Minutes

Remote Housing and Economic Development Committee

January 19, 2021

NOTE: This meeting was held via Zoom and can be viewed at this link:

These Minutes provide a record of those in attendance, general discussion taking place, and motions made.

A remote meeting of the Housing and Economic Development Committee (HEDC) of the Portland City Council was held on Tuesday, January 19, 2021, at 5:30 p.m. via Zoom. Present from the Committee was its Chair Councilor Spencer Thibodeau and members Councilors Pious Ali, Tae Chong, and Andrew Zarro. Also present was City Councilor April Fournier. Present from the City staff were Housing and Community Development Division Director Mary Davis, Housing Program Manager Victoria Volent, Housing and Economic Development Director Greg Mitchell, and Senior Executive Assistant Lori Paulette.

Item #1 Review and accept Minutes of previous meeting held on January 5, 2021

On motion made by Councilor Chong, seconded by Councilor Zarro, the Committee voted unanimously (4-0) to accept the Minutes as published.

NOTE: per the direction of Chair Thibodeau, the agenda was taken out of order after the review and acceptance of the minutes. The new order of the agenda was: Item 4, Item 5, Item 6, Item 3, Item 2.

Item #4 Public Hearing and vote to recommend to the City Council to amend the City's Tax Increment Financing Policy

Mary Davis introduced this item. The City's Tax Increment Financing (TIF) Policy was amended in 2017 to allow the maximum average percentage of 75% of captured revenue to be returned to a developer of an affordable housing project. The change was implemented to support projects competing for Low Income Housing Tax Credits (LIHTC). The tax credit application process, administered by MaineHousing, includes a scoring matrix that awards up to 4 points for projects receiving property tax relief. Points are awarded on a tiered approach based on the percentage and length of property tax relief. The LIHTC application process is very competitive and the City's willingness to provide tax increment financing is one way the City can support projects competing for this resource. It was assumed that only projects competing for LIHTC would request this level of TIF financing. The city is now seeing projects not eligible for LIHTC, requesting City assistance through an Affordable Housing TIF. As a result, staff is proposing several changes to the terms for credit enhancement agreements.

The proposed changes include adding a definition of affordable that matches the definition used in other city programs, and require the term of the TIF to match the length of the affordability of the project. The Housing Committee met on October 14 to consider these changes. On a vote of 3-0, the Housing Committee agreed to forward the proposed changes to the Economic Development Committee along with a comparison of the HUD area median income and Portland median income and a recommendation that this comparison of income become a part of the analysis for all future affordable housing tax increment financing applications.

Chair Thibodeau asked Councilors if they have any questions.

Councilor Zarro thanked Mary Davis for including the outline of the Median Income for Portland.

Councilor Ali asked if the Council would be using the Portland Median Income going forward.

Mary Davis responded the Committee could add that discussion to their workplan.

Council Chong asked if the Portland Median Income has ever been higher than the HUD Area Median Income.

Mary David said she did not conduct a historical review, but could do one for the Committee.

Chair Thibodeau opened the meeting to public comment.

John Anton- (77 Spruce Street) - Supports all the changes but feels they do not go far enough. I would ask the Committee to table the item. Look at deeper targeting or adjusting the percentage of the TIF based on the benefit provided. The State statue is far more generous than the City should be. There should be a distinction between rental and home ownership as the City's interest in targeting is different between these two. The Committee should ask Staff to work more on income targeting.

Chair Thibodeau closed the public hearing.

Motion by Councilor Chong seconded by Councilor Ali.

Chair Thibodea noted a Portland median income was an item that Councilor Cook was very interested in creating. The information provided is a good first step towards continuing the discussion. Thanked staff for their work.

Chair Thibodeau took the roll for the vote. All in favor (4-0).

Item #5 Discussion on City Board/Committee redundancies- Rent Board and Rental Housing Advisory Committee

Mary Davis introduced this item by providing the make-up of the Rental Housing Advisory Committee (RHAC) and its charge, and the make-up of the Rent Board and its charge. The Rental Housing Advisory Committee and the Rent Board are tasked with addressing policy changes, including recommending changes to Chapter 6 provisions that govern landlord and tenant policies in the City of Portland. This may lead to duplication of efforts or recommendations that conflict.

As a potential next step, the Committee may wish to request input from the RHAC, and potentially the Rent Board (when they are operational), to see if the RHAC's scope should be changed to avoid duplication or conflict.

Chair Thibodeau asked Mary Davis if she is staffing the RHAC, and would there be a different staff member working with the Rent Board.

Mary Davis indicated she is staffing the RHAC but not the Rend Board, and noted a member of the RHAC is in attendance.

Chair Thibodeau asked if the RHAC member had any questions.

Councilor Zarro asked Mary Davis if she is requesting changes to the RHAC charge or is staff looking to dissolve the RHAC out of redundancy.

Mary Davis noted she is not making either recommendation rather this item is more a matter of structure, guidance, and clarification of roles for the RHAC from the HEDC. With the RHAC scheduled to meet next week, perhaps the RHAC could provide their thoughts and recommendations to the HEDC on how they see their role under the new Rent Board Structure.

