of the selection criteria set forth in Section 8. These criteria are not set forth in any particular order and are not given any specific weight based on the order in which they appear. They are general criteria which will be applied equally. Another comment recommended adding housing quality standards to the criteria set forth in Section 8. The Authority feels this concept is embodied in Section 8, subsection A(11).

Another comment recommended that sweat equity and volunteer efforts be considered when measuring a project's leveraging of other resources. The selection criteria in Section 8 already recognizes these items, but language has been added to the selection priorities set forth in Section 7 to make this a consistent approach.

A number of comments raised concern with the comprehensive nature of the threshold application requirements set forth in Section 6, subsection C. These requirements apply only to the land acquisition loans, not the predevelopment funds. The latter funds are designed to assist the applicants in obtaining local approvals, etc. so that land actually financed through the program is assured of moving forward to the creation of affordable housing. Allowing for the acquisition loans without these approvals would heighten the risk of purchasing land which is not suitable for housing development which would frustrate the program's purpose. Language has been added to allow identification of financing sources in lieu of binding commitments. Another comment questioned the threshold application requirements for predevelopment loans set forth in Section 6, subsection B. In order to screen applicants for predevelopment loans, the Authority must be able to review the scope of what the applicant is proposing to accomplish. The Authority feels that the application requirements are the minimum necessary in order to have the information available on which to base selection decisions

A question was raised concerning the definition of homeless. This definition is taken directly from the Act and cannot be changed. However, the Authority does not interpret the reference to nighttime residence in such a way as to penalize people who worked at night.

A recommendation was made that applicants be required to prepare and submit a financial plan in order to be eligible for funds. The applicant eligibility requirements set forth in Section 4 include threshold strategic planning and organizational development requirements, including preparation of a financial plan for the organization and the project to be financed.

One comment pointed out the lack of reliable data available to satisfy Section 4, subsection D(4) and suggested that a minimum standard be established. It is precisely because available data varies significantly that no format or approach is being dictated at this time. The Authority has a significant amount of data now and will be accumulating more as the Municipal Growth Management Plan process continues. All of this data will be made available to potential applicants and technical assistance will be provided.

Questions were posed regarding the length and scope of the reporting requirements referenced in Section 4, subsections E-G. Clarifying language has been added to establish the term of these requirements. As for the need for a formal annual report versus audited financials, the combination of subsections E and G would require something more than just financial information but the intent is not to require expensive, formal reports. Subsection F refers to Authority procedures on a number of items, not just accounting practices. Obviously, the Authority does follow generally accepted accounting principals and would impose no different standard here. The term "publish" in subsection G simply means to produce and distribute. The distinction between the reports required in subsection E and G is that the former is a project-specific report while the latter is a general report of the applicant's overall activities.

One comment recommended a number of changes be made to shift the emphasis of the program away from perpetual or long-term affordability of the housing created. The emphasis on the long-term affordability of the housing and the underlying standard that the longer the low-income benefit the better is clearly stated in the statute and the purposes of the program. Being faced with the problems inherent in programs where the subsidies "purchase" only a short-term low-income benefit and the added costs resulting from having to "repurchase" that benefit the Authority sees no public purpose in moving away from long-term affordability.

A suggestion was made that the monies in the land acquisition trust fund be used to insure or guarantee loans obtained from other sources in order to stretch the impact. This use of the funds was not contemplated by the Act establishing the trust fund nor the bond issue which supplied the current funding of the trust. It is an additional purpose or use of the trust fund that the Authority may explore for future expansion of the program. Another comment suggested that funding be given to cover the applicant's long-term administrative costs of managing or operating the project. Again, this is not contemplated by the Act or the bond issue. Applicants must recognize the on-going cashflow requirements of proposed projects and build this into the project's overall financial plan.

A question was raised on the scope of the management plan requirement set forth in Section 6, subsection C(7). The Authority interprets this requirement to encompass both the oversight of the project during the development stage and the on-going management of the completed project.

A recommendation was made to include the concept of social diversity in the selection criteria. This was explained to mean diversity in the types of housing produced. The program already provides for substantial local discretion in the design and development of housing which is suitable to the meet local housing needs and objectives. The need for, and approach to, achieving social and economic integration is best achieved through significant local participation which is clearly encouraged in the program.

One comment suggested that if predevelopment funds and acquisition loans are provided from the bond issue monies rather than other funds available to the Authority, deferments and grants should be used only as a last resort. Obviously, the Authority shares the concern on the expenditure of public resources and will make every attempt to maximize the public benefit of every dollar spent. However, the Authority realizes that there is risk in real estate development and not every project attempted will be completed. To the extent that the bond issue monies are authorized to be used for predevelopment expenses associated with the land acquisition they will be so utilized. Other expenses will be paid for from other available funds. Forgivable loans and grants will only be used where they are needed to accomplish a significant low-income benefit. Clearly, the predevelopment funds present the highest degree of risk since there is no land acquired at this stage with which to secure the funds. These loans can only be obtained after significant project planning and are limited to a maximum of $40,000.

Another comment proposed increasing the caps on both the predevelopment loans and the acquisition loans. Given the limited amount of funds available and the fact that this program has not been tested yet, the Authority believes the current caps are justified in order to stretch the resources as far as possible. The Authority believes the limits are high enough on both to achieve the goals of the Program.

A question was raised on the definition of minor capital improvements. This definition is from the Act and is somewhat vague. Obviously, it does not include the actual construction of the housing units. The Authority will interpret this definition as generously as it can under the statute to use the funds for minor site improvements to the full extent contemplated by the Act.

One comment questioned the eligibility of land banking, or acquiring land to hold for later development. While this is an eligible use of the funds, the selection priorities and criteria in the Act and the rule are structured to give significant priority to those projects which will produce affordable housing now. The housing shortage is significant and the resources in the trust fund are small so the Authority feels the emphasis on current production over land banking is justified.

Section 6, subsection D provides that the Authority may establish set-asides for certain program purposes. One comment suggested that if this was going to be done it should be done in the rule now. The trust fund established in the Act is on-going. The availability of funds, however, will vary. The Authority does not want to establish rigid percentage standards for set-asides. The preference is to budget for these set-asides in response to changing market conditions and the availability of funds.

