

1. Agenda Housing Committee Meeting July 31, 2018

Documents:

[AGENDA HC MEETING 07.31.2018.PDF](#)

2. Review And Accept Minutes Of Previous Meeting Held On June 27, 2018

Documents:

[01 MINUTES HOUSING COMMITTEE 6.27.18.PDF](#)

3. Rental Housing Safety And Inspection Program- Implementation And Financial Report From The Permitting And Inspections Department

Documents:

[HOUSING SAFETY UPDATE 7.30.18.DOCX.PDF](#)

4. Short Term Rental Registration Program - Implementation And Financial Report From The Permitting And Inspections Department

Documents:

[HOUSING SAFETY UPDATE 7.30.18.DOCX.PDF](#)

5. Review, Discussion And Possible Recommendation Of Amendment To Ordinance 6-154 Allocation Of Short Term Rentals

Documents:

[04 AMENDMENT TO ORDINANCE 6-154 ALLOCATION OF SHORT TERM RENTALS MEMO.PDF](#)

6. Initial Discussion Of Order 225-17/18 Referring An Increase In Short Term Rental Registration Fees To The Housing Committee

Documents:

[05 AMENDMENT TO INCREASE SHORT TERM RENTAL REGISTRATION FEES MEMO.PDF](#)

7. Reconsideration Of The Committee's HOME Funding Recommendations

Documents:

[06 HOME RECONSIDERATION MEMO 7.31.18.PDF](#)

8. Review And Recommendation To The City Council Housing Trust Fund Allocation(S)

Documents:

[07 HOUSING TRUST FUND ALLOCATION RECOMMENDATIONS 7.31.18.PDF](#)

9. Public Comment Received

Documents:

[08 PUBLIC COMMENT.PDF](#)

10. Communication Item: Accessory Dwelling Units

Documents:

[09 COMMUNICATION ITEM ACCESSORY DWELLING UNITS.PDF](#)

11. Communication Item: Site Walk 622 Auburn Street

Documents:

[10 COMMUNICATION ITEM SITE WALK 622 AUBURN STREET.PDF](#)

12. Communication Item: Map Of City Owned Property

Documents:

[11 COMMUNICATION ITEM MAP OF CITY OWNED PROPERTY 07.31.18.PDF](#)

13. 2018 Work Plan Discussion

Documents:

[12 DRAFT 2018 HC WORKPLAN 07.31.18.PDF](#)

**HOUSING COMMITTEE**

DATE: Tuesday July 31 2018
TIME: 5:30 p.m. – 9:00 p.m.
LOCATION: City Hall Room 209

AGENDA

1. Review and accept Minutes of previous meeting held on June 27, 2018
2. Rental Housing Safety & Inspection Program - Implementation and Financial Report from the Permitting and Inspections Department
3. Short Term Rental Registration Program – Implementation and Financial Report from the Permitting and Inspections Department
4. Review, Discussion and possible Recommendation of Amendment to Ordinance 6-154 Allocation of Short Term Rentals. See attached memo from Victoria Volent, Housing Program Manager. *This is an actionable item and public comment will be taken*
5. Initial Discussion of Order 225-17/18 Referring an Increase in Short Term Rental Registration Fees to the Housing Committee. See attached memo from Victoria Volent, Housing Program Manager. *This is an actionable item and public comment will be taken*
6. (Action Item) Reconsideration of the Committee's HOME Funding Recommendations. See attached memo from Mary Davis, Housing and Community Development Division Director. *This is an actionable item and public comment will be taken*
7. (Action Item) Review and Recommendation to the City Council Housing Trust Fund Allocation(s). See attached memo from Mary Davis, Housing and Community Development Division Director. *This is an actionable item and public comment will be taken*
8. Public Comment Received since the last meeting: topics include allow housing in "Franklin Reserve" and the City's short term rental policy
9. Communication Item: Accessory Dwelling Units
10. Communication Item: Site Walk 622 Auburn Street
11. Communication Item: Map of City Owned Property
12. 2018 Work Plan Discussion

Next Meeting Date: **Councilor Jill C. Duson, Chair**
Thursday, September 6, 2018. Council Chambers

Housing Committee Minutes of June 27, 2018 Meeting

NOTE: The Housing Committee meetings are now live-streamed, which can be viewed at this link: http://townhallstreams.com/stream.php?location_id=42&id=16398 These minutes provide a record of those in attendance, general discussions taking place, and motions made.

A meeting of the Portland City Council's Housing Committee was held on Wednesday, June 27, 2018 at 5:30 P.M. in Room 24 of Portland City Hall. Councilors present at the meeting included Committee members Councilor Kimberly Cook, Councilor Pious Ali, Councilor Jill Duson, Chair of the Housing Committee, and Mayor Ethan Strimling. City staff present included Jeff Levine, Director Planning and Urban Development, Mary Davis, Housing and Community Development Director, and Victoria Volent, Housing Program Manager.

Item 1: Review and accept Minutes of previous meeting held on June 5, 2018.

Councilor Cook requested an amendment to page 2 of the minutes to include the discussion regarding the City's TIF policy, and the analysis of the development projects on that evening's agenda in regards to the TIF policy. Councilor Cook requested the minutes reflect the City's TIF policy was not included in the packet of material. Chair Duson suggested adding an addendum to the memo for the public record.

Councilor Cook requested an amendment to page 4 to clarify that seven members of the Rental Housing Advisory Committee will be self-nominated and then appointed through the City's boards and commissions process/City Council Nominating Committee rather than through self-selection.

Motion made by Councilor Ali to accept the minutes as amended, seconded by Councilor Cook. Amended minutes were unanimously approved 3-0.

Item 2: Presentation of City-Owned Property Map re: housing development potential

Staff provided an overview of the process of evaluating the assessor's database of city-owned parcels towards creating a spreadsheet and map representing city-owned property parcels for potential housing development.

Chair Duson indicated the Committee has received public comment regarding the parcel at 2 Boyd Street and requested the public comment be included in the public record. Chair Duson asked staff for potential next steps. Staff indicated they have not had an opportunity to conduct additional analysis and necessary outreach for the 2 Boyd Street parcel. Councilor Cook requested the parcel at 2 Boyd Street not

be referred to as the Franklin Reserve, but rather as 2 Boyd Street. Chair Duson is okay with using the colloquial name of Franklin Reserve and the street address.

Councilor Cook expressed the desire to see a publically available map of city-owned property for housing development, not just affordable housing development, and a map that includes all city-owned property, not just city-owned property with current development potential. Chair Duson would like staff to create an annotated inclusive map. Councilor Ali would like the browser map to include an informative image that appears when hovering over a property. Staff will work with IT to develop the requested map.

Mayor Strimling questioned why the parcel containing the Barron Center did not appear on the map or why 91 and 43 Douglass Street were not on the map. Staff indicated the new map would show all city-owned parcels. Councilor Cook inquired into land behind Riverton School. Staff believes this parcel is in the landbank.

Chair Duson requested that at the next meeting (after consulting with IT) staff is to recommend when the map may appear on the Housing Committee workplan.

Item 3: Review and Recommendation to the City Council re: Funding Requests Received from the Affordable Housing Development HOME Fund Application.

