Minutes
Remote Economic Development Committee
May 5, 2020

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 Economic Development Committee (EDC) of the Portland City Council was held on Tuesday, May 5, 2020, at 5:30 p.m. via Zoom. Present from the Committee was its Chair Councilor Justin Costa and members Councilors Tae Chong, Nicholas Mavodones, and Spencer Thibodeau. Also present was Mayor Kate Snyder and Councilors Kim Cook and Jill Duson. Present from the City staff were Housing and Community Development Division Director Mary Davis, Associate Corporation Counsel Michael Goldman, City Manager Jon Jennings, OEO Outreach and Initiatives Coordinator Angelina Klouthis, Economic Development Director Greg Mitchell, Senior Executive Assistant Lori Paulette, and OEO Director Julia Trujillo.

Chair Costa welcomed everyone to the second Remote EDC meeting due to the COVID-19 Pandemic and noted that at the first meeting held on April 21 there were some technical issues. Mr. Mitchell continued on that point noting that the meeting was recorded, but the recording was thereafter found to be corrupt and not available. However, there will be written Minutes of that meeting for Committee review and approval.

Chair Costa also noted that there were no actions taken by the Committee at this meeting and then thanked Mr. Mitchell for the update. The Chair then noted that an item was added to the Agenda at the last minute and requested the Committee take up that item first for expanded outdoor seating; the Committee concurred.

Item #5: Verbal update regarding possible expanded outdoor seating for restaurants.

Chair Costa said that this was added in response to COVID-19. The Mayor, Council, and City staff have seen a lot of email traffic on this item, including Portland Downtown, the Chamber, and Visit Portland, and is well aware of constituent concerns.

Mr. Jennings noted that this would be for restaurants and retail businesses. City staff has already been working with Chamber and others regarding possibilities of closing streets, increase the number of Parklets (use of parking spaces) – now set at 5, as well as the use of adjacent parking lots, both private lots and City lots. He would recommend that this Committee have oversight of this topic.

Councilor Thibodeau thanked Mr. Jennings for the overview, noting that he and the Mayor have had weekly Saturday calls with business owners interested in this and asked about the timeline.

Mr. Jennings said that the goal would be to have this implemented by June 1st, as July and August are two optimal months for the restaurant and retail industry.

Councilor Thibodeau said that the City currently has an ordinance that exists for parklets, which is a good starting point for use of parking spaces, and questioned if the fee for this would be reduced.

Mr. Jennings said, yes, that has been part of the discussion, with the City needing to acquire additional barriers in this proposal to close streets, while also noting that parklets need to be strictly barricaded. The City's traffic engineer is currently reviewing possible street closures to continue to move the City safely, and for emergency vehicles.

Councilor Mavodones noted the need for staff to do an analysis of other businesses so that there are not any unintended consequences. Regarding fees, while noting that there may be some reduction, there are staggering projections for FY2021 for the City based on its loss, and continued loss, of revenue during this time. If it is determined to make sense to close some streets, he would be fine with that. In addition, with the likelihood of not as many parking this Summer, he is also fine with loss of some parking spaces for increased parklets.

Councilor Cook said that she is glad to hear staff is working on this, having talked with many business owners from restaurants, Portland Trails, PSA, and PD, to name a few, and there is a lot of energy and excitement to open public spaces for use during this pandemic to assist when distancing. She questioned who on City staff is working on this, noting if there is need for Councilors and/or organization assistance that could be provided, and agreed that June 1st would be great to have this in place.

Mr. Jennings advised her of the large group of staff who met and are meeting regularly on this topic, and staff has also been in discussions with similar organizations. A proposed plan will be brought to this Committee for a recommendation to the City Council.

Councilor Chong appreciated staff to develop a proposed plan for review for efficiency. He cautioned to consider inclement weather in the plan and the use of awnings/umbrellas. Also, he offered a suggestion to see if, perhaps, with Creative Portland and Portland Downtown, there could be artistic barriers.

Mr. Jennings agreed on the inclement weather scenarios, and the Chamber may be able to assist businesses with tables and chairs. Regarding creative barriers, it could be considered but this needs to get done.