STATUTORY AUTHORITY: 30-A MRSA §5031 et seq. and 30-A MRSA §4741(1)

EFFECTIVE DATE: July 4, 1990

BASIS STATEMENT: Recent emergency legislation amended the Affordable Housing Partnership act of 1989 to abolish the Affordable Housing Alliance and shift administrative responsibility for all of the programs established in the Act to the Authority. The rule is being amended to expand its focus to cover the addition of municipal applicants for land acquisition loans and for infrastructure improvement loans and for the designation of housing opportunity zones. The Authority finds that delay in adopting these amendments will delay pending actions under the programs and frustrate the purposes of the Act. The Authority finds that emergency adoption of these amendments is necessary to avoid an immediate threat to public health, safety and the general welfare of the people of the State.

STATUTORY AUTHORITY: 30-A MRSA §§4741(1) and 5001 et seq., PL 1991, c. 610

EFFECTIVE DATE: August 20, 1991

BASIS STATEMENT: The amendments previously adopted by emergency were put out for public comment for permanent adoption. Seven written comments were received during the initial comment period. Six of these comments wanted clarification on the separation of the Funds and the programs and requested a public hearing on the proposed amendments. A public hearing was held and the comment period was extended. Two people testified at the hearing and three additional written comments were received. A summary of the comments and the Authority's response follows.

In response to the numerous comments regarding the separation of the programs and the segregation of Funds established hereunder, a number of minor clarifying amendments and modifications have been made. The trust funds established hereunder are separate funds each with their own authorized sources and uses and each with their own eligible applicants. This separation has been reinforced by the added language. Language has also been added to Section 7, subsections B and C, regarding loan security and interest rates to reflect needed program flexibility.

The remaining comments dealt with the Housing Opportunity Zones (HOZ) program. The first comment sought clarification as to whether financial assistance provided to municipalities with designated zones would have to be repaid by the municipality. Section 11, subsections A and C, state that funds held for this program may be made available for direct financial assistance in the form of loans or grants. Obviously, the distinction is that loans have to be repaid and grants do not. The selection priorities and criteria set forth in Sections 9 and 10, which have been incorporated into Section 11 to govern the assistance component of the HOZ program, clearly favor applications for loans over grants since the funds will be recycled for further housing purposes.

The rest of the comments sought clarification on the categories of expenditures which will be eligible for funding with financing provided under the HOZ program. The Act lists the types of financial assistance which are eligible under this program. The legislation authorizing the bond issue a portion of the proceeds of which are intended to finance this program set forth the four general categories of assistance listed in Section 11 as the only types of assistance which the proceeds can finance. These are simply categories of eligible assistance. It would be impossible to list every individual expense which the program can finance. Many of the specific items raised in the comments will fit under the general categories, some may not. Language has been added to Section 11, subsection C, to clarify that the Authority does not intend to narrow through rulemaking the list of eligible expenditures authorized under the Act and the bond issue. Paragraph 1 of subsection C has also been amended to broaden the eligible use to all residential dwelling units which the Authority believes is authorized under the Act and bond issue legislation.

STATUTORY AUTHORITY: 30-A MRSA §§4741(1) and 5001 et seq., PL 1991, c. 610 and P&SL 1989, c.84.

EFFECTIVE DATE: November 27, 1991

EFFECTIVE DATE (ELECTRONIC CONVERSION): May 8, 1996

rul\chapt21

AMENDMENT TO HOUSING TRUST FUND
SPONSORED BY COUNCILOR MAVODONES AND MAYOR STRIMLING

RE: ANNUAL ALLOCATION OF CIP FUNDS INTO TRUST

DIVISION 31. HOUSING TRUST FUND

Sec. 14-489. Housing trust fund.

(a) *Purpose.* The purpose of enacting this section is:

1. To establish a City of Portland housing trust fund for the promotion, retention and cration of an adequate supply of housing, particularly affordable housing, for all economic groups and to limit the net loss of housing units in the City.

2. To serve as a vehicle for addressing very low, low, and median income housing needs through a combination of funds as set out in section 14-483 of this chapter.

(b) Definitions.

Very low income household. A household having an income not exceeding fifty (50%) percent of median income for area of residence as set forth in regulations promulgaged from time to time by the United States Department of Housing and Urban Development pursuant to 42 U.S.C. section 1437 et seq.

Low income household. A household having an income not exceeding eighty (80%) percent of median income for area of residence as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development pursuant to 42 U.S.C. sections 1437 et seq.

Moderate income household. A household having an income not exceeding one hundred twenty (120%) percent of median income for area of residence as set forth in regulations promulgated from time to time by the United Sates Department of Housing and Urban Development pursuant to 42 U.S.C. sections 1437 et seq.

(c) *Establishment of the housing trust fund.* The city council shall establish a special revenue account under the name “City of Portland Housing Trust Fund.” Deposits into the fund shall include:

1. Contributions from the city's housing replacement ordinance under 14-483(i);

2. Funds appropriated to be deposited into the fund by vote of the city council;

3. Voluntary contributions of money or other liquid assets to the fund;

4. Any federal, state or private grant or loan funds provided to the fund:

5. Interest from fund deposits and investments;

6. A percentage of the city's capital improvement program (CIP) shall be calculated and appropriated annually to the Housing Trust Fund. The annual appropriation shall not be less than 10% (ten percent) of the total CIP. This appropriation shall be in effect upon enactment and through the 2024 CIP; and

~~6~~7. Repayments of loans made from the fund.

(d) *Management of the trust fund.* The city manager, or his or her designee, shall serve as the manager of the housing trust fund. The responsibilities of the manager, subject to the orders of the city council, shall include:

1. Maintaining the financial and other records of the housing trust fund;

2. Disbursing and collecting housing trust fund monies in accordance with the housing trust fund annual plan; and

3. Monitoring the use of monies distributed to successful applicants for housing trust fund support to assure on-going compliance with the purposes of the fund and the conditions under which these monies were granted or loaned.

(e) *Housing trust fund annual plan.* Each fiscal year, the city council shall adopt a housing trust fund annual plan. The city manager shall submit to the city council a recommended housing trust fund annual plan, utilizing the revenues of the housing trust fund as well as any other funds the manager may propose as appropriate. The housing committee of the city council or such other committee as the council shall designate shall conduct public hearings on the recommended plan and refer the matter to the council for action.

The housing trust fund annual plan shall include:

1. A description of all programs to be funded in part or in full by the housing trust fund;

2. A description of how funds from the housing trust fund will be distributed among very-low-income, low-income and moderate income households; and

3. The amount of funds budgeted for programs funded in part or in full from the housing trust fund.

Priority for the expenditure of funds collected pursuant to the housing replacement ordinance (see Sec. 14-483) shall be given to the creation of new housing stock, through either new construction or conversion of non-residential buildings to residential use.