Staff presented a revised recommendation and overview of the HOME funding requests for 178 Kennebec Street, 37 Front Street, and 977 Brighton Avenue. Based on revised underwriting and discussions with the applicants, staff reviewed its recommendation; however, it is similar to the previous recommendation. Further, staff is recommending, for this year, the City continue to use a 30 year deferred loan (i.e. at no interest). Staff will work with underwriting to create a policy that works with the tax credit applications to investigate adding a recapture provision over the course of development. Working with the no interest loan policy allowed a slight decrease in funding for 178 Kennebec (from \$400,000 to \$370,000). Staff recommends the \$30,000 difference be added to 37 Front Street as their need is greater than the recommended HOME funding consideration. The final recommendation is HOME funding of \$510,174 to 37 Front Street and \$370,000 to Kennebec.

Mayor Strimling requested the memo to the City Council include the original applicant requests as well as the revised recommendations. A discussion of the original HOME funding requests and the revised recommendation ensued. Mayor Strimling asked if 37 Front Street would be able to move forward with only funding from HOME. Staff indicated this would not be a viable project if they only receive HOME funding. Chair Duson opened the meeting for public comment.

Jay Waterman, of Portland Housing Authority, representing 37 Front Street noted PHA originally

applied for approximately \$1,400,000. Based on the proposed funding recommendation, there is a \$921,000 funding gap. PHA would like to proceed in discussions with the City on an appropriate amount to request from the Housing Trust Fund for this unique and expensive project. PHA has close to \$5,000,000 in committed funds from other resources (FHLB, CDBG). PHA is hoping to layer in another Federal HOME Loan Bank, however, it looks unlikely that will occur due to scoring. PHA continues to look at other resources; cutting expenses; and redesigning the project. The redesign needs to be reviewed by neighbors, and Planning Staff. Even with these efforts, PHA anticipates applying for Housing Trust funds.

Nathan Szanton of The Szanton Company representing 178 Kennebec Street appreciates meeting with staff to discuss concerns regarding initial recommendation, and reducing their HOME application by \$30,000 in exchange for a different loan repayment structure. 178 Kennebec amended their plans to create housing for households aged 55 and older to respond to the scoring incentives at the State level.

Greg Payne, of Avesta Housing representing 977 Brighton Avenue stressed the importance of municipal funding when applying for the 9% tax credit application with the State.

Seeing no further public comment, Chair Duson closed the public comment session.

Councilor Cook noted 178 Kennebec changed their focus from workforce housing to 55 and older in the context of receiving additional scoring points in the competitive State funding process. However, she is not comfortable with having that parcel moving towards a 55 plus project. She feels we need housing for workers who live on the peninsula who walk or bike to work on the peninsula. She would prefer to see the City have a range of ages at that location as originally the City agreed to sell that parcel for. She would prefer to allocate the HOME funds not to that project but to a combination of the Front Street project and the Avesta project (977 Brighton Street) which is also a 55 plus project. Thinks the city really needs affordable family housing. She would love to see 37 Front Street move forward. She would rather see a mixed age market rate project in Bayside than a 55 plus project. Council Cook did reach out and talk with developer about why they made the change in their project.

Councilor Ali will support bringing forward a recommendation to council for further discussion

Chair Duson will support staff recommendations. She is not ready to move funding from 178 Kennebec's 55 plus project to 977 Brighton's 55 plus project.

Councilor Cook explained her broader picture reason for her funding choices.

Chair Duson asked what would happen to the sale of the 178 Kennebec parcel if the project known as 178 Kennebec does not receive funding; would the sale of the property still move forward? Staff indicated 178 Kennebec is not required to move forward, but further consultation would be required by staff to fully answer this question. Councilor Cook indicates her understanding is the purchase and sales agreement needs to go in front of the City Council regarding changes to the terms of P&S agreement.

Chair Duson asked if the Housing Committee could table the recommendation for 178 Kennebec Street pending the outcome of the City Council review of the requested change to the Purchase and Sales Agreement. Staff indicated there is a preference to wrap up the HOME funding requests. Staff also noted the importance of the timing of the recommendations to meet State deadlines. Chair Duson expressed hesitancy about allocating funds for 55 plus housing at 178 Kennebec Street. Staff indicated they would recommend reallocating of the funds should funding not go forward for 178 Kennebec. Chair Duson also noted 55 plus housing could also house workers – just older workers.

Councilor Ali asked the developer of 178 Kennebec if the proposed changes to their project effects just the age composition or does it also effect the unit count. Per the developer, the limited building footprint would only allow 34 “family” units. The construction costs would remain the same. By lower the number of units constructed, the construction cost per unit increases, which reduces their scoring with the State, jeopardizing funding potential. The current plan includes more units because they are designing smaller units for 55 plus households. Family housing requires more bedrooms. Creating housing for 55 plus households also increased the number of credits in the State’s application process, and lowers the construction cost per unit.

Councilor Ali asked if there is data that supports need for senior housing; Maine Affordable Housing Coalition senior housing study would have that data.

Councilor Cook agrees with the need for senior affordable housing but is concerned with the location and the change of use of 178 Kennebec Street to 55 plus housing. She would rather see HOME funds go to the projects she is comfortable with the use. A revised 178 Kennebec project may be a Housing Trust Fund candidate.

Chair Duson is concerned about holding off on funding this project if it means a housing project does not go forward.

A discussion occurred regarding the City Council Agenda and whether or not amending the Purchase and Sales Agreement for 178 Kennebec Street is on the agenda.

A discussion occurred regarding the timing of funding items on the City Council meeting schedule.

Nathan Szanton noted rental family housing and market rate development cannot be built on this site due to the high cost per unit that will not receive funding by the State. Even moving to all market rate housing is not feasible due to the increase in construction costs.

Council Cook noted that market rate rental projects are not viable in the City and that a conversation should be had on how the Housing Trust funds should be used to make building rental housing viable.

Nathan Szanton is concerned that if 178 Kennebec does not receive HOME funding, then the project would be killed and no housing will be developed on the site.

Mayor Strimling is not convinced that not funding this project would mean the City could not get housing at this site. Creative thinking helps provide housing.

Councilor Cook would like to reallocate \$300,000 to 977 Brighton to assist with moving this project forwarding through the State tax credit competition. She want to ensure 55 plus housing is at 977 Brighton, then enter into further discussions regarding the mix of housing for 178 Kennebec Street.

Grey Payne noted that 977 Brighton Avenue can move forward without the HOME funding if they receive Housing Trust funding instead. However, 178 Kennebec Street cannot move forward without HOME funding.

Councilor Cook moved to allocate \$300,000 in HOME funds to 977 Brighton and \$580,174 in HOME funds to 37 Front Street, second by Councilor Ali.

Vote 3-0

Item 4: Review and Recommendation to the Planning Board Hotel Linkage Fee

Staff introduced the memo to review and recommend to the Planning Board a hotel linkage fee. According to the GPCOG study, 2.9% growth in hotel rooms nationally from 2013 to 2016. During this same period, Portland saw an increase of 14.6%. The hotel industry is a more profitable development sector. Corporation Counsel suggests adding language to allow for creating units as well as paying a linkage fee. Portland currently has 2,850 hotel rooms; total units are predicted to grow to 3,250 units by 2020.

Councilor Ali asked if the linkage fee could be applied to short term rentals. Staff noted this would be a recommended amendment to the Short Term Rental Registration Ordinance.