Councilor Zarro thought it made sense to ask the RHAC what is the highest and best use of their time. Once the Rent board is formed, the HEDC may have a better understanding how the RHAC and Rent Board overlap.

Mary Davis noted the responsibilities of the Rent Board are more defined, but the RHAC is more open to landlord /tenant policy issues. The Rent Board is expected to focus on rent stabilization for quite some time and they would be reviewing complaints and issues that are brought to their attention. The RHAC is more open ended in their charge without as much direction on what their workplan should be.

Councilor Chong would like to know what one board/committee does that the other does not do. It is important to have different committees. Though redundancies could occur, it sometimes is better to have two sets of eyes on issues. Unsure how long it will take to put together the Rent Board together while the RHAC is up and running. Defining what one could do that the other could not do could help design the workplan for the RHAC.

Councilor Ali noted potential Rent Board members would be interviewed in late February and then brought before the full Council in the late March.

Councilor Thibodeau indicated the Rent Board has more duties to perform such as dispute negotiation while the RHAC is more of a policy realm. Time will highlight the overlap. The annual report from the Housing Department should include a section of what the two boards worked on during the year.

Mary Davis noted the RHAC would benefit from direction regarding policy issues or concerns to address to add to their workplan. During next week's meeting of the RHAC, they could draft a communication item to the HEDC regarding their concerns.

Councilor Thibodeau proposed asking Councilor members to provide items they wish the RHAC would address. He will send a memo to Mary with those items.

#6 Revised 2021 Housing and Economic Development Committee Work Plan for Committee Information

Chair Thibodeau introduce the item noting staff is looking for direction from the Committee regarding the workplan to ensure staff capture all ideas and comments. The Committee held a brief discussion after which Chair Thibodeau thanked staff for putting the workplan together. Greg Mitchell noted a workplan would be included with each agenda.

Item #2 B) Public Hearing and vote to recommend to the City Council an Affordable Housing Project Tax Incremental Financing (TIF) District Credit Enhancement Agreement (CEA) Request for 45 Brown Street

Mary Davis introduced this item. The City of Portland's Division of Housing and Community Development received an Affordable Housing Tax Increment Financing (AHTIF) application from Presidium for a project located at 45 Brown Street. The Housing Committee reviewed the project proposal during its June 10, 2020 meeting and indicated support for the concept of affordable rental housing in the downtown area. Due to changes to the development proposal, the TIF estimates noted in the memo to the Housing Committee dated June 5, 2020 have been updated.

The Presidium Real Estate development team is proposing a new development project that will result in 275 new units of rental housing. Seventy-eight units (which represents 28% of the total number of units) will be affordable to households earning at or below 80% of the area median income. The City's Inclusionary Zoning (IZ) Ordinance requires that 25% of the total number of units be affordable to households at 80% of the area median income; this project is providing more than the required percentage of IZ units. Thirteen units (or 5% of the total number of units) will be affordable to households earning at or below 120% of the area median income. The remaining 184 units (or 67% of the total number of units) will be rented at market rates.

The Presidium team is requesting that the City of Portland designate an Affordable Housing Tax Increment Financing Development District on the development site. If approved, tax increment financing will be provided through a Credit Enhancement Agreement at 75% of the increased taxable value for a thirty (30) year term, with the captured revenue to be returned to the developer to off-set project development costs.

The project proposal includes 116 studio apartments (38 affordable at or below 80% of the area median income (AMI), 13 affordable at or below 120% AMI and 65 at market rate); 125 one-bedroom apartments (40 affordable at or below 80% AMI and 85 at market rate); and 34 two-bedroom apartments, all at market rate.

The project has an estimated total development cost of $91,018,480. When completed, this project's new building assessed value is estimated at $59,000,000, which would yield an estimated $973,500 in annual assessed property tax revenue using an estimated mil rate (post revaluation). It is noted that the future city mil rate will be determined this spring associated with the city property revaluation process. For the property tax revenue projections, city staff used $16.50/$1,000 in municipal assessed value with a 2% annual escalator. The City Assessor was consulted to determine a conservative municipal mil rate in order to prepare as realistic as possible future property tax revenue estimates. In order to ensure that the city does not overly subsidize this affordable housing project, the total amount of property tax taxes returned to the development over the term of this TIF District is capped at $26,700,000 million. This amount of financial assistance is supported by third party financial underwriting analysis and is in line with past city council approved affordable housing TIF CEAs based upon the type and number of restricted units

Greg Mitchell explained the *Development Budget with Permanent Sources* spreadsheet as it relates to the estimated revenue associate with the project. Mr. Mitchell stressed the Budget is subject to Council action, and there is an expectation the new mil will decrease post reevaluation of the mil rate and assessed value. These are estimates and projections, but staff feels very comfortable with the projections. The TIF District could expire prior to 30 years due to the cap. We have previously capped the revenue stream to protect the City.