(f) *Distribution and use of the housing trust fund's assets.*

1. All distribution of principal, interest or other assets of the housing trust fund shall be made in furtherance of the public purposes set out in section 14-483.

2. During each year, the housing trust fund shall disburse as grants or loans so much of the housing trust fund's assets as the city council in its discretion has approved in the housing trust fund annual plan.

3. Funds shall not be used for city administrative expenses.

4. Funds shall not be used for property operating expenses or supporting services.

5. No grants or loans shall be awarded by the housing trust fund to corporations, partnerships or individuals who are delinquent, at the time of application in the payment of property taxes or other fees to the city of Portland, who Have been convicted of arson, who have been convicted of discrimination in the sale or lease

of housing under the fair housing laws of the State of Maine, or who have pending violations of current city electrical, plumbing building or housing codes or zoning ordinances.

(g) *Term of affordability.*

1. Whenever funds from the housing trust fund are used for the acquisition, construction or substantial rehabilitation of an affordable rental or cooperative unit, the City of Portland shall impose enforceable requirements on the owner of the housing unit that the unit remain affordable for the remaining life of the housing unit, assuming good faith efforts by the owner to maintain the housing unit and rehabilitate it as necessary. The remaining life of the housing unit shall be presumed to be a minimum of thirty (30) years.

2. Whenever funs from the housing trust fund are used for the acquisition, construction or substantial rehabilitation of ownership housing, the city of Portland shall impose enforceable resale restrictions on the owner to keep the housing unit affordable for the longest feasible time, while maintaining and equitable balance between the interests of the owner and the interests of the city of Portland.

3. The affordability restriction requirements described in this section shall run with the land and the city of Portland shall develop appropriate procedures and documentation to enforce these requirements and shall record such documentation in the Cumberland County Registry of Deeds.

ETHAN K. STRIMLING (MAYOR)
BELINDA S. RAY (1)
SPENCER R. THIBODEAU (2)
BRIAN E. BATSON (3)
JUSTIN COSTA (4)

CITY OF PORTLAND
IN THE CITY COUNCIL

KIMBERLY COOK (5)
JILL C. DUSON (A/L)
PIOUS ALI (A/L)
NICHOLAS M. MAVODONES, JR (A/L)

ORDER AUTHORIZING GENERAL OBLIGATION BONDS IN AN AMOUNT NOT TO EXCEED $7,000,000

FOLLOWING a public hearing of the City Council of the City of Portland, Maine, held upon due notice pursuant to Article VII, Section 9 of the City Charter, **IT IS HEREBY ORDERED THAT:**

There be and hereby is authorized and approved the incurring of indebtedness by the City of Portland and the issue and sale of general obligation bonds and notes in anticipation thereof in the aggregate principal amount not to exceed Seven Million Dollars ($7,000,000) to be used to capitalize the City's Housing Trust Fund established by Section 14-489 of the City's Code of Ordinances and distributed by the City's Division of Housing and Community Development in the form of grants to be used to provide financial support for qualified affordable housing projects, and all other costs related and ancillary thereto (the "Projects").

BE IT FURTHER ORDERED:

1. That the Finance Director be and hereby is authorized to prepare, issue, and sell such bonds in the name of and on behalf of the City, in the aggregate amount of $7,000,000 (the "Bonds") at one time, or from time to time, as one or more separate bond issues, which may be in a issued on a lump sum or on an as-needed basis, and to determine the date, form, minimum denomination, interest rates (as term bonds or serial bonds or some combination thereof, and which may be a fixed or variable rate, or some combination thereof), maturities (with the last maturity not to exceed the maximum term permitted by law) and all other details, terms and provisions, not inconsistent herewith, including the form and manner of their sale and award as he may approve, such approval to be conclusively evidenced by the execution thereof;

2. That the Finance Director be and hereby is authorized to borrow money in anticipation of said Bonds by the issuance and sale of notes or renewal notes in anticipation of said Bonds ("BANs"), at one time or from time to time, as one or more separate BANs, which may be in a issued on a lump sum or on an as-needed basis (which may be in the form of a line of credit obligation), and to determine the date, form, minimum denominations, interest rate (which may be a fixed or variable rate, or some combination thereof), maturities (with the last maturity not to exceed 3 years from its date of issuance) and all other details of each issue of BANs, including the form and manner of their sale and award, subject to the provisions of the law, the City Charter and this Order;

3. That the Finance Director be and hereby is authorized to provide that any of the Bonds and BANs be made subject to call for redemption, with or without premium, prior to their stated dates of maturity, as provided in 30-A M.R.S.A. §5772(6), as amended;

4. That the Bonds and BANs issued hereunder shall be signed by the Finance Director and by the Mayor, either or both of whose signatures may be by facsimile to the extent permitted by law, attested to by the City Clerk, under the seal of the City, and shall be in such form and contain such terms and provisions not inconsistent herewith as they may approve, their approval to be conclusively evidenced by their execution thereof;

5. That the Finance Director is authorized to negotiate, execute, and deliver, in the name of and on behalf of the City such contracts, agreements, loan or line of credit agreements, instruments and other documents and certificates as may be necessary or appropriate, as determined and approved by the Finance Director, in connection with the financing of the Projects, which contracts, agreements, loan or line of credit agreements, instruments and other documents and certificates shall be in such form and contain such terms and conditions, not inconsistent herewith, as may be approved by the Finance Director, such approval to be conclusively evidenced by his execution thereof;

6. That the Finance Director be and hereby is authorized to select the underwriter or bank, as applicable, for underwriting or purchase of the Bonds or BANs and the Finance Director be and hereby is authorized and empowered to execute and deliver such contracts, agreements or loan or line of credit agreements as may be necessary or appropriate in connection therewith;

7. That the Finance Director be and hereby is authorized to prepare, or cause to be prepared, a Preliminary Official Statement and an Official Statement for use in the offering and sale of the Bonds or BANs, such Preliminary Official Statement and Official Statement to be in such form and contain such information as may be approved by the Finance Director, with the advice of the bond counsel for the City, and that the use and distribution of the Preliminary Official Statement and the Official Statement in the name of and on behalf of the City in connection with offering the Bonds or BANs for sale be and hereby is approved;

8. That the Finance Director be and hereby is authorized to select the registrar, paying agent and transfer agent (the "Transfer Agent") for the Bonds or BANs and to execute and deliver such contracts and agreements as may be necessary or appropriate to secure their services;