The Committee had a substantive discussed of the review and recommendation. Mayor Strimling asked if this fee could be assessed annually. Per Staff this a not a tax, it is a fee to be assessed one-time. Mayor Strimling would like to consider calling this a housing impact fee. However, Staff notes this type of fee is called a linkage fee- it is not an impact fee.

Chair Duson opened the meeting for public comment.

Simon Thompson, Chamber representative, curious about basis for putting this forward when impact fee study is underway, and, why this fee is only to apply to hotels? He would like to see more data from communities who have linkage fees regarding actual fees.

Seeing no further public comment, Chair Duson closed the public comment session.

Staff responded to the public comment that the linkage fee is a more predictable fee for developers and the City. Additional information regarding the study and impact was presented at the previous Housing Committee meeting.

Chair Duson asked if hotels are also to be subject to impact fee as well as linkage fee. Per Staff the

answer is yes.

Mayor Strimling asks if can be retroactively applied. Staff not recommending this approach.

Councilor Cook found this to be a fully and well developed proposal; the kind of policy that she is thrilled to see.

The motion to recommend the Hotel Linkage Fee Ordinance to the Planning Board was made by Council Cook and seconded by Councilor Ali (approved 3-0).

Mayor Strimling supports committee action.

Item 5: Communication Item: FY19 HUD Annual Allocation Plan.

Staff presented the communication item in the packet of material for the Housing Committee.

Item 6: Communication Item: Accessory Dwelling Units

The Housing Committee did not discuss the communication item regarding accessory dwelling units.

Item 6: Committee Discussion re: 2018 Work Plan

Councilor Duson referred a new item for the July 31 agenda based on discussion with Corporation Counsel Office to bring forward a proposed ordinance amendments regarding the non-owner short term rental cap and the intention that current owners not be put out of business during the annual renewal process.

On a motion made by Council Cook and seconded by Councilor Ali (approved 3-0) the meeting was adjourned at 9:00 pm.

Respectfully submitted, Mary Davis



Permitting and Inspections Department
Michael A. Russell, MS, Director

Housing Committee Update July 30, 2018

FY18 Financials

	Total	Long term	Short term
Revenue	\$614,266***	\$522,484	\$91,782***
Expenditures	\$484,785*	\$393,003	\$91,782
Tyler Technology	\$129,481**	-	-

*Staff expenditures represent 91% of all expenditures.

**Contribution towards City's \$2 million investment.

***After contributing \$33,139 to the Housing Trust Fund

FY18 Short Term Rental Registration by Number of Properties and Units

	Total	Island*	Non Owner Occupied	Owner Occupied	Tenant Occupied**
Properties	605	116	110	354	25
Units	729	116	149	439	25

* No multi-family properties are currently registered on the islands.

**Tenants are allowed to register only one unit.

FY18 Rental Registration by Total Number of Units and Properties

	Long term	Short term
Units	17,774	726
Properties	4,376	605

FY18 Rental Registration Follow-up Efforts by Number of Landlords

Type of Follow-up*	Total	Long term	Short Term
Email**	4,000	4,000	0
Letter or Notice of Violation	2,168	1,700	468
Summons	39	39	0

*Some landlords own multiple properties and receive one notice for all.

**Approximate number of emails.

FY18 Rental Inspections by Number and Type

	Total
Housing Safety	3,802
Infestation/Insects	68
Legalization of Unit	37
Total	3,907



Permitting and Inspections Department
Michael A. Russell, MS, Director

Successes

- Short term rental registrations far exceeded the initial estimate, however, the non-owner mainland cap is not close to the maximum allowed. The current number registered is 110 properties and 151 units.
- Short term revenue surpassed budgeted estimate by 108.2%.
 - Budgeted \$60,000; collected \$124,921, exceeding projections by \$64,921
- Delinquent rental registrations have been greatly reduced by concentrated outreach efforts during the first half of this calendar year.
- Following up on Two Family properties for a second inspection and collaborating with the Fire Department on 3+ Family properties.
- Egress window informational bulletin to clarify the Office of the State Fire Marshal's policy.

Challenges

- Unresponsive landlords to registration and inspection requests.

Recommendations

- Automatic renewals for short term rental registrations.
- Allow tenants to register more than one bedroom as a short term rental.



Permitting and Inspections Department
Michael A. Russell, MS, Director

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TO: Councilor Jill Duson, Chair
Members of the Housing and Community Development Committee

FROM: Victoria Volent, Housing Program Manager
Housing and Community Development Division

DATED: July 23, 2018

SUBJECT: Proposed Amendments to Section 6-154 - Allocation of Short Term Rentals

Introduction

The proposed amendment to Section 6-154, Allocation of Short Term Rentals, is to clarify the renewal process of the non-owner occupied mainland short-term rental units. These short-term rentals (mainland, non-owner occupied) are limited to 300 registered units in any one calendar year. A waitlist is created upon attaining the limit to help gauge market demand. Registration as a short-term rental for the upcoming year is required by January 1 of each year. The annual registration is on a first-come first-registered basis. Section 6-154 does not clarify if prior year mainland, non-owner occupied short-term rental units are automatically renewed (upon completion of an application and payment of the registration fee prior to January 1) each year. If these short-term rental units are not automatically renewed, there is the possibility, as the short-term rental industry grows, prior registered units may not receive renewal under the current first-come, first-registered process.

Section 6-154

Chapter 6 of the Buildings and Building Regulations Code mandates rental units must be registered and renewed annually (section 6-151 (a) 1)). Section 6-154 describes the allocation of permits for non-owner occupied mainland short term rental units as a “first come, first registered basis”. The proposed amendment to section 6-154 adds an “automatic right to renew” preference for these previously registered applicants that renew prior to January 1. Should a valid non-owner occupied mainland registrant fail to renew by January 1, then they forfeit their automatic right to renew. Re-registration is still available after January 1 if the 300 cap is not met or if their application is chosen off the waitlist.

Current Ordinance; Section 6-154

Sec. 6-154. Allocation of Short Term Rentals.

The limitations on the allocation of short term rental units identified in section 6-153(b) shall be allocated each year on a first come, first registered basis. Once the total number of units identified in section 6-153(b) has been reached, a waitlist will be formed to help gauge market demand. The City Manager or his or her designee may institute a lottery process at his or her discretion.

Proposed Amendment to Section 6-154

Sec. 6-154. Allocation of Short Term Rentals.

~~The limitations on the allocation of~~ Non-owner occupied mainland short term rental units registrations, which are limited identified in by section 6-153(b), shall be allocated ~~each year~~ on a first come, first registered basis. Once the total number of units identified in section 6-153(b) has been reached, a waitlist will be formed to help gauge market demand. The City Manager or his or her designee may institute a lottery process at his or her discretion to allocate any registration that becomes available after the formation of the waitlist.

Valid non-owner occupied mainland registrations may be automatically renewed each year upon application and payment of the registration fee, so long as the renewal is complete by January 1 of that year. Failure to renew by January 1 shall result in the forfeiture of the automatic right to renew the registration of a unit, and re-registration shall only be available if the limitations in 6-153 (b) have not been reached, or if the applicant is chosen off of the waitlist.

Recommendation

The Housing Committee may review and discuss the fee schedule amendment, and consider a motion to recommend or not recommend the amendment to the City Council or table the amendment for more review.