Chair Thibodeau asked the Committee if they had any questions.

Councilor Chong noted that if the City did not invest in the property, then the annual tax revenue would be $42,276 on the original assessed value of $1,910,500. If the project is completed then the new assessed value is estimated at $59,000,000, which would yield an estimated annual average of $973,500 in property tax revenue. Under the proposed AHTIF, the thirty-year average City non-captured general fund revenue would be $296,662 or a thirty-year total of $8,899,852. In addition, the City's average thirty-year tax shifts equal $359,249 or $10,777,456 over thirty years. The project would provide 275 units of rental housing of which 78 (or 28% of the total number of unit) would be affordable to households earning at or below 80% of AMI. Overall, this is a good investment.

Councilor Zarro asked how this project addresses the affordable housing problem and goals established to address those problems.

Mary Davis said the Comprehensive Plan established a goal of 236 units per year. At 275 units, this project would meet the annual goal. Additionally, the project would provide housing for the missing middle, which are the hardest units to create because financial funding mechanism are not available.

Councilor Zarro asked if the 236 units in the Comprehensive Plan are affordable units or also include market rate units. Also, does the Comprehensive Plan provide a goal regarding bedroom count?

Mary Davis responded that the Comprehensive Plan provides a housing goal but it does not breakdown that goal by affordability or unit size.

Councilor Zarro indicated the parking seems robust and asked how the parking projection falls within the Comprehensive Plan, and why is the parking number so high.

Greg Mitchell answered that the parking garage plays a duel role for residential and commercial. The project is maximizing the garage and meeting both types of demand is more efficient.

Councilor Zarro asked if the affordable units would need to pay for parking.

Mary Davis answered that parking is optional. If they chose to use the parking, then they would need to pay for the parking.

Chair Thibodeau opened the meeting to public comment and noted that if public comment is given tonight, it may not be allowed at the next meeting.

Joey Brunelle (61 Kellogg Street) – encourages the Chair to allow public comment at both meetings. His understanding of TIF is to improve derelict or blighted neighborhoods. This is not the case; this is not a project that would not otherwise be built without the TIF. The developers are asking the City to subsidize the project and in return the City gets just slightly more units than under the Green New Deal. He does not understand why the City would provide the TIF, and would encourage the Committee to kill this project.

Drew Preston (Development team and ownership Presidium Real Estate) - Noted the parcel was purchase at a foreclosure meaning this project has been derelict for years. The focus is to review the condition of the parking garage and the building, which is also in distress. This project would promote investment in the immediate area.

George Rheault (28 Hanover Street) – stated there is a greater project somewhere in all of this. Unfortunately, this is being planned behind the scenes. The project is deserving of public subsidy under the right situation. I want to make sure I am not subsiding people with lots of resources. This is a great project. However, there has been no neighborhood outreach. This committee should be where the hard work should be happening. They should spend more time on this project.

John Anton (77 Spruce Street) – noted he had sent an email to the Committee that should be forwarded to staff. This has the opportunity to be a good project. I would support a public subsidy. However, this should stay in the transit-oriented district and the project should swap out parking decks for rental units; use economy of scales to put people into the units. Tremendous opportunity here. The scale of the TIF vis a vis the affordable housing is not equal. The challenge is the “but for” analysis. There is potential value here. Something will happen on the site. This should be the beginning of the discussion. Need a collaborate project that the skeptics and cheerleaders can agree upon.

Chris Rhodes- (Development team and Presidium Real Estate team) - noted initially Presidium wanted to build a taller building but it was not economically feasible. Given the new inclusionary zoning rules, the development costs and need to build a garage to meet parking is the reason they are before the Committee for the TIF. The backup proposal is to clean up the garage without the 275 units. The TIF just gets the developer to the point where the project would take off.

Chair Thibodeau suggested readdressing this item to the second meeting in February.

Item #3 Public Hearing and vote to recommend to the City Council to amend the Downtown Transit-Oriented TIF District to remove 45 Brown Street from the District for it to be its own freestanding Affordable Housing TIF District

45 Brown Street is located in an existing city council approved area-wide TIF district, the Downtown TIF. The area-wide TIF district will need to be amended to carve out this site to enable a freestanding 30-year affordable housing TIF district to be established.

Item #2 A) Executive Session: Pursuant to 1 M.R.S.A. 405(6)(C), the Committee will go into executive session to provide staff direction on the following: Affordable Housing Project Tax Incremental Financing (TIF) District Credit Enhancement Agreement (CEA) Request for 45 Brown Street

On motion made by Councilor Chong, seconded by Chair Zarro, the Committee voted unanimously (4-0) to go into executive session at approximately 7:16 p.m. pursuant to 1 M.R.S.A. 405(6)(C) to provide direction to City staff on real estate negotiation matters. At approximately 8:00 p.m., the Committee came out of executive session.

On motion made by Councilor Chong, seconded by Councilor Ali, the Committee voted unanimously (4-0) to adjourn at approximately 8:01 p.m.

Respectively submitted,

Victoria Volent