9. That the Bonds or BANs shall be transferable only on the registration books of the City kept by the Transfer Agent, and said principal amount of the bonds of the same maturity (but not of other maturity) in minimum denominations of $5,000 and any integral multiple in excess thereof upon surrender thereof at the principal office of the transfer agent, with a written instrument of transfer satisfactory to the transfer agent duly executed by the registered owner or his attorney duly authorized in writing. Upon each exchange or transfer of a bond the City and the Transfer Agent shall make a charge sufficient to cover any tax, fee or any other governmental charge required to be payable with respect to such exchange or transfer, and with respect to such exchange or transfer, and subsequent to the first exchange or transfer, the cost of preparing new bonds upon exchanges or transfer thereof to be paid by the person requesting the same;

10. That the Finance Director be and hereby is authorized to undertake all acts necessary to provide for the issuance and transfer of such Bonds or BANs in book-entry form pursuant to the Depository Trust Company Book-Entry Only System, as an alternative to the provisions of the foregoing paragraph above regarding physical transfer of Bonds or BANs, and the Finance Director be and hereby is authorized and empowered to enter into a Letter of Representation or any other contract, agreement or understanding necessary or, in his opinion, appropriate in order to qualify the Bonds or BANs for and participate in the Depository Trust Company Book-Entry Only System;

11. That the Finance Director and Mayor from time to time shall execute such Bonds or BANs as may be required to provide for exchanges or transfers of Bonds or BANs, all such Bonds or BANs to bear the original signature of the Finance Director and Mayor, and in case any officer of the City whose signature appears on any Bond or BAN shall cease to be such officer before the delivery of said Bond or BAN, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery thereof;

12. That if the Bonds or BANs, or any part of them, are issued on a tax-exempt basis, the Finance Director be and hereby is authorized and directed to covenant and certify on behalf of the City that no part of the proceeds of the issue and sale of the Bonds or BANs authorized to be issued hereunder shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause such Bonds or BANs to be "private activity bonds" or "arbitrage bonds" within the meaning of Sections 141 and 148 of the Internal Revenue Code of 1986, as amended;

13. That if the Bonds or BANs, or any part of them, are issued on a tax-exempt basis, the officers or officials executing the Bonds or BANs be and hereby are individually authorized to covenant and agree, on behalf of the City, for the benefit of the holders of such Bonds or BANs, that the City will file any required reports and take any other action that may be necessary to insure that interest on the notes will remain exempt from federal income taxation, and that the City will refrain from any action that would cause interest on the Bonds or BANs to be subject to federal income taxation;

14. That the officers executing the Bonds or BANs be and hereby are individually authorized to covenant, certify and agree, on behalf of the City, for the benefit of the holders of such Bonds or BANs, that the City will file any required reports, make any annual financial or material event disclosure, and take any other action that may be necessary to insure that the disclosure requirements imposed by Rule 15c2-12 of the Securities and Exchange Commission, if applicable, are met;

15. That any or all of the Bonds or BANs may be consolidated with and become a part of any other issue of temporary notes or general obligation bonds authorized to be issued by any previous or subsequent order of the City Council of the City of Portland;

16. That the Finance Director, Mayor and Clerk and other proper officials of the City be, and hereby are authorized and empowered in its name and on its behalf to do or cause to be done all such acts and things, not inconsistent herewith, as may be necessary or desirable in order to effect the issuance, sale and delivery of the Bonds or BANs;

17. That if any of the officers or officials of the City who have signed or sealed the Bonds shall cease to be such officers or officials before the Bonds or BANs so signed and sealed shall have been actually authenticated or delivered by the City, such Bonds or BANs nevertheless may be authenticated, issued, and delivered with the same force and effect as though the person or persons who signed or sealed such Bonds or BANs had not ceased to be such officer or official; and also any such bonds or notes may be signed and sealed on behalf of the City by those persons who, at the actual date of the execution of such Bonds or BANs, shall be the proper officers and officials of the City, although at the nominal date of such Bonds or BANs any such person shall not have been such officer or official;

18. That if the Finance Director, Mayor or Clerk are for any reason unavailable to approve and execute the Bonds or BANs or any other documents necessary or convenient to the issuance, execution and delivery of the Bonds or BANs, the person or persons then acting in any such capacity, whether as an assistant, a deputy, or otherwise, is authorized to act for such official with the same force and effect as if such official had performed such act.

19. That the Bonds or BANs authorized by this Order are in addition to any bonds or notes previously authorized for the same or similar purposes;

20. That to the extent not payable from other funds, an amount sufficient for the payment of the annual payments of principal and interest on the Bonds or any BANs issued hereunder shall be included in the tax levy of each year until the debt represented by said Bonds or BANs is extinguished;

21. That during the term any of the Bonds (or bonds issued to refund such Bonds) are outstanding, the Finance Director be and hereby is authorized to issue and deliver refunding bonds to refund some or all of the Bonds then outstanding, and to determine the date, form, interest rate, maturities and all other details of such refunding bonds, including the form and manner of their sale and award. The Finance Director be and hereby is further authorized to provide that any of such refunding bonds be made callable, with or without premium, prior to their stated date(s) of maturity, and each refunding bond shall be signed by the Finance Director and by the Mayor, either or both of whose signatures may be by facsimile to the extent permitted by law, attested to by the City Clerk, under the seal of the City, and shall be in such form and contain such terms and provisions not inconsistent herewith as they may approve, their approval to be conclusively evidenced by their execution thereof.

ETHAN K. STRIMLING (MAYOR)
BELINDA S. RAY (1)
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CITY OF PORTLAND
IN THE CITY COUNCIL

KIMBERLY COOK (5)
JILL C. DUSON (A/L)
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NICHOLAS M. MAVODONES, JR (A/L)

**ORDER APPROPRIATING BOND PROCEEDS
IN AN AMOUNT NOT TO EXCEED $7,000,000**

IT IS HEREBY ORDERED THAT:

1. The sum of $7,000,000 be and hereby is appropriated to be used to capitalize the City's Housing Trust Fund established by Section 14-489 of the City's Code of Ordinances and distributed by the City's Division of Housing and Community Development in the form of grants to be used to provide financial support for qualified affordable housing projects.

2. The appropriation set forth in Section 1 above is and shall be contingent upon the approval by the City Council of general obligation bonds for such purpose (the amount appropriated in said Section 1 to be adjusted to reflect the principal amount of bonds so authorized) and the issuance and delivery of such bonds (or notes in anticipation thereof) for such purposes. The foregoing appropriations shall also be applied to issuance costs for such bonds (or notes in anticipation thereof).