Attachments:

Chapter 6, Article VI, Residential Rental Unit Registration Requirements

Memo from Corporation Counsel regarding proposed changes to Section 6-154

- (9) No more than one occupied recreational shelter may be located on a single parcel or lot at a time.

Ord. No. 19-17/18, 8-21-2017)

Sec. 6-134. Reserved.
Sec. 6-135. Reserved.
Sec. 6-136. Reserved.
Sec. 6-137. Reserved.
Sec. 6-138. Reserved.
Sec. 6-139. Reserved.
Sec. 6-140. Reserved.
Sec. 6-141. Reserved.
Sec. 6-142. Reserved.
Sec. 6-143. Reserved.
Sec. 6-144. Reserved.
Sec. 6-145. Reserved.
Sec. 6-146. Reserved.
Sec. 6-147. Reserved.
Sec. 6-148. Reserved.
Sec. 6-149. Reserved.

ARTICLE VI. RESIDENTIAL RENTAL UNIT REGISTRATION REQUIREMENTS

Sec. 6-150. Purpose.

The proliferation of real estate proprietorships, partnerships, and trusts having undisclosed, anonymous or otherwise unidentifiable principals, owning large numbers of residential rental properties, sometimes managed through unresponsive property management companies, has impeded the proper enforcement of this chapter, chapter 12 and other ordinances of the city. This article is intended to require the disclosure of the ownership of such property, to regulate the renting of property within the City, and to make owners and persons responsible for the maintenance of property more accessible and accountable with respect to the premises, and to ensure that owners and tenants comply with chapters 6 and 10 of the City Code.

(Ord. No. 443-89, 6-7-89; Ord. No. 53-89, 7-17-89; Ord. 298-14/15, 7-6-2015; Ord. 179-16/17, 3-27-2017)

Sec. 6-150.1. Definitions.

The definitions in 6-106 apply to this Article. The following words and phrases, when used in this article, shall have the meanings respectively ascribed to them:

Island Short Term Rental shall mean a short term rental located on one of the following islands in the City of Portland: Peaks Island, Great Diamond Island, Cushing Island, Little Diamond Island, House Island, and/or Cliff Island.

Long Term Rental shall mean the letting of a rental unit in whole or in part for thirty (30) days or more.

Mainland Short Term Rental shall mean a short term rental located within the limits of the City of Portland, but not on Peaks Island, Long Island, Great Diamond Island, Cushing Island, Little Diamond Island, House Island and/or Cliff Island.

Multi-Unit shall mean a single, detached building in common ownership interest containing more than one (1) residential or commercial unit, as determined by the Director of the Permitting and Inspections Department.

Owner-Occupied shall mean a rental unit owned and occupied by the registrant as his or her primary residence.

Owner shall mean each individual person or entity including, without limitation, all partners, officers, or trustees of any real estate trust; all members or managers of a limited liability company; and all officers and directors of a corporation; that is the record owner of a building or property.

Primary Residence shall mean the dwelling in which a person resides as his or her legal residence for more than one half of a year and registers as his or her address for tax and government identification purposes.

Registrant shall mean the owner of a rental unit, or a tenant, with permission from the owner, seeking to register a rental unit.

Rental unit is a portion of any residential structure that is rented or available for rent to any individual or individuals for any length of time. Any portion of a Single-Family Home, Condominium, or Apartment that is rented or available to be rented to an individual or individuals who are not the owner or owners shall be considered a *rental unit*. *Dwelling units* and *rooming units* as defined in §6-106 are, without limitation, *rental units*. A Single-Family Home, Condominium, or Apartment that is occupied by the owner or owners, and of which no portion is rented or available for rent, is not a *rental unit*.

Short Term Rental is the letting of a rental unit, in whole or in part, for less than thirty (30) days.

Single Family Home shall mean a detached residential dwelling or a single condominium unit containing one dwelling unit.

Tenant-Occupied shall mean a rental unit in which the registrant is not the record owner of the rental unit, but lawfully occupies the rental unit as his or her primary residence.
(Ord. 179-16/17, 3-27-2017)

Sec. 6-151. Registration required.

(a) Registration of Ownership.

1. Rental units must be registered in accordance with this article by January 1st of each year. Registration must be renewed annually, on or before January 1st, including updating all changes in previously submitted registration information.
2. If a rental unit is rented as both a short term and long term rental, it must be separately registered for each type of rentals.
3. Each owner, manager, or person/entity otherwise responsible for the rental unit, such as a property manager, shall be obligated under this article. Any new owner, manager, or responsible person/entity must register within thirty (30) days of purchase of the rental unit or transfer of management or responsibility.
4. A rental unit shall not be considered registered until all information and fees are provided to the satisfaction of the City's Permitting and Inspections Department or its designee.
5. As a condition of registration, all owners must allow onsite inspections of their property including, without limitation, all rental units.

(b) Information/Documentation Required. Registration must be completed on forms supplied by the City's Permitting and Inspections Department or their designee and must provide, at a minimum, the following information:

1. The street address of the building;

2. The unit number of the rental unit;
3. The tax assessor's chart, block and lot of the property on which the building is located;
4. The owner of the property, including the owners' name, address, telephone number, and email address. If the owner is anything other than a natural person, the following information must also be included:
 - a. Each individual person that has an ownership interest in any entity that is the record owner. This includes, without limitation, all partners, officers, or trustees of any real estate trusts; any members or managers of a limited liability company; and all officers and directors of a corporation; and
 - b. The residential street address, e-mail address and home phone number of at least one (1) such individual person;
5. The manager of the property or the person or persons responsible for its regular maintenance or repair, as well as a name, address, telephone number, and email address for that person or entity.
6. The person designated as the agent of the owner or owners for the service of notices and civil process by the city, as well as their name, address, telephone number, and e-mail address. Service of notice and process upon the person so designated shall be deemed conclusive service upon the owner or owners.

(c) *Additional Information Required for Short Term Rentals.* A short term rental shall not be considered registered unless and until the registrant has submitted a complete application together with all information required by this article, paid the fee required by Sec. 6-152, and a registration number has been issued.

In addition to the information required in Section 6-151(b), a Short Term Rental registrant must provide at a minimum the following information and any other information requested by the City's Permitting and Inspections Department or their designee:

1. A short term rental application;

2. Whether the rental unit is owner-occupied, tenant-occupied, or non-owner occupied;
 - a. For Short Term Rental units that are owner-occupied, the registrant must provide a notarized primary residence affidavit, on forms provided by the City.
 - b. For Short Term Rental units that are tenant-occupied, the registrant must provide a notarized primary residence affidavit, a notarized statement of permission by his/her landlord, both on forms supplied by the City.
3. The address and tax assessor's chart, block, and lot number of all other short term rentals in the City in which the registrant has an ownership interest;

(d) *Display of Short Term Rental Registration Number Required.*

Once registration is approved by the City, each short term rental shall be given a registration number, which must be displayed in the rental unit and in any and all advertisements for the rental unit.

(e) Upon request by the City, at any time, all registrants and/or agents of short term rental units must provide the City with their registration information, rental history, and upcoming reservation information. Failure of short term rental unit owners, tenants, and/or their representatives to adequately respond to inquiries by the City within a forty-eight (48) hour period shall be considered a violation under this ordinance.

(Ord. No. 443-89, 6-7-89; Ord. No. 53-89, 7-17-89; Ord. No. 246-97, 4-9-97; Ord. 298-14/15, 7-6-2015; Ord. 69-15/16, 10/5/2015; Ord. 179-16/17, 3-27-2017)

)

Sec. 6-152. Registration Fees.