Mayor Snyder thanked Mr. Jennings for the update, noting that this evolved quickly over the last week, and staff is working diligently on drafting a proposal for EDC review and recommendation, and would prefer that that process continue. She and Councilor Costa will also continue working with the City Manager to get this to the EDC and Council.

Mayor Snyder also noted that there will be struggles with equity and consistency, and cautioned that there will be some not happy.

Mr. Jennings agreed, some will not be happy but staff will offer informed recommendations to the EDC, noting it could even be a phased approach.

Chair Costa thanked staff for this update, and noted that he and the Mayor will work with the City Manager in moving this forward. The entire City Council is well aware of the discussions taking place, receiving many emails, and all are looking forward to a successful outcome.

Item #1: Public Hearing on 104 Grant Street Affordable Housing Tax Increment Financing (TIF) Credit Enhancement Agreement (CEA) Request.

Ms. Davis noted that the EDC, in a joint meeting with the Housing Committee (HC) on March 4, received an introduction on this project, where the applicant spoke and public comment was taken. She then went over her memo to the EDC, copy attached, noting that the project consists of 23 units of workforce housing to include 1 two-bedroom unit and 22 one–bedroom unit condominiums. She described that 52% or twelve of the 23 units will be available for sale as workforce housing affordable to households at 120% of the area median income (AMI). Sale price of units will range from $200,000 to $355,000, with 12 units priced below $250,000 – with 8 of those 12 priced at $200,000.

Ms. Davis noted the original assessed value is now at $419,600, and an anticipated total assessed value at build-out being $4.419 Million, and a $6.5 Million construction budget. The project has received Planning Board approval.

Ms. Davis then discussed TIF payment Options 1 and 2 for direction from the Committee. She noted that after the Memo was issued, she was in discussions with the

Developer who prefers Option 1, that is to be paid with TIF revenues up to the maximum 75% capture rate or the amount of the annual debt service, whichever is less. This would be capped at $2.5 Million over the term of the District, while the total estimated debt service cost is $2.7 Million. She noted Option 2 provides a straight 75% capture repayment, with a cap at the estimated $2.5 Million. In either case, the AHTIF term could expire prior to the 30 years because of the cap.

Ms. Davis said that the public benefit is workforce development housing ownership and $25,000 in average annual tax sheltering savings. There was an underwriting analysis done which confirmed that the project could not go forward without the TIF CEA.

Chair Costa noted that the EDC is being requested to take action, so he would take clarifying questions from the EDC, followed by a public hearing. He also noted that he does not think an executive session will be needed unless he hears otherwise; consensus agreed.

Councilor Chong asked about the average market value for the units.

Todd Alexander, representing the Developer, noted that assessing market value is a challenge. However, the simplest way to get an estimate would be if there were no deed restrictions, then these unit sales would sell for well over $300K each. The TIF will assist with the construction loan.

Councilor Chong thanked Mr. Alexander noting that the public would get affordable prices for these condos, and, over the 30-year life of the TIF, it is a small cost.

Discussion then took place regarding Option 1 and 2, with consensus being Option 1.

Chair Costa asked Mr. Mitchell to explain to the public what the Developer is doing with this development, and his prior Agreement with the City when he purchased 82 Hanover Street.

Mr. Mitchell said that the Agreement the City has with the Developer Tom Watson when it sold him 82 Hanover Street was that 104 Grant Street would be developed into 23 units of housing, with no restrictions on what kind of housing.

Chair Costa said that he wanted the public to be clear about this, and the Developer is choosing affordable workforce units with ownership.

Mr. Alexander agreed, noting that the Developer chose this kind of development based on the need and what the neighborhood wanted to see there.

Chair Costa then opened the meeting for public comment.

Karen Snyder questioned the City subsidizing $2.5 Million for 12 units of workforce housing.

Chair Costa, noting no further public comment, closed the public comment session.

A motion was then made by Councilor Mavodones, seconded by Councilor Thibodeau, to forward this to the City Council with a recommendation for approval.

Councilor Thibodeau asked for clarity of Option 1 and Option 2 for payment of TIF revenue funds to the Developer.