CITY OF PORTLAND
Planning & Urban Development Department
Housing and Community Development Division

To: Members of the Finance Committee and Housing Committee
From: Mary Davis, HCD Division Director
cc: Jon P. Jennings, City Manager
Brendan T. O'Connell, Finance Director
Christine Grimando, Acting Planning and Urban Development Director

September 20, 2019

Re: Capitalization of the Housing Trust Fund (HTF)

This is an update to a previous memo presented on this topic dated March 1, 2019.

As part of the City Council's 2019 Strategic Planning meeting, the Housing Committee submitted priorities that include a goal to set an annual target of new units or a percentage of units and an increase in the dollars available for affordable housing development. In addition, the Finance Committee has included capitalization of the Housing Trust Fund as part of their strategic goals. Staff is in support of these goals and believes they should be reviewed comprehensively as one policy.

The Housing Trust Fund is a valuable tool that can assist the City in meeting the goal of providing increased availability in all segments of the housing market. The HTF is funded through a variety of sources including fees paid under the Housing Preservation and Replacement Ordinance, revenue from the Short Term Rental Registration Program, fee-in-lieu contributions from the Inclusionary Zoning Ordinance (including the hotel inclusionary zoning fees) and other sources.

The current unencumbered balance in the Housing Trust Fund is $855,927. The 2019 Housing Trust Annual Plan includes a maximum award amount not to exceed $18,000 per unit. An analysis of housing development subsidized by the City of Portland since 2000, shows that City has invested over $37 million, using various resources such as the HOME, CDBG and Affordable Housing TIF programs. That investment has leveraged 1369 units. 418 of those units are currently under development or will be under development within the next year. Based on these numbers, the annual production rate of housing has been about 65 units a year (1369 units/21 years).

In order to utilize our funding resources efficiently, staff continues to recommend that these funds be used as gap financing to leverage other public resources, such as Low Income Housing Tax Credits. Doing so allows for maximum production from local resources (HOME, Trust Fund dollars) though it also limits the number of units that can be funded.

Using these figures as a guide, our production capacity is about 65 units a year at $18,000 a unit. Overall that would mean that we could utilize about $1.2 million a year to create 65 units.

Since 2017, we collected about $2.2 million in the Housing Trust Fund, or approximately $744,000 a year (includes the $1,000,000 deposit from the Thames Street sale). Based on projects that have been approved since the Hotel Inclusionary Zoning Ordinance was adopted, we estimate Hotel IZ to produce up to $590,000 a year. Additionally, this year the proposed HOME Affordable Housing Development budget is approximately $500,000.

Housing Trust Gap

In brief, any gap in the Housing Trust on an annual basis will depend on a number of factors:

1. Success in meeting a production goal in the previous year;
2. Revenue to the Housing Trust from Inclusionary Zoning fee-in-lieu payments;
3. Revenue to the Housing Trust from Hotel Inclusionary Zoning fee-in-lieu payments;
4. Revenue to the Housing Trust from Housing Replacement requirements (which have generally been $0 in recent years due to the strong housing market);
5. Revenue to the Housing Trust from one-time allocations such as the WEX site sale;
6. Determination to keep a $500,000 minimum balance in the Trust;
7. The specific production goal set for a particular year.
8. Need to increase the per unit allocation for production above the baseline of $18,000.

The attached sheet lays out a number of scenarios based on variations of these factors. In brief, staff recommends that any allocation to the Housing Trust in a particular fiscal year be limited to the gap between expected sources and expected expenditures. The precise number would vary from year to year. In each scenario we assumed $175,000 going into the Housing Trust Fund via various one-time sources such as sales of tax acquired properties, easement payments, etc. We also assumed that the goal is to reach a steady-state where the annual expenditure reducing the balance from the Housing Trust is equal to the amount allocated that year. While the exact numbers are hard to predict, these assumptions would lead to a stable Trust with a goal of producing 65 units annually, with an allocation of between $127,000 *and $627,000*.

HOUSING TRUST FUND CAPITALIZATION NEEDS ANALYSIS

September 2019

	Scenarios	
Sources	**65/year w/HOME**	**65/year w/o HOME**
Inclusionary Zoning Revenue (est.)	$ 278,000	$ 278,000
Hotel IZ Revenue (est.)	$ 590,000	$ 590,000
Other One-Time Sources	$ 175,000	$ 175,000
HOME Fund Supplement	$ 500,000	$ -
TOTAL SOURCES	$ 1,543,000	$ 1,043,000
Uses		
Number of Units Produced	65	65
Maximum Investment per Unit	$ 18,000	$ 18,000
TOTAL USES	$ 1,170,000	$ 1,170,000
Minimum Balance at End of Year	$500,000	$500,000
GAP (SOURCES - USES - MINIMUM)	($127,000)	($627,000)

Sources and Uses of Housing Trust Fund

YEAR	DEPOSITS		YEAR	EXPENDITURES	
2002/03	Maine Medical Center HRO	$ 315,580.00	2011	Avesta Oak Street Lofts	$ (380,585.00)
2002	Sportsman's Grill HRO	$ 40,000.00	2014	Housing First Pre-Development RFP	$ (75,000.00)
2009	Berlin City Auto HRO	$ 116,000.00	2015	65 Hanover & 52 Alder Sts Feasibility Study	$ (9,250.00)
2010	Stop n Shop HRO 2010	$ 289,250.00	2017	65 Munjoy Street	$ (175,000.00)
2012	Rockbridge/Eastland Park HRO	$ 42,500.00	2019	60 Parris Terr. Downpayment Assistance	$ (24,000.00)
2012	Riverwalk/Ocean Gateway HRO	$ 250,000.00	2018	37 Front Street (not yet spent)	$ (925,000.00)
2012	118 Congress LLC Easement	$ 3,500.00	2018	977 Brighton Avenue (not yet spent)	$ (300,000.00)
2017	Sale of Tax Acquired Property 91 & 97 Belfort Street	$ 86,424.00	2019	83 Middle Street (not yet spent)	$ (136,734.00)
2017	Sale of Tax Acquired Property 116 Upper A Street	$ 78,527.00	2019	47 Boyd Street (not yet spent)	$ (425,000.00)
2017	443 Congress Street IZ	$ 280,000.00	2019	18 Luther Street (on 10/7 Council Agenda)	$ (36,000.00)
2018	62 India Street IZ	$ 276,500.00			
2018	Short Term Rental Fee transfer	$ 33,318.80		**Total Expenditures**	$ (2,486,569.00)
2018	0 Thames Street (WEX) sale	$ 1,000,000.00			
2019	20 Thames Street IZ & Easement	$ 277,500.00			
2019	Short Term Rental Penalty	$ 1,500.00			
2019	Short Term Rental Penalty	$ 2,500.00			
2019	Short Term Rental Penalty	$ 500.00			
2019	Short Term Rental Penalty	$ 1,000.00			
2019	Short Term Rental Penalty	$ 2,000.00			
2019	Short Term Rental Penalty	$ 100.00			
2019	Short Term Rental Penalty	$ 500.00			
2019	Short Term Rental Penalty	$ 3,000.00			
2019	Short Term Rental Penalty	$ 500.00			
2019	Short Term Rental Penalty	$ 500.00			
2019	Short Term Rental Penalty	$ 1,000.00			
2019	Short Term Rental Penalty	$ 500.00			
2019	Short Term Rental Fee transfer	$ 176,118.00			
2019	56 Hampshire Street Easement fee	$ 12,123.00			
	Previous INTEREST EARNED	$ 51,556.00			
	Total Deposits	**$3,342,496.80**		**BALANCE**	**$855,927.80**

