Minutes
Remote Housing and Economic Development Committee
February 16, 2021

NOTE: This meeting was held via Zoom and can be viewed at this link: http://www.portlandmaine.gov/1695/Economic-Development-Committee These Minutes provide a record of those in attendance, general discussion taking place, and motions made.

A remote meeting of the Housing and Economic Development Committee (HEDC) of the Portland City Council was held on Tuesday, February 16, 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 from the City Council were Councilors April Fournier and Belinda Ray. Present from the City staff were Public Facilities Director Kathy Alves, Housing and Community Development Division Director Mary Davis, Health and Human Services Director Kristen Dow, Associate Corporation Counsel Michael Goldman, City Manager Jon Jennings – arriving as noted herein, Chief of Staff Dena Libner, Housing and Economic Development Director Greg Mitchell, Senior Executive Assistant Lori Paulette, and Housing Program Manager Victoria Volent.

Item #1: Zoom Meeting Information – no Committee action required.

Item #2: Review and vote on February 2, 2021, draft meeting Minutes.

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

Item #3: Review of January 2021 small business survey results for outdoor dining and retail for Committee discussion and direction.

Chair Thibodeau said that this was discussed by the Committee at its January 5 meeting, where the Committee requested more information on a better sense whether businesses were using the new programs in response to the pandemic, get some feedback, and further discuss today to have a permanent plan to recommend to the City Council for early Spring.

Ms. Libner said that the City conducted a survey in 12/2020 to businesses who were currently permitted using the new COVID-19 programs, and the survey conducted last month was broader in scope to those who do business in Portland. There were 30 respondents, and 10 were participating in the Winter COVID-19 program. The survey requested the nature of the business, feedback on the program, why they did not participate in the program, and how it could be improved. The responses were varied, and the analysis of City staff was to continue with the programs as they are now under the Emergency Order as there is no set consensus from the survey. Leaving it as is would be the best way to impact as many small businesses as possible.

Councilor Chong noted that it is a great program and questioned if fees were too high being the reason some businesses did not participate. Ms. Libner said that of 10 respondents, one indicated fees were too high.

Councilor Zarro said that the times change constantly and things could be different in another month or two. He would suggest trying to get the word out to other industries, in addition to the hospitality industry.

Councilor Ali noted last Summer when this was first implemented he received emails regarding issues with closed/blocked streets. Ms. Libner noted that the survey was distributed to those who indicated those issues, and the biggest take-away for staff was the blocking of Exchange Street causing the most consternation.

(Mr. Jennings joined the meeting at this time.)

Chair Thibodeau noted that the City is considering more parklets, which would have a small impact on parking but allow for non-street closures.

Mr. Jennings apologized for being late, and thanked Ms. Libner for her outreach, as well as Jessica Hanscombe and Greg Mitchell and their staff during these trying times. The goal is to balance the needs of businesses, particularly restaurants and parking. Exchange Street will be different this coming season as Ms. Libner noted. The City does have plans to close Dana, Wharf, and Milk Streets and some of Middle, but Exchange Street will be open with the use of parklets.

Councilor Ray thanked all for the flexibility in adapting and making changes as needed. She asked about a timeline for announcing street closures, noting the positive feedback she has received and the need for businesses to be able to plan ahead. She also asked the timeline for the new or extended street closures and map of the closures on the City website.

Mr. Jennings noted that as long as there are no big snow storms, this could be implemented 4/1/2021. He also confirmed the importance of businesses having as much advance notice as possible. The City will also entertain other street closures and parklets in other places of the City, as well as the downtown.

Chair Thibodeau noted the timeline for a more permanent plan should be from 4/1/2021 to 3/31/2022.

Councilor Zarro asked how parklets would be implemented on Exchange Street, i.e., would they have to be directly in front of the business or other ways, while also thanking staff to be able to offer parklets and street closures off peninsula. Ms. Libner said that she has talked with the Public Works Department about this and it is a negotiation with each business to ensure vehicles can move through Exchange Street safely.

Councilor Chong said that he supports this and would like to be able to add more art in these areas. Street closures make for a destinations area which will help revive businesses, and the inclusion of public art can only assist in make it more visually attractive.