Mr. Mitchell noted that TIF revenues returned to the Developer, in either Option, would be capped at the estimated amount of $2.5 Million, with the total estimated debt service at $2.7 Million. Option 1 would return to the developer either up to the annual maximum 75% capture rate, or the amount of debt service paid that year, whichever is less. Option 2 would return the annual maximum 75% capture rate until the cap is reached. Also, under either Option, the maximum 30 years of the term may be reached earlier if TIF payments made reach the cap, at for example, year 20 and the TIF would terminate.

Councilor Chong said that this makes sense as an incentive to a developer to build workforce housing, both for the social benefits and the numbers.

Councilor Mavodones said that he will support this project, noting that he had learned a lot about this project at the joint meeting with the HC. He also noted that the outside financial review confirmed that without an AHTIF, it could not go forward. Workforce housing, particularly ownership, is a definite need for Portland. The Developer could have done higher cost condos but chose workforce condos, and this fits the neighborhood better and will stabilize it. As far as which option, he would prefer Option 1.

Chair Costa also preferred Option 1, noting that there are three caps: up to 75% annually; actual annual debt service cap; and total maximum TIF payment capped at $2.5 Million over the life of the District. Chair Costa also noted, as did Councilor Mavodones, that the Developer could have created high market rate condos but chose workforce housing which the City desperately needs. People will have access to home ownership with this development, and he then thanked all for their work on this.

Councilor Thibodeau noted home ownership/housing is a must. This is really exciting for workforce housing ownership at the right time for his Council District.

Councilor Mavodones made a motion to amend the main motion to include Option 1 as the preferred option in returning TIF funds to the Developer. Councilor Thibodeau seconded the motion.

Councilor Duson noted that this was a very good discussion and applauded Mary Davis and her team for their work on this and other projects, as well as Greg Mitchell and his staff.

Chair Costa then asked for a vote on the amendment to the main motion and it passed unanimously. He then asked for a vote on the main motion and it passed unanimously.

Item #2: Public hearing and vote to recommend sending as a communication to the City the Annual TIF District Activity Report up to May 1, 2020, with the Final Report to be provided after the fiscal year ends.

Mr. Mitchell said that this Report, in its 8th year, provides detailed information of City-wide TIF District activity, which includes 3 area wide TIF Districts, 6 active commercial CEAs, and 10 active AHTIF CEAs. The Report is early to perhaps discuss TIF Policy with regard to AHTIFs. Staff is hearing from AH developers that, because the TIF policy requires construction projects pay employees the state prevailing wage or the City's minimum wage – whichever is higher, construction costs are coming in much higher than anticipated. Staff could present at a future meeting proposed amendments to that Policy.

Councilor Thibodeau made a motion to forward this Report to the City Council as a communication; Councilor Chong seconded the motion.

Councilor Thibodeau thanked Greg and his staff for the Annual Report, and the housing focus is right on target.

Chair Costa agreed; it provides a resource of information for these programs. He then asked for a vote on the motion and it passed unanimously.

Item #3: Verbal update on Request for Proposals issued for 43 & 91 Douglass Street, 41 Randall Street, and 165 Lambert Street.

Ms. Davis said that these properties are currently out to RFP with the deadline for proposals being June 16th. At that time, staff will evaluate and score proposals received, and provide its recommendation to the EDC for action, with HC to weigh in as well.

Seeing no questions, Chair Costa thanked Ms. Davis for the update.

Item #4: Verbal update on additional COVID-19 restricted CDBG funding to support economic development and other activities, including the allocation process.

Councilor Chong noted he has a conflict with this item as his employer has received CDBG funding in the past and then left the meeting.

Ms. Davis noted that the City will be receiving additional CDBG funding in the amount of $1.13 Million and $573,734 in additional emergency grant funding from the CARES Act. The latter amount is targeting homelessness, shelter services, and street outreach. The staff recommendations will be based on three areas of need: rental assistance, economic development assistance, and emergency shelter/homeless services. She has been working with other City departments to determine the best use of these funds. In the morning, a staff proposal will be delivered to the City Manager who will make a recommendation to the Council at its May 18 meeting.