HRO - Housing Replacement Ordinance; IZ = Inclusionary Zoning Fee-in-lieu

as of 9-18-2019

HOUSING TRUST FUND EXPENDITURE REPORT as of 09.20.2019

	YEAR	Project	Expenditure (Spent)	Committed Expenditures (Not Yet Spent)	Units
1	2011	Avesta Oak Street Lofts	$380,585.00		37
2	2014	Housing First Pre-Development RFP	$75,000.00		
2a		Avesta Huston Commons $50,000			30
2b		CHOM St. John Street $25,000			4
3	2015	65 Hanover & 52 Alder Sts Feasibility Study	$9,250.00		
4	2017	65 Munjoy Street (Condo Homeownership)	$175,000.00		8
5	2018	PHA 37 Front Street		$925,000.00	111
6	2018	Wessex Woods 977 Brighton Avenue		$300,000.00	40
7	2019	60 Parris Terraces Downpayment Assistance	$24,000.00		2
8	2019	CHOM 83 Middle Street		$136,734.00	49
9	2019	PHA 47 Boyd Street		$425,000.00	12
10	2019	Homestart 18 Luther Street		$36,000.00	1
		Sub-Total Expenditures	$663,835.00	$1,822,734.00	
		Total Expenditures (Expenditure+Committed Expenditures)	$2,486,569.00		
		Total # Units			294

As noted in the above chart, projects funded with Housing Trust Funds include:

1 Avesta Oak Street Loft project which produced 37 efficiency units of rental housing affordable at 60% of the area median income (AMI) and below (including four units at 40% of AMI)

2a Avesta's Huston Commons which produced 30 efficiency Housing First units

2b Community Housing of Maine purchased a property on St. John Street which produced four Housing First units.

4 65 Munjoy Street which produced eight condominium units available for sale to households earning at or below 120% of AMI

5 Proposed PHA Front Street project which will create 111 units of housing; 3 units affordable at 60% ami; 85 units affordable at 50% ami; 23 market rate units

6 Proposed Avesta Wessex Woods at 977 Brighton Avenue which will create 40 units of rental housing; 10 units affordable at 60% ami; 24 units affordable at 50% ami; 6 market rate units

7 60 Parris Terrace Downpayment assistance for Inclusionary Zoning units

8 Proposed CHOM 83 Middle Street project which will create 49 units of housing; 29 units affordable at 60% ami; 20 units affordable at 50% ami

9 Proposed PHA Boyd Street at 47 Boyd Street which will rehab 9 units and create 3 new units of rental housing; 8 units affordable at 50% ami; 1 unit affordable at 80% ami; 3 market rate units

10 Proposed Homestart Project at 18 Luther Street which will create 1 accessory dwelling unit of rental housing; 1 unit affordable at 80% ami

Subsidized Housing Development in Portland Since 2000

No.	Owner/Project	Units	HOME	HDF	CDBG	HTF	TIF	NSP
1	Unity Village	33	$ 86,500	$ -	$ 363,863	$ -	$ -	$ -
2	St. Doms Family Housing	12	$ -	$ 436,500	$ -	$ -	$ -	$ -
3	Shalom House	10	$ 93,000	$ -	$ -	$ -	$ -	$ -
4	Wellesley Estates	45	$ -	$ 256,000	$ -	$ -	$ -	$ -
5	Yale Court	30	$ 150,000	$ 200,000	$ -	$ -	$ -	$ -
6	Peaks Senior Housing	12	$ 150,000	$ -	$ -	$ -	$ -	$ -
7	Logan Place	30	$ 435,000	$ -	$ -	$ -	$ -	$ -
8	Peninsula Community LP	12	$ 300,000	$ -	$ -	$ -	$ -	$ -
9	Peninsula Community II LP	16	$ 307,700	$ -	$ -	$ -	$ -	$ -
10	Peninsula Community III LP	10	$ 200,000	$ -	$ -	$ -	$ -	$ -
11	IRIS Park Apartments	31	$ -	$ 250,000	$ -	$ -	$ -	$ -
12	Walker Terrace	40	$ 382,000	$ 220,000	$ -	$ -	$ -	$ -
13	Fore River	20	$ 388,474	$ -	$ -	$ -	$ -	$ -
14	Shalom House Valley Street	24	$ 320,000	$ -	$ -	$ -	$ -	$ -
15	Pearl Place - Phase I	60	$ 427,000	$ -	$ -	$ -	$ 615,502	$ -
16	Bayside East	20	$ 250,000	$ -	$ -	$ -	$ -	$ -
17	53 Danforth	43	$ 325,000	$ -	$ -	$ -	$ -	$ -
18	Florence House	25	$ 240,000	$ -	$ -	$ -	$ -	$ -
19	Oak Street Lofts	37	$ -	$ -	$ -	$ 380,585	$ -	$ -
20	Pearl Place - Phase II	54	$ 400,000	$ -	$ -	$ -	$ -	$ -
21	Elm Terrace	38	$ 403,795	$ -	$ -	$ -	$ -	$ -
22	409 Cumberland	57	$ 500,000	$ -	$ -	$ -	$ 759,392	$ -
23	Adams School	**16**	$ -	$ -	$ -	$ -	$ -	$1,710,000
24	Bayside Anchor	45	$ 500,000	$ -	$ -	$ -	$ -	$ -
25	Island View Apartments	70	$ 71,015	$ 192,639	$ 136,346	$ -	$ -	$ -
26	134 Washington (Thomas Heights)	18	$ 522,448	$ -	$ -	$ -	$ 207,116	$ -
27	17 Carleton	37	$ -	$ -	$ -	$ -	$ 726,000	$ -
28	Rosa True School	10	$ 149,500	$ -	$ -	$ -	$ -	$ -
28	Motherhouse	88	$ 627,223	$ -	$ -	$ -	$ -	$ -
30	65 Munjoy	8	$ -	$ -	$ -	$ 175,000	$ -	$ -
31	58 Boyd Street	55	$ 200,000	$ -	$ 30,000	$ -	$ 2,144,566	$ -
32	Wessex Woods (977 Brighton)	40	$ -	$ -	$ -	$ 300,000	$ 1,954,486	$ -
33	Deering Place	75	$ 500,000	$ -	$ -	$ -	$ 4,185,757	$ -
34	37 Front Street	111	$ 510,174	$ -	$ 250,000	$ 925,000	$ 6,056,916	$ -
35	178 Kennebec Street	51	$ 370,000	$ -	$ -	$ -	$ 2,889,164	-
36	83 Middle Street	44	$ 193,266	$ -	$ -	$ 136,734	$ -	$ -
37	47 Boyd Street	12	$ -	$ -	$ -	$ 425,000	$ -	$ -
38	66 State Street	30	$ 299,999	$ -	$ -	$ -	$ 2,672,169	$ -
		Units	**HOME**	**HDF**	**CDBG**	**HTF**	**TIF**	**NSF**
	Total	**1369**	**$9,302,094**	**$1,555,139**	**$ 780,209**	**$2,342,319**	**$ 22,211,068**	**$1,710,000**