Chair Thibodeau agreed, particularly for softening the look of the barricades and other barriers, suggesting to get the buy-in of neighboring businesses if this includes plantings to assist with watering. Regarding Fore Street, he would like confirmation of whether parklets would be allowed from April to November. He also requested staff to look into closing off lower Exchange Street.

Mr. Jennings noted that Fore Street is very narrow for fire trucks as it is, but staff can take another look. He again stated that alerting the public to this program and timeliness will be a top priority.

Chair Thibodeau thanked all and willingness to work with business owners will continue, taking street closures and parklets into more consideration, including on private property.

Item #4: Committee discussion and vote to issue the Homeless Service Center Request for Qualifications/Proposals (RFP/Q) – Jon Jennings

Chair Thibodeau said that the Committee reviewed this at its last meeting, and it has since been reviewed by the full City Council at a workshop meeting. The process for issuing this RFP/Q would be this Committee, possibly today, authorizing staff to send it out. Proposals would be received and then reviewed by a City staff sub-committee. This Committee would first review all proposals in executive session and provide direction to staff. The make-up of the sub-committee will have no City Councilors but will include staff from Finance, HHS, Public Works, Public Facilities, and HEDD. Once this Committee provides direction to staff in executive session, the next step would be to hold a Housing and Economic Development

Committee public meeting to review and make a recommendation to the City Council on who to partner with. The Health & Human Services Committee has Councilor Chong as its chair, and its purpose will be to focus upon on the programs of the Center, with this Housing and Economic Development Committee handling the real estate negotiations.

The Chair noted that he and staff received feedback on small edits to the RFP/Q from Councilors Dion and Ray which will be reviewed at today's meeting.

Councilor Chong, as Chair of the HHS Committee, noted that the HHS Committee will have regular updates on this project on its Agenda, noting a lot of design is already included in the document. He also indicated that the Selection Committee includes the HHS Director Kristen Dow.

Mr. Mitchell noted that at this Committee's February 2, 2021, meeting, it did have a public comment session on the RFP/Q, which was followed by a City Council Workshop on February 10, 2021. In the Agenda packet was the RFQ/P with one staff recommendation redlined, as well as Councilor Ray's edits. The proposed edits were screen-shared, and attached to these Minutes. He noted that all edits are not substantive to the RFP/Q and includes not limiting the Center to one story, adding language related to laundry facilities, and noting that the location of building lay-out can change based on responses received. Cost arrangement options have been expanded in the document, with the City noting its openness to consider a wide range of partnership dynamics.

Councilor Zarro asked about how long the process may take and will it include the Planning Board review.

Mr. Mitchell said that once the RFP/Q is issued, it will give respondents 60 days to create its proposal. The staff sub-committee will then review proposals, followed by the HEDC meeting in executive session to review and provide direction to staff. The HEDC would then have a public hearing to review and vote on a recommendation to the City Council on which proposal to negotiate with. The Planning Board would begin its review when the project is ready for regulatory review, some time after negotiations are complete and documents signed.

Chair Thibodeau said that the Committee took public comment on this item at its last meeting so it will not take public comment again at this meeting. There will be additional opportunities for public comment as the process moves forward.

On motion made by Councilor Chong, seconded by Councilor Zarro, the Committee voted unanimously (4-0) to authorize staff to issue the RFP/Q for the Homeless Service Center.

Item #5: Public hearing on Iris Network Loan Amendment request and possible vote on a recommendation to the City Council – Mary Davis. NOTE: Executive Session – Pursuant to 1 M.R.S.A. 405(6) and 5 M.R.S.A. 13119-A, the Committee may go into executive session to provide direction on negotiations.