Seeing no questions, Chair Costa thanked Ms. Davis for the update.

On motion made by Councilor Mavodones, seconded by Councilor Thibodeau, the Committee voted unanimously to adjourn at 7:15 p.m.

Respectfully, Lori Paulette

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

TO: Councilor Costa, Chair
Members of the Economic Development Committee

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

DATE: May 1, 2020

SUBJECT: Watson Renewal Grant LLC – 104 Grant Street
Affordable Housing Tax Increment Financing Request

As you may recall, the committee received an introduction to this project and the Affordable Housing Tax Increment Financing (AHTIF) Credit Enhancement Agreement (CEA) request at your joint meeting with the Housing Committee on March 4, 2020. The applicant spoke briefly regarding the request and public comment was taken.

Under the terms of a Purchase and Sale Agreement between the City of Portland and Tom Watson & Co., LLC, related to the city sale of 82 Hanover Street, the buyer's post-closing obligations required construction of at least 23 units at property located at 104 Grant Street. Watson Renewal Grant LLC (WRG) is a partnership formed to meet that obligation. WRG is proposing to construct 23 condominium units on the 104 Grant Street site and is requesting financial assistance from the City in the form of an Affordable Housing Tax Increment Financing District and Credit Enhancement Agreement to assist with the cost of construction of the project.

The development district will include 23 units of workforce housing. The project will include 1 two-bedroom and 22 one-bedroom condominiums. Fifty-two percent (52%) or a total of twelve of the twenty-three units, will be available for sale as workforce housing affordable to households at 120% of the area median income. The units will have affordability restrictions through the Affordable Housing TIF Program, MaineHousing's Subdivision Grant Program and the City's Inclusionary Zoning Ordinance. The units will range in size from 498 to 760 square feet. The sale price of the units will range from \$200,000 to \$355,000. Twelve units will be priced below \$250,000 with eight of those units priced at \$200,000.

When completed, the project's new assessed value is estimated at \$4.419 million, which will yield \$3.99 million in increased annual assessed property value. The property currently has a \$419,600 net taxable value.

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Total development costs are estimated at $6.5 million. At full build out, the development district is projected to pay an annual average of $122,199 in new taxes, of which an estimated $30,550 (average) will be non-captured general fund revenue. In addition, the City will continue to receive general fund revenues of $13,472 (30 year annual average) on the original assessed value of the property.

It is important to note that this Project has received City Planning Board approval.

Two options regarding how the captured revenue returned to the developer will be paid out are presented at the May 5th EDC meeting for Committee discussion and direction. The options include:

Option 1 would return to the developer their actual costs paid on annual Project debt service based upon an annual maximum 75% TIF CEA capture rate for upwards of thirty (30) years with a total captured revenue cumulative "cap" or maximum. The cap would be the total cumulative TIF CEA payment amount equal to the total actual debt service cost. When the cap is reached the TIF CEA expires.

Option 2 under consideration by the Project developer returns a fixed 75% TIF CEA capture of the increased taxable value to the developer, currently estimated at a 30-year annual average of $91,649 for upwards of thirty (30) years until the cap is reached. Any amount over and above the actual debt service costs would be used to pay down the principal amount of the developer Project loan, thereby retiring the debt early and decreasing the term of the AHTIF district when that debt is paid in full.

	Captured Revenue to Developer (assumes 2% increase/year to mill rate) (Tax Dollars returned to the Developer's District Account)	Captured Revenue Returned to City (assumes 2% increase/year to mill rate) (Tax Dollars returned to the City's District Account)	Non -Captured General Fund Revenue (Tax Dollars in General Fund)	City OAV General Fund Revenues
30 Year TIF Total	$2,749,457	$0	$916,486	$404,148
30 Year Average	$91,649	$0	$30,550	$13,472

Tax Sheltering Benefits - As a result of the tax sheltering benefits of this TIF District, the City will see an overall savings estimated at an annual amount of $25,171, or $755,135 over the life of the district.