Total City Investment	**$37,900,829**
Avg. City Contribution/Unit	**$27,685.05**

Last Updated 9-18-2019

O:\HCD\Housing\Housing Data\Housing Developments

MEMORANDUM

TO: Members of the Finance Committee

FROM: Brendan T. O'Connell – Finance Director

DATE: September 20, 2019

SUBJECT: Debt Management Policy Updates

Members of the Finance Committee,

Over the past several years I have been focused on responsibly managing the City's outstanding debt and credit rating. Responsible financial management resulted in the City's first ever credit ratings upgrade from the S&P February 2017. We want to continue this progress by making minor enhancements to the City's debt management policy (last updated in 2011) to strengthen the document. After consultation with our financial advisor Moors & Cabot, we are proposing the changes included in the attached red lined policy document.

The changes focus on adequate consideration of fully self-supporting debt service rather than all debt service. Annual tax backed debt service (debt which has a direct impact on the property tax rates within the of the City of Portland) , when measured as a percentage of annual budgeted operating expenses, is a more accurate indicator of appropriate debt levels for a municipality. The current debt management policy did not fully contemplate the current size of the Sewer and Stormwater Enterprise funds and their associated debt service. While secured by the full faith and credit of the City, Sewer and Stormwater Debt service are by their nature more than fully self-supporting from Sewer User Fees and Stormwater Service Charges and do not have an impact on property tax rates. We have ensured the policy is updated to reflect the fact that Sewer and Stormwater debt service is highly unlikely to ever be paid using general fund revenues. At the same time we have tightened the limit (15% down to 12%) around annual tax-backed debt service as a percentage of general fund operating expenditures to reflect the removal and best practices from S&P.

Although debt per capita metric is outdated and no longer widely used by rating agencies, we have opted to leave it within the policy rather than remove the limit. Debt per capita does not reflect changes in the City's borrowing capacity as a result of overall valuation growth. However, in the last 12-18 months, the U.S. Bureau of Economic Analysis changed the way debt per capita is measured for the Portland region. Instead of calling our metropolitan area the Portland-South Portland-Biddeford Metropolitan Area the current BEARFACTS website reflects just Portland-South Portland. As a result, the per capita personal income figures have increased significantly and we are well within this limit. We recommend revisiting this metric the next time the debt management policy is updated.

Bureau of Economic Analysis

MAINC1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income

(Millions of dollars)

Metropolitan Statistical Area

GeoFips	GeoName	LineCode	Description	2013	2014	2015	2016	2017
38860	Portland-South Portland, ME (Metropolitan Statistical Area)	1	Personal income (millions of dollars)	24,080.9	25,381.0	26,634.0	27,697.6	29,053.1
38860	Portland-South Portland, ME (Metropolitan Statistical Area)	2	Population (persons) 1/	519,999	523,049	525,492	528,261	532,083
38860	Portland-South Portland, ME (Metropolitan Statistical Area)	3	Per capita personal income (dollars) 2/	46,309	48,525	50,684	52,432	54,603

Legend / Footnotes:

1/ Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018.

2/ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018.

Note-- All dollar estimates are in millions of current dollars (not adjusted for inflation). Calculations are performed on unrounded data.

Metropolitan Areas are defined (geographically delineated) by the Office of Management and Budget bulletin no. 18-03 issued April 10, 2018.

Last updated: March 6, 2019; revised statistics for 1969-2000.

City of Portland, Maine
Debt Management Policy

Policy Statement

The City borrows money to finance its Capital Improvement Program and other capital assets. It also borrows money to fund workers' compensation settlements, loan programs, non-recurring extraordinary circumstances (such as funding pension obligations) and economic development activities. The City's ability to achieve the lowest possible financing costs is tied directly to its fiscal management, including the existence and adherence to formal fiscal policies. Because of the significant annual cost of debt service, and to assure both taxpayers and bond rating agencies that debt levels and ability to pay debt service are actively managed, the City of Portland adopts this policy. This policy enacts debt limitations which are much stricter than limitations already in place under State of Maine law and the City Charter.

Purpose

The purpose of this policy is to provide the City with a guide to manage debt levels by evaluating the need for capital investment against the capacity to pay for financing the costs of meeting that need. The primary focus of this policy is to measure debt secured by the full faith and credit of the City (general obligation, or GO). The goal of this policy is to equip the City Council, administration, and taxpayers with guidelines and information that can inform good decisions on borrowing money to accomplish the fiscal and operational mission of the City.

The City currently has ~~limited~~ instances of debt issuance that are not supported by taxes. The Jetport issues debt that is secured solely by the revenues generated by the Jetport operations. These types of borrowings are not covered by this policy, as they are analyzed using commercially-based methods, such as debt service coverage ratios and other financial covenants.

The City also has instances of debt requirements that, while ultimately backed by a GO pledge of the City, are by their nature self-supporting through user fees or other non-tax sources of revenue. Examples of this include State subsidized School construction projects, Sewer Enterprise Fund debt and Stormwater Enterprise Fund debt.