(a) *Annual Registration Fee.* Upon initial registration and by January 1st of each year, registrants shall pay the City a registration fee for each rental unit, in the amounts set forth below. A rental unit shall not be considered registered unless and until this fee is paid in full.

(b) *Long Term Rental Registration Fee.* The registrant of a long term rental shall pay thirty five dollars (\$35.00) to the City by January 1st of each year.

(c) *Short Term Rental Registration Fee Structure.* The registrant of a short term rental shall pay the fee specified in the chart below. All fees will be cumulative and will increase based on the number of total units registered by the owner. The fee total will accumulate first by counting any short term rental units operating in a single family home or owner occupied multi-family buildings and then fees will be attributed at the higher rate for any units located in non-owner occupied buildings. If an owner registers units in both owner occupied and non-owner occupied buildings then the owner occupied fees will be considered the first unit under the fee structure starting with the 1st unit fee as described in the chart below regardless of the order in which the units are registered.

Owner Occupied Single Family Home , or Tenant Occupied	\$100
Multi-Unit Owner Occupied Building Island Short Term Rentals	1 st Unit - \$100 2 nd Unit - \$250 3 rd Unit - \$500 4 th Unit - \$1,000 5 th Unit - \$2,000
Multi-Unit Non-Owner Occupied Building	1 st Unit - \$200 2 nd Unit - \$500 3 rd Unit - \$1,000 4 th Unit - \$2,000 5 th Unit - \$4,000

(d) *Registration and Renewal Fee Discounts.* The following discounts shall apply to the registration and renewal fees:

- (1) \$10 discount for each rental unit within a fully-sprinkled building as verified by a testing report, maintenance report or a maintenance contract, which shall be provided at the time of registration and upon each registration renewal;
- (2) \$7.50 discount for each rental unit within a building with a centrally-monitored fire alarm as verified by Fire Department logs or an alarm contract, which shall be provided at the time of registration and upon each registration renewal;

- (3) \$5.00 for a rental unit that has been subject to and has passed a Housing and Urban Development Housing Quality Standard (HQS) inspection within the preceding year as verified by the HQS inspection report, which shall be provided at the time of registration and upon each registration renewal;
- (4) \$10.00 for a rental unit that has been subject to and has passed a Housing and Urban Development Uniform Physical Condition Standard (UPCS) inspection within the preceding year as verified by the UPCS inspection report, which shall be provided at the time of registration and upon each registration renewal;
- (5) \$2.50 for a rental unit that is subject to a signed lease which prohibits smoking by tenants as verified by a copy of the current lease, which shall be provided at the time of registration and upon each registration renewal. The existence of and enforcement of this provision may be verified through an inspections of each rental unit.

The total amount of discounts from the annual registration or renewal fee as described above shall not exceed \$20.00, and the minimum annual fee for registration or renewal shall be \$15.00 per unit.

(Ord. No. 443-89, 6-7-89; Ord. No. 53-89, 7-17-89; Ord. 298-14/15, 7-6-2015; Ord. 179-16/17, 3-27-2017)

Sec. 6-153. Violations.

(a) *Occupancy Limit.* Overnight short term rental guest occupancy in each rental unit will be limited to two (2) guests per bedroom plus no more than two (2) additional guests.

(b) *Limitation on Total Number of Short Term Rentals.* No more than 300 non-owner occupied mainland short term rental units shall be registered in any one calendar year.

(c) *Limitations on number of Short Term Rentals an Individual or Entity May Register.* An individual or entity may only register up to five (5) short term rentals in the City, including the Islands, in any one (1) calendar year. For purposes of this section, short term rentals registered by an entity in which the registrant has an ownership interest shall be counted towards this limit.

(d) No individual or entity may register a short term rental in any single family home unless it is owner-occupied; tenant-occupied with permission of the owner; or located on an Island.

(e) The number of short term rental units that may be operated in a multi-unit building are as follows:

Total # of Units in a Building	# of Short Term Rental Units Allowed in a Building	
	Owner Occupied	Non-Owner Occupied
2	2	1
3	3	2
4	4	2
5	5	2
6-9	5	4
10+	5	5

Tenant-occupied units, where the tenant is the registrant, shall not be counted towards these limits.

(Ord. No. 443-89, 6-7-89; Ord. No. 53-89, 7-17-89; Ord. 298-14/15, 7-6-2015; Ord. 179-16/17, 3-27-2017)

Sec. 6-154. Allocation of Short Term Rentals.

The limitations on the allocation of short term rental units identified in section 6-153(b) shall be allocated each year on a first come, first registered basis. Once the total number of units identified in section 6-153(b) has been reached, a waitlist will be formed to help gauge market demand. The City Manager or his or her designee, may institute a lottery process at his or her discretion. (Ord. 179-16/17, 3-27-2017)

Sec. 6-155. Violations.

Specific violations of this article, subject to the provisions of section 6-1, include, but are not limited to:

- (a) Any person, business entity, or other organization failing to timely register a rental unit, including providing all required information and paying the required registration fee;
- (b) Any person, business entity, or other organization providing false information with respect to registration. Notwithstanding the provisions of § 6-1, the penalty for such violation shall be \$1,000.00;

- (c) Any person, business entity, or other organization renting any rental unit that is not registered under this article, or to permitting the occupancy of such premises without registration;
- (d) Failure of short term rental unit owners, tenants, and/or their representatives to adequately respond to inquiries by the City pursuant to 6-152(e) within a forty-eight (48) hour period;
- (e) Any person business entity or other organization failing to timely file the required registration or failing to timely pay, in full, the registration fee or annual renewal fee, or failing to timely file any required update to the registration shall be in violation of this Article for which a fine of \$100.00 per day each day the violation continues shall be assessed;
- (f) Any person providing false information with respect to registration shall be in violation of this article for which a fine of \$1,000.00 shall be assessed;

(Ord. 179-16/17, 3-27-2017)

Sec. 6-156. Enforcement.

(a) The building authority as defined in section 6-1 or his or her designee is authorized to institute or cause to be instituted by and through the office of the corporation counsel, in the name of the city, any and all actions, legal or equitable, that may be appropriate or necessary for the enforcement of the provisions of this article.

(b) No certificate of occupancy shall be issued for property that is subject to the registration requirements of this article, but is not registered in accordance with this article.

(c) Any short term rental at a property that is designated by the City as a disorderly house and fails to remedy the disorderly house as required by section 6-202, shall, at the discretion of the City Manager or his or her designee, have its registration revoked and be ineligible for registration for a period of twelve (12) months. Any registration after revocation shall be considered a new registration and not a renewal. Upon the second designation of the short term rental property as a disorderly house, the City shall, at the discretion of the City Manager or his or her designee, prohibit the registered owner from operating the property as a short term rental or post the property against occupancy pursuant to section 6-201.

(d) Fines may be attributed to Property Management firms found operating short term rental units in violation of this article. These fines may be in addition to fines levied against owners of property.

(Ord. 179-16/17, 3-27-2017; Ord. No. 29-17/18, 9-18-2017)

Sec. 6-157. Revenue Allocation.

Notwithstanding section 6-1(b), all revenue generated from short term rental registration fees and penalties shall be used to first fund short term rental related administrative costs. Any remaining revenue shall be deposited in the Housing Trust Fund, as defined in Section 14-489.