	1. Sheltered Valuation (same as Captured Valuation	2. Avoided Loss of State Aid for Education	3. Avoided Loss of State Municipal Revenue Sharing	4. Avoided Increase in County Tax	5. Total Avoided Impacts (2+3+4)
30 Year TIF Total	$83,996,220	$645,811	$62,947	$46,377	$755,135
30 Year Average	$2,799,874	$21,527	$2,098	$1,546	$25,171

Staff Analysis and Recommendation - The Housing and Community Development Division works with an independent consultant who performs third party underwriting reviews of all requests for City funding (local and federal resources), including Affordable Housing Tax Increment Financing requests. The financial analysis for this Project found that the Project is unlikely to proceed without the TIF CEA under the requested terms. A copy of the analysis is attached. Tax increment financing requests are reviewed by the Economic Development Committee with the Housing Committee weighing in on affordable housing TIF requests. The Economic Development Committee and the Housing Committee held a joint meeting on March 4, 2020 to review this request.

Public Benefits - In reviewing this TIF CEA request, staff notes the public benefit associated with the TIF District includes 23 units of workforce homeownership units, with 12 units affordable to households at or below 120% of the area median income. Additionally, the TIF will create tax sheltering benefits estimated at an average $25,171 annually.

Staff recommendation - Staff is requesting the Economic Development Committee approve and recommend to the City Council approval of this Affordable Housing TIF CEA proposal which meets the City's policy goal of increasing access to safe, affordable and accessible housing for working families and is consistent with City TIF Policy. Staff is also seeking guidance from the Committee regarding the two captured revenue payout options mentioned above. If approved by the EDC, staff will prepare the TIF District Program documents to present to the City Council for final action.

ATTACHMENTS

1. Project Description
2. TIF District Map(s)
3. Project Pro Forma
4. Third Party Financial Analysis
5. TIF Model Spreadsheets

Watson Renewal Grant LLC

104 Grant Street

EXECUTIVE SUMMARY

Watson Renewal Grant LLC ("WRG"), a partnership consisting of Tom Watson and Renewal Housing Associates LLC (collectively, the "Sponsors"), proposes to redevelop 104 Grant Street (the "Property") into 23-units of homeownership workforce housing (the "Project"). The project will consist of 1 two-bedroom and 22 one-bedroom condominiums ranging in size from 500 SF to 750 SF. Eight (8) of the 23 units will be regulated under the City of Portland's Inclusionary Zoning ordinance and the State of Maine's Affordable Housing Tax Increment Financing Statute 30-A MRSA Sec 5247. An additional four (4) units will be regulated under the Maine State Housing Authority's Subdivision Grant Program. The remaining units will be sold without deed restrictions. The prices for the 'conventional' units are projected to be below the average sales price for condominium units sold on the Portland peninsula.

The Sponsors' goals for the Project are two-fold; one***, to provide high quality homeownership opportunities to first-time homebuyers and middle-income Portland residents***. Second, ***to strengthen the Parkside neighborhood by increasing the number of owner-occupied housing units***.

The Project's total development costs are projected to be $6,495,000. The Sponsors will finance the acquisition and development of the Project with a combination of conventional construction financing and public subsidy. Specifically, WRG will raise ***$5,175,000 in private funds*** through a traditional construction loan, private capital and a deferment of Sponsor sale proceeds and fees.

WRG will also generate $1,320,000 in funding through the Maine's Affordable Housing Tax Increment Financing program and Maine Housing's Subdivision Grant Program. Specifically, under this application, the Sponsors are seeking to establish an AHTIF District in order ***to utilize 75% of the incremental tax revenue generated by the new condominium units to repay principal and interest on a $1,050,000 loan (the "AHTIF Loan"), the proceeds of which will be used to construct the building***. A detailed schedule of the Project's sources and uses is provided below. Attached as Exhibit A is an AHTIF Schedule.

SOURCES

Construction Loan	4,250,000
AHTIF Loan	1,050,000
Additional Sub Debt	270,000
Seller Note	215,000
Deferred Developer Fee Note	215,000
Sponsor Equity	495,000
Total	6,495,000

USES

Acquisition	405,000
Hard Costs	4,850,000
Soft Costs	907,000
Financing Costs	333,000
Total	6,495,000