Mary Davis introduced this item by providing a review of the memo in the Committee packet. Ms. Davis noted David Barnwell, President and Executive Director of the Iris Network is in attendance and prepared to provide a brief presentation. In FY04, the City Council approved $250,000 in financial assistance to the Iris Park Apartments. The project was financed through the Low Income Housing Tax Credit Program. The 30 units are affordable for households earning at or below 60% of the area median income. There are long-term affordability restrictions including a 90-year affordability covenant with the City and a 30-year affordability covenant on the property with MaineHousing. These covenants would continue in place for the remainder of the City's affordability period (75 years) and the remainder of MaineHousing's affordability period (15 years). However, the 15-year tax credit compliance period, required through the LIHTC financing, is approaching the end of the compliance period. As is common with tax credit projects, there will be a transfer of ownership from the tax credit partnership (a taxable entity) to the Iris Network (a non-profit organization). The Iris Network is the general partner and is a nonprofit. The Iris Network would be able to file to become exempt from property taxes as non-profit entity. However, built into the City's loan document is the clause that if the property should be exempt, an amount equal to the assessed tax would still be payable. The Iris Network is requesting the City consent to the transfer of ownership and waive the requirement that taxes be paid. Thirty-five of the residents in the building receive assistance and programming from the Iris Network; twenty-seven of those residents are visually impaired; seventeen of the thirty-five residents receive assisted living facility level assistance. The Iris Network is committed to continuing to provide the level of assistance currently provided while maintaining the facility. If they are required to provide real estate taxes, then their ability to provide that assistance would be severely impacted and the Iris Network would not be able to assume ownership of the project. The City has reviewed their financial records, which indicates small margins. The Iris Network has provided projections that show a comparison of revenues and expenditures with and without payment of current City of Portland property tax. Since August 28, 2019, the Iris Network has leased space in the Iris Park Apartments to the City of Portland to house the Parkside Community Policing Office. They do not receive any rent for the use of the space. The Parkside Community Policing Office was formerly located in the property at 510 Cumberland Avenue, which is currently being redeveloped into affordable housing by Avesta Housing. The transfer of ownership typically does not require City council approval however, the request to allow the property to be exempt from property taxes does require approval. The property has a tax-assessed value of $1,965,300, with a tax amount of $45,811. The City's Tax Assessor's office is estimating the revaluation-assessed value of the project would be $3,750,000 with an estimated tax amount of $60,000. In order to take advantage of favorable debt restructuring terms offered by MaineHousing, the Iris Network is hoping to close on the year 15 partnership disposition as soon as possible. This step is contingent on the City looking at the term in their loan agreement and making changes for them. Staff is seeking Committee approval of the waiver of the requirement that taxes be paid and is requesting the Committee vote to recommend the City Council approve this request.

Councilor Zarro asked if this is a common request (after the fifteen-year period has expired); is there a precedent for this?

Ms. Davis said the transfer in ownership is very common in year fifteen however the request in front of the Committee regarding payment of real estate taxes is not typical.

Councilor Thibodeau asked if the City has ever had a similar requirement like this in other loan documents.

Ms. Davis responded that this is a common term in our loan documents. It has always been assumed that this is a condition of investment by the City. Going back to early 2000, there are probably forty projects with this similar clause within it that you will continue to pay property taxes even if ownership changes to a nonprofit entity.

Councilor Chong asked if the Iris Network is the largest provider, and if they are the only ones, that provide apartments for people who are vision impaired.

Mr. Barnwell confirmed the Iris Network is the largest provider of services for the visually impaired.

Ms. Davis added to her previous comments by noting the City uses a template to create the documents that contain the clause regarding the need to pay real estate taxes. The template to create the documents for county level projects does not contain that clause. There has been instances in the past in which the county template was inadvertently used for City projects. Subsequently about eight of forty City projects do not contain that clause.

Chair Thibodeau opened the meeting to public comment.

Mr. Barnwell (with the Iris Network) – noted they provide many services to their residence beyond affordable housing such as assisted living services, medication management, assisting with the essentials of daily living, socialization activities, and independent living services. We provide this and only receive a reimbursement from the state of about 59 cents for every dollar. The remaining 41 cents is something we absorb. That results in a roughly $88,000 plus $1,000 year loss. If we were granted a property tax abatement, we would still lose about $42,500 a year. Paying the property taxes when we were collaborating with the for-profit entity was appropriate, but this partnership is now ending. Our hope is you will consider us not having to pay that property tax. We can acquire this property as a nonprofit entity; we are working to get favorable refinancing terms from MaineHousing but we are still expecting a rather large balloon payment in thirty years. The assessment of property taxes on our nonprofit makes the acquisition difficult. Having the recommendation from the City council would allow us to have a future and continue to provide these needed services. Thus, we respectfully request the Committee to recommend to the City Council the tax abatement for the property located at 201Park Avenue.

Chair Thibodeau clarified the Committee is looking at a change to loan documents that requires the Iris Network to pay taxes. An abatement or exemption would still need to be sought if a nonprofit acquired this property. This committee does not grant tax abatement.