(Ord. 179-16/17, 3-27-2017)

Sec. 6-158. Reserved.

Sec. 6-159. Reserved.

Sec. 6-160. Reserved.

Sec. 6-161. Reserved.

Sec. 6-162. Reserved.

Sec. 6-163. Reserved.

Sec. 6-164. Reserved.

ARTICLE VII. GREEN BUILDING CODE

*Editor's Note: Article VII (Green Building Code) was adopted in its entirety by Council Order 187-08/09 and passed on 4-6-09)

Sec. 6-165. Purpose.

The purpose of this article is to establish the energy performance requirements for constructing and renovating city buildings and certain publicly-funded building projects with the goal of planning, designing, constructing, and managing to maximize energy performance, minimize adverse environmental impacts, provide healthy work places, conserve natural resources, and promote sustainable development in Portland.

(Ord. No. 187-08/09, 4-6-09; Ord. No. 103-11/12, 2-6-12)

Sec. 6-166. Definitions.

The following words and phrases shall be defined as set forth below for use in this article.

American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standards: ASHRAE is a building technology society which publishes a recognized series of

Sec. 6-154. Allocation of Short Term Rentals.

~~The limitations on the allocation of Non-owner occupied mainland~~ short term rental ~~units~~registrations, which are limited-identified-in by section 6-153(b), shall be allocated ~~each~~ year on a first come, first registered basis. Once the total number of units identified in section 6-153(b) has been reached, a waitlist will be formed to help gauge market demand. The City Manager, or his or her designee, may institute a lottery process at his or her discretion to allocate any registration that becomes available after the formation of the waitlist.

Valid non-owner occupied mainland registrations may be automatically renewed each year upon application and payment of the registration fee, so long as the renewal is complete by January 1 of that year. Failure to renew by January 1 shall result in the forfeiture of the automatic right to renew the registration of a unit, and re-registration shall only be available if the limitations in 6-153(b) have not been reached, or if the applicant is chosen off of the waitlist.



TO: Councilor Jill Duson, Chair
Members of the Housing and Community Development Committee

FROM: Victoria Volent, Housing Program Manager
Housing and Community Development Division

DATED: July 23, 2018

SUBJECT: Proposal to Increase Short Term Rental Registration Fees

Introduction

During the May 21 meeting of the City Council, by a passage of 5 – 3, the City Council referred Order 225-17/18 (introduced by Mayor Ethan Strimling) to increase fees for registering short term rental units, and direct revenue related to the fee increase to the Housing Trust Fund. These changes would be effective January 1, 2019. The Council further ordered the Housing Committee to review the issue and provide its final recommendation to the Council.

Order 225-17/18

The *Order Referring a Proposal to Increase Short Term Rental Registration Fees to the Housing Committee* proposes to increase the fees for registering a short term rental unit to \$500 for the 1st unit; \$1,000 for the 2nd unit; \$2,000 for the 3rd unit; \$3,000 for the 4th unit; and \$5,000 for the 5th unit. The fee increase shall be applied to; an Owner-Occupied Single Family Home or Tenant Occupied Unit; Multi-Unit Owner-Occupied Buildings, and Island Short Term Rentals; and Multi-Unit Non-Owner Occupied Buildings.

Order 225-17/18 appeared as Amendment 3 to the Fiscal Year 2018 – 2019 Municipal Budget Order 218-17/18 Appropriation Resolve Prepared by Corporation Counsel for Mayor Strimling.

Section 6-152 Registration Fees

Upon initial registration, and by January 1st of each year, registrants of short term rentals shall pay the City a registration fee for each rental unit in the amounts set forth in Section 6-152 (c); Short Term Rental Registration Fee Structure.

The following chart is a redlined version of the current fee schedule with the proposed fee increases in red.

Owner Occupied Single Family Home, or Tenant Occupied	\$100 <u>500</u>
Multi-Unit Owner Occupied Building, Island Short Term Rentals	1 st Unit - \$100 <u>500</u> 2 nd Unit - \$250 <u>1,000</u> 3 rd Unit - \$500 <u>2,000</u> 4 th Unit - \$1,000 <u>3,000</u> 5 th Unit - \$2,000 <u>5,000</u>
Multi-Unit Non-Owner Occupied Building	1 st Unit - \$200 <u>500</u> 2 nd Unit - \$500 <u>1,000</u> 3 rd Unit - \$1,000 <u>2,000</u> 4 th Unit - \$2,000 <u>3,000</u> 5 th Unit - \$4,000 <u>5,000</u>

Recommendation

The Housing Committee may review and discuss the fee schedule amendment, and consider a motion to recommend or not recommend the amendment to the City Council or table the amendment for further review.

Attachments

Order 225-17/18 Order Referring a Proposal to Increase Short Term Rental Registration Fees to the Housing Committee

Chapter 6, Article VI, Residential Rental Unit Registration Requirements

Order 225-17/18

Passage: 5-3 (Mavodones, Costa, Duson) on 5/21/2018

Effective 5/31/2018

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 REFERRING A PROPOSAL TO INCREASE
SHORT TERM RENTAL REGISTRATION FEES TO THE HOUSING COMMITTEE**

ORDERED, that the City Council hereby refers a proposal to increase the fees for registering short term rental units to \$500.00 for the 1st unit, \$1,000 for the 2nd unit; \$2,000 for the 3rd unit, \$3,000 for the 4th unit and \$5,000 for the 5th unit, increasing revenues by \$250,000 in the Permitting and Inspections Department account 100-25-03, and that the revenue from the increase be allocated to the Housing Trust Fund, to the Housing Committee; and

BE IT FURTHER ORDERED, that the Housing Committee review the issue and provide its final recommendation to the City Council.



MEMORANDUM

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Mary Davis, Housing & Community Development Division Director

DATE: July 27, 2018

SUBJECT: Reconsideration of the Housing Committee’s HOME Funding Recommendations

At Councilor Duson’s request, this item is returned to the agenda as a motion to reconsider the HOME funding recommendations approved by the Housing Committee at the June 27, 2018 meeting.

The total HOME funding available for affordable housing development is \$1,080,174. At the June 5, 2018, the Committee recommended \$200,000 in funding for the Avesta Deering Place project, which left \$880,174 in available funding.

Staff recommendations and Committee recommendations from the June 27th meeting are noted in the table below.

	Staff Recommendations	6/27 Committee Recommendations
PHA Front Street	\$510,174	\$580,174
178 Kennebec Street	\$370,000	\$0.00
Avesta 977 Brighton Avenue	\$0.00	\$300,000

A brief overview of each project and their HOME funding request is noted below.

FRONT STREET:

The Front Street development proposal includes 111 units broken down as follows:

Front Street		
1-Bedroom Units (29)	at or below 40% area median income	0
	at or below 50% area median income	7
	at or below 50% area median income PBV	11
	at or below 60% area median income	0
	Market Rate	11
2-Bedroom Units (38)	at or below 40% area median income	0
	at or below 50% area median income	19
	at or below 50% area median income PBV	7
	at or below 60% area median income	0
	Market Rate	12
3-Bedroom Units (27)	at or below 40% area median income	0
	at or below 50% area median income	5
	at or below 50% area median income PBV	19
	at or below 60% area median income	3
	Market Rate	0
4-Bedroom Units (13)	at or below 40% area median income	0
	at or below 50% area median income	0
	at or below 50% area median income PBV	13
	at or below 60% area median income	0
	Market Rate	0
5-Bedroom Units (4)	at or below 40% area median income	0
	at or below 50% area median income	0
	at or below 50% area median income PBV	4
	at or below 60% area median income	0
	Market Rate	0
Total Units		111

In their HOME Application, the Portland Housing Development Corporation requested a total of \$1,431,268 in funding for this project. Their Housing Trust Fund Application which was recently submitted requests a total of \$1,435,174.