Governing Factors

The City shall maintain an outstanding GO debt total that complies with State law, which currently limits long-term debt outstanding to 15% of the State assessed valuation of the City. The City Charter describes conditions that require a referendum vote to borrow funds. It also contains the conditions under which financing can be used. Issuance of General Obligation debt requires affirmative votes of seven members of the City Council.

It is understood, and imperative, that the School Department capital investment financing is included in this policy, as it is also GO debt of the City and debt service is supported by tax dollars. All calculations within this policy will also include debt service that is all or partially reimbursed, such as State School Funding.

The City shall not issue debt to fund current or ongoing operations of the City or Schools, except in the form of Tax Anticipation Notes (TANs), when applicable, in compliance with State law and in conformance with Internal Revenue Service (IRS) regulations.

The City shall not lend its borrowing capacity to or guarantee debt of any other entity.

Maturity of debt obligations must be no more than the useful life of the capital investment being financed, or than the final maturity of refunded debt; pursuant to Maine law, which may not exceed 30 years from issuance.

Refunding opportunities will be evaluated annually to achieve future interest cost savings.

Rules of borrowing and this Policy also cover lease purchases, as they are secured by the general obligation of the City.

Debt Limitations

The City's Capital Improvement Program is based on a Capital Plan. This Plan includes projections for replacement of assets as well as anticipating investment in new assets that may be needed. The Plan is expected to be updated periodically to reflect additions, deletions and other changes in assets or circumstances. It is expected that investment in operating equipment, fleet and technology will be transitioned such that acquisitions will be made through annual budget appropriations when applicable, as determined by management and City Council.

Borrowing capacity will be evaluated first by the Governing Principles, and then using a number of factors, specifically:

1. *Demand*—what is the need for borrowing
    a. Demand is measured by the needs presented by the Capital Plan. It can also be based on opportunities that arise from time to time which require capital investment by the City.
2. *Capacity*—what is the maximum amount to borrow
    a. The maximum amount to be borrowed at any given time will be determined by evaluating the following factors:
        1. Current and projected annual debt service level, based on current outstanding debt.
        2. Market conditions (ability to access the financing market, interest rates, etc.).
        3. Economic conditions, including cost of construction.
        4. Opportunity for participation in low interest financing programs, debt, service reimbursement, grant opportunities, or other situations beneficial to the City.
3. *Affordability*—what is the fiscal impact
    a. A projection of annual debt service impact for each borrowing will be done, incorporating the elements of Capacity. It will include budgetary impact, as well as a projection of tax impact. Debt service will be calculated as annual amount needed to satisfy principal and interest payments, net of any applicable revenue.
        1. ~~Net debt~~Annual tax-backed debt service* payments should not exceed ~~15~~12% of general fund expenditures.
        2. Annual tax-backed debt service* payments should not exceed 1.5% of per capita income.**
        3. Net debt per capita should not exceed the "moderate" range by Moody's, currently at $5,000.
        4. Total outstanding debt should not exceed 5% of the State equalized valuation of the City.
4. *Term*—length of payback period
    a. Financing shall be secured with the goal of paying back the debt in the shortest term that is economically feasible.
5. *Payment Structure*—how payments are applied
    a. 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.
6. *Advance Refundings*— bond issuance used to pay off another outstanding bond, issued at a lower rate
    a. Opportunities for advance refunding will be reviewed when issuing other GO bonds in order to package issues.
    b. Opportunities for advance refunding will be considered independently for issues where the net savings, after costs of issuance, is estimated to be at least $50,000 annually for the new financing period.

Pension Obligation Bonds (POB's)

In 2002, the city refinanced its unfunded pension liability with the Maine State Retirement system through Variable Rate Demand Obligation (VRDO) financing. This saves an estimated $21 million in interest costs over the 25 year term.

The VRDO structure bears interest at a floating rate that is adjusted at specified intervals (daily, weekly, monthly) and can be redeemed at the holder's option when the rate changes. This structure requires a Standby Bond Purchase Agreement (SBPA), and is managed by a remarketing agent.

While this financing offered the City significant savings, it is the goal of the City to refinance this obligation into a more standard and predictable debt. However, refinancing of this type of debt is costly to do because of the buyout requirements. The Finance Director will periodically review the status of the cost of buyout and refinancing, and pursue any reasonable opportunity.

Bond Ratings

Debt issuance is rated by agencies specializing in the analysis of organizations' ability to pay off their debt. The City is rated for each bond issue, and also during an annual affirmation of ratings. As of ~~2011~~2019, the City is rated AA+ by Standard & Poor's and Aa1 by Moody's.

It is the goal of the City to maintain these ratings, as it allows easy entry into the bond sale market and favorable interest rates. This policy, in conjunction with other fiscal policies of the City and overall good fiscal management are critical in rating maintenance.

Debt Issuance

The City relies on the sale of bonds for the majority of its financing needs. These sales are conducted through the use of a financial advisory firm and recognized bond counsel. This allows the City continued access to the bond market and ensures compliance with all Securities and Exchange Commission (SEC), Municipal Securities Rulemaking Board (MSRB) and IRS regulations. The City may also enter into lease purchase agreements if it is determined to be cost effective.

Each issuance of general obligation debt will be evaluated to determine compliance with this policy, and that information will be submitted to the City Council as they deliberate actions on financing approvals.

Reporting

The City's debt information is part of the Comprehensive Annual Financial Report (CAFR). Annual debt service requirements are budgeted as part of the annual budget approval process. Bond ratings received by rating agencies are published and available for public review.

~~The Finance Committee will receive an annual report from the Finance Director~~The Finance Committee will receive a status report on the overall debt status of the City each fiscal year. This will include a specific discussion on the status of the Pension Obligation Bonds as final retirement of the bonds approaches in June of 2026.

The City is required to provide certain information to investors periodically and financial information annually. This information is filed through the Electronic Municipal Market Access system (EMMA), provided by the MSRB.

Administration

This Policy is for use in guiding financing decisions of the City, and should be used by the City Council during discussions related to debt issuance. It is administered in conjunction with the City's other fiscal policies, including Investment and Fund Balance policies. It may be amended or revised from time to time as determined by the City Finance Director.

**~~Net Debt Service~~Annual tax-backed debt service equals budgeted debt service net of ~~Enterprise Funds and State reimbursed School Debt Service~~fully self-supporting debt service as determined by the Finance Director (examples include fully self-supporting Enterprise Fund debt service and State reimbursed School Department debt service).*

***Per Capita Personal Income, as published by the U.S. Bureau of Economic Analysis (BEA), Bearfacts, for Portland-South Portland~~-Biddeford~~ region.*