Mr. Goldman confirmed tonight's discussion is not whether this committee or the council grants the request for abatement. The Iris Network would need to file an application with the Assessor. It could not be done through this contract amendment request.

George Rheault- (28 Hanover Street) – I am a neighbor of the Iris Network clients and see them passing by my house on Portland Street quite often and I consider them to be a great part of Downtown Portland. Effectively what you are doing is giving a 100% TIF to this organization.

The taxpayers of Portland have expectorations. This subsidy will grow even greater. So the questions are, can you do a temporary gift to the Iris Network and revisit this next year when you have more time to focus on this and have better information. The other issue is, I believe the address of the property is 189 Park Avenue; the tax assessor's website says there is no taxes being assessed on this property right now. Unless this is an error or a mistake, you guys need to have that clarified. You sort of are suggesting they have been paying taxes and that is not the case. There is a development opportunity on this lot; there is quite a bit of room there for more housing. The City might want to have some discussions with the Iris Network. The community-policing website also lists the Parkside Office as still being at 510 Cumberland. I live in the neighborhood and there has not been any notice that there is a community policing office accessible to the public inside this Iris complex. Will that continue long term or will it revert back to the Cumberland address. I think you guys need to runs some numbers to know exactly the benefit here to be given to the Iris Network. Maybe there are other ways to give that opportunity. I do note Avesta is managing the property. I don't think they are doing that at cost. Iris is paying Avesta a fee for managing their buildings. So if Avesta is getting market rate for their services, it does wonder why it's the City that has to be subsidizing the Iris Network operation.

Chair Thibodeau closed the public comment period.

Chair Thibodeau noted he has some concerns what this could mean for the City especially given that this was done thirty-two other times. I would ask the Committee that we not vote on this item tonight.

Mary Davis started with a clarification that the Iris Park Apartments are located on the Iris Network campus. The Iris Network is shown on the tax assessor's records at 189 Park Avenue. The Iris Park Apartments are located at 191 Park Avenue as shown on the tax assessor's website and records. So it is does show the net taxable real estate at $1,956,300 with a tax amount of $45,811 so that is reflected in the tax record.

Jon Jennings voiced his concerns over the proposal. Concerned about setting a precedent for future developers to look at this type of way in which they would convey a property after the fifteen years. The Assessor has concerns as well. If the committee is so inclined, it might be best to post pone this until we can look into these further.

Chair Thibodeau indicated he tends to agree with some of the public comment and tends to agree the Iris Network has been a great partner to Parkside. There might be potential for a partnership for housing. Real concern is about making a change to a bargain and what type of precedent that would set for the others and to and encourage others to do so. I think there are some unintended consequences. I will asked to staff to check in with the borrower and to lay out more fully what this precedent would mean, and then have it come back unless the Committee is inclined to move in a different direction.

Councilor Zarro noted he agrees with the Chair about precedent and the need to postpone until staff provides more information.

Councilor Chong had a question for Mr. Barnwell regarding information in GuideStar that notes in 2016 they had about $2.5 million in grants and contributions of about $2.1 million in 2019. If it’s the largest organization and you are not getting reimbursement from the state and you are seeing decreased revenue at the network, why would you want to absorb a large apartment building? Maybe that is something staff could ask.

Councilor Ali had no objection to postponing for more information.

Mary Davis indicated staff could pull some information together for the second meeting in March (March 16).

On a motion made by Councilor Chong seconded by Councilor Zarro, the Committee voted unanimously (4-0) to postpone this item until March 16.

Chair Thibodeau noted on the work plan there will be discussion on an Arts Credit Enhancement District, procurement with the Finance Committee, and Credit Enhancement Agreement for 45 Brown Street.

Greg Mitchell updated the Committee that for the March 2 meeting staff hopes to have 45 Brown Street's affordable housing tax increment financing request presented to the Committee for public hearing and vote; staff will present in March the Creative Portland's budget request for additional funds; and staff continues to work on the purchase and sale agreement for 21 Randall Street and 43/91 Douglass Street.

Chair Thibodeau confirmed with staff that the Portland Adult Ed workforce training funds item would be on the agenda for the second meeting in March.

On motion made by Councilor Chong, seconded by Councilor Zarro, the Committee voted unanimously (4-0) to adjourn at approximately 7:15 p.m.

Respectfully, Lori Paulette and Victoria Volent