Staff recommended \$510,174 in HOME funding and anticipated additional funding from the Housing Trust Fund at a later date.

178 KENNEBEC STREET:

Initially the 178 Kennebec Street proposal included 46 1-bedroom units. The developer made revisions to the project which now includes 5 efficiency units and 46 1-bedroom units (51 total units) for households aged 55 and over, broken down as follows:

178 Kennebec Street		
Efficiency Units (5)	at or below 50% area median income	3
	at or below 60% area median income	2
1-Bedroom Units (46)	at or below 40% area median income	0
	at or below 50% area median income	15
	at or below 60% area median income	21
	Market Rate	10
Total Units		51

The developer’s HOME funds request was \$400,000. Staff negotiated and recommended \$370,000.

977 BRIGHTON AVENUE:

Avesta Housing Development Corporation 977 Brighton Avenue proposal includes 40 1-bedroom units for households aged 55 and over, broken down as follows:

977 Brighton Avenue		
1-Bedroom Units (40)	at or below 50% area median income	24
	at or below 60% area median income	10
	Market Rate	6
Total Units		40

The developer requested HOME funds of \$300,000. Staff did not recommend this project for funding.

STAFF RECOMMENDATIONS

Staff funding recommendations remain the same as those made at the June 27th meeting.

	Staff Recommendations
PHA Front Street	\$510,174
178 Kennebec Street	\$370,000
Avesta 977 Brighton Avenue	\$0

ATTACHMENTS

The HOME funding packet from the June 26th meeting is attached.



Planning & Urban Development Department

MEMORANDUM

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Mary Davis, Housing & Community Development Division Director

DATE: June 21, 2018

SUBJECT: **Affordable Housing Development HOME Funding Requests**

At the Housing Committee meeting on March 28, 2018, the Committee approved application criteria for staff to identify and recommend eligible development projects to apply for HOME Funding. The application went out to the public on March 30th and proposals were due on April 30th. Four proposals were received. Staff recommendations were reviewed by the Housing Committee on June 5th. The Committee took action on the Deering Place funding request on June 5th, but postponed action on the Front Street, 178 Kennebec Street and 977 Brighton Avenue requests until the June 27th meeting.

The proposals were reviewed by staff according to the selection criteria stated in the 2018 Affordable Housing Development HOME Fund Application (Section IV, page 11, a copy of which is attached). Initially staff scored the applications with a caveat that the scores were pending underwriting information. Staff re-evaluated the scoring after review of the underwriting reports.

Selection Criteria/Maximum Value	Deering Place	Front Street	178 Kennebec Street	977 Brighton Avenue
Proposed Use of Funds (Assigned weight: 30)	26.0	27.0	25.7	23.7
Financial Feasibility (Assigned weight: 25)	21.0	21.3	19.7	19.3
Applicant's Ability to Complete Project (Assigned weight: 25)	24.7	20.7	21.3	20.7
Impact on Surrounding Neighborhood (Assigned weight: 20)	18.7	19.7	19.3	18.7
TOTALS	90.3	88.7	86.0	82.3

STAFF RECOMMENDATIONS

Staff was impressed with the quality of all four applications, agreeing that each application had strengths and weaknesses across the scoring categories. All four proposals are quality projects that are in line with the City's goals for housing.

It should be noted, that any recommendation for City HOME funding from the Housing Committee to the Council is not the same as approval of any new development project. After carefully weighing the potential benefits and impacts on the City and surrounding neighborhood the Planning Board will ultimately determine if a project meets the City's site plan ordinance. Any funding awarded will be contingent on the project's final approval by the Planning Board.

Total HOME funding available for affordable housing development is \$1,080,174. The four proposals requested \$1,741,540 in funding.

Deering Place

At the June 5th meeting, the Committee voted 3-0 to recommend the additional \$200,000 in HOME funding. The funding recommendation will be included on the July 16 and August 13 Council Agendas.

Front Street

As stated in the developer's application "Front Street is currently a 50-unit Public Housing community in the East Deering neighborhood of Portland, Maine. The project was built in 1971 as part of Portland's Urban Renewal effort and the creation of Franklin Arterial to connect the interstate with the Downtown tourist area of the Portland peninsula. Over 200 residential structures, considered a blighted area, were taken by eminent domain and demolished in Portland's Bayside neighborhood. A portion of those families were moved to temporary housing at Front Street....."

"47 years later, this "temporary" housing was identified in Portland Housing Authority's Strategic Vision Plan of 2015 as the top priority for re-development due to deterioration of buildings due to poor construction quality and structural issues due to poor soils."

"PHA is proposing a single phase approach to not only demolish and re-develop the existing 50 units of housing, but add an additional 61 units of mixed-income family rental housing....."

Front Street		
1-Bedroom Units (29)	at or below 50% area median income	7
	at or below 50% area median income PBV	11
	Market Rate	11
2-Bedroom Units (38)	at or below 50% area median income	19
	at or below 50% area median income PBV	7
	Market Rate	12
3-Bedroom Units (27)	at or below 50% area median income	5
	at or below 50% area median income PBV	19
	at or below 60% area median income	3
4-Bedroom Units (13)	at or below 50% area median income PBV	13
5-Bedroom Units (4)	at or below 50% area median income PBV	4
Total Units		111

This project is seeking 4% Low Income Housing Tax Credit and tax-exempt debt with Maine Housing. It will not proceed on the same timetable as the other three proposals who will be seeking 9% Low Income Housing Tax Credits. The developer has engaged in significant public outreach in the East Deering Neighborhood. A neighborhood meeting was held on November 7, 2017 and the Planning Board held a workshop on November 14, 2017. The Planning Department has made significant commitments to the neighborhood to ensure that the design of the project is contextual to the neighborhood. To ensure these commitments are met, staff is recommending funding for this project.

As you may recall, in the June 5th Committee memo staff recommended funding for this project at \$480,174. The current funding recommendation includes an additional \$30,000 from a negotiated reduction in the funding recommended to the 178 Kennebec Street project.

Staff Recommendation - HOME funds \$510,174; 0% interest rate loan, deferred for 30 years;

Total City HOME Investment of \$510,174/unit - \$4,596.

Total City HOME Investment of \$510,174/affordable unit - \$5,798.

At a later date, developer has indicated that they will seek additional city assistance through an affordable housing tax increment financing district/credit enhancement agreement as well as funding from the Housing Trust Fund in an amount up to \$831,366 (total city HOME and HTF investment requested \$1,341,540).

Staff is recommending that the City partially fund their HOME request at \$510,174, with additional funds up to their full request to be provided if HOME funds become available due to other projects not moving forward or similar circumstances.

178 Kennebec Street

The site is a portion of the former Public Works facility which was marketed for sale in the beginning of 2017. In the fall of 2017, the City Council approved a Purchase and Sale

Agreement for the 178 Kennebec Street. The proposed development is one step towards the City’s goal of redeveloping the Public Works site in the Bayside neighborhood.

As stated in the developer’s application, the project “...includes ground-level retail and/or artist studio space with 46 units of housing on the upper floors. The housing will be rental; all 1-bedroom units, set aside for households whose head of household is aged 55+.

“We expect the income mix targeted for this development will be 22% market rate, and 78% affordable (aimed at those at or below 60% of the area median income), creating economic diversity both in the building and in the neighborhood.”

Since the June 5th Housing Committee meeting, staff met with the developer to discuss the underwriting memo, particularly as it relates to the developer fee, loan amount and term of loan. Based on those discussions, the developer agreed to reduce their request from \$400,000 to \$370,000 in return for a more favorable term on the loan (0% interest with cashflow repayment to 0% interest, deferred for 30 years). Staff reviewed this proposal with the underwriter who indicated that the change in loan term was reasonable in the context of a smaller HOME investment.

178 Kennebec Street		
1-Bedroom Units (46)	at or below 40% area median income	0
	at or below 50% area median income	15
	at or below 60% area median income	21
	Market Rate	10
Total Units		46

Staff Recommendation – HOME funds: \$370,000, 0% interest rate loan, deferred for 30 years.

Total City HOME Investment of \$370,000/unit - \$8,044.

Total City HOME Investment of \$370,000/affordable unit = \$10,278

977 Brighton Avenue

Avesta Housing submitted two projects for funding. As mentioned above, additional funding was recommended for the Deering Place project. At this time staff does not recommend HOME funding the project at 977 Brighton Avenue. The underwriting report recommended funding for this project, subject to the availability of funds. Staff considered providing a small HOME investment to this project (\$50,000-\$75,000) but ultimately decided that the compliance and regulatory burdens associated with the investment would outweigh the benefit to both the City and the developer. While the project is very promising, we feel there are two reasons not to recommend funding this year:

- (1) Of the four projects, this one scored the lowest in the staff assessment, and there are not sufficient funds to provide HOME support for all four project
- (2) Avesta Housing submitted two HOME funding requests and the Deering Place project is further along in the development process and with funding commitments

That said, staff continues to support the project and will continue to talk with the developer about alternative ways to finance the project.

As part of the Maine State Housing Authority's (MSHA) Qualified Allocation Plan (QAP) application due in September, the developers that plan to apply for LIHTC funding are requesting letters of commitment of support for their projects prior to the September QAP submission deadline. If the Committee agrees with the staff recommendation, this letter would be conditioned on the completion of all standard commitment requirements, and the following additional recommendations:

1. The commitment will be subject to compliance with all HOME Program regulations including, but not limited to, cost allocation, designation of HOME units and compliance with the new HOME Final Rule (effective August 23, 2013) and the Consolidated and Further Continuing Appropriations Acts of 2012 and 2013.
2. The commitment will include the requirement that the environmental review process be satisfactorily completed. The City's agreement to provide funds will be conditioned on the determination to proceed with, modify or cancel the project based on the results of the environmental review.
3. Commitment of funds to be stated as "an amount up to the funding request based on maximization of LIHTC equity raise", to ensure that the City's contribution is leveraged to the maximum extent possible.
4. If applicable, documentation acceptable to the City that the acquisition cost is reasonably related to market value. This is a HOME Program requirement.
5. Commitment should be subject to the projections and assumptions noted in the project budgets and pro-forma submitted and the City reserves the right to reconsider and adjust their commitment if any significant alterations occur in the budget. A final commitment will be subject to a final budget.
6. Commitment will be subject to conditions or requirements noted in the underwriting report.
7. Any substantial changes to the composition of the project, or the financial investment required, will be brought back to the committee and the council for review and approval.

ATTACHMENTS

- Section 1V from the 2018 Affordable Housing Development HOME Funds Application
- Front Street Application Overview
- 178 Kennebec Street Application Overview
- 977 Brighton Avenue Application Overview

- 19) A 15-year operating pro forma for the project with inflators of 2% on income and 3% on expenses
- 20) Evidence of financial commitments, or explanation of the ability and timing to secure those commitments. A statement describing the applicant's capacity for and experience in raising the type of capital needed to finance projects of this size and type.
- 21) Projects serving special needs populations must provide evidence of commitments of support services, and a description of the service provider and funding cycle for those services.
- 22) Applicant must include a management plan for the long-term management of the project including manager's experience and capacity.
- 23) An analysis and discussion of market demand justifying the need for the proposed project.
- 24) **For Renovation of Operational Projects (or projects with operational components) the following items are also required:**
 - Relocation plan budget
 - Description of all current debt, operation subsidies, and services provided (as applicable)
 - Current rent roll
 - 2 years of audits for project property (if available) OR 2 years of management income and expense statements for project property
 - Most recent Quarter internally prepared income and expense statement.

IV. SELECTION PROCESS

Selection criteria will be used in reviewing and scoring the applications.

A. Point System for Evaluating and Scoring Applications (Max 100)

Proposed use of funds to achieve the City of Portland's goals and address demonstrated need. 30 points

Maximum points will be awarded for those applications that demonstrate sufficient market demand, create housing options which promote economic diversity in the neighborhood in which the development is located, are consistent with the Comprehensive Plan, leverage funds efficiently, and include a policy prohibiting smoking.

Financial feasibility, including cost, development budget operating pro forma and the provision of secured and leverage funds. 25 points

Maximum points will be awarded for those applications that include a complete set of financial documents to support the financing request, contain a realistic set of sources and uses development budgets and a pro forma operating budget, include sufficient reserves for operations and maintenance, including pre-funded reserves, and long-term financial sustainability of the project is highly likely.

Applicant's ability to complete project, including development team experience, capacity, project readiness and timeframe for completion. 25 points

Maximum points will be awarded for those applications that demonstrate the readiness of the project to proceed, a development team with a successful track record in projects of similar size, scale, type and complexity to the proposed project and the capacity to fulfill their responsibilities.

Impact on surrounding neighborhood, including design compatibility and environmental issues. 20 points

Maximum points will be awarded for those applications where site selection is appropriate for use, no zoning amendments are required, the design is consistent with neighborhood design characteristics, amenities and unit design are well thought out and appropriate, where no environmental issues have been identified and meet the requirements of the City of Portland's Green Building Ordinance.

B. Evaluation and Selection Process and Timeframe

Applications will be reviewed by an evaluation team that will include City of Portland staff. The following process will be used:

- 1) All applications will be reviewed for completeness. Only complete applications will be reviewed under the scoring factors in order to recommend the most qualified applications based on the information submitted. The application review team may confer with the applicants and/or third parties to clarify or verify information and request additional information.
- 2) Recommendations, along with all applications and scoring information, will be forwarded to the City Council's Housing Committee for review and approval. Their recommendations will be forwarded to the City Council for final review and approval.
- 3) Applicants will be kept informed throughout the review process, specifically in regard to recommendations and funding levels.
- 4) The evaluation and review process should be substantially complete within 30 days of receipt of complete application. Applicants will be notified of their application status as soon as possible.
- 5) Based on City Council approval, successful applicants will receive a letter of funds reservation. A letter of funds reservation is not a commitment letter but an agreement to set aside budgeted funds for up to six months, to allow the project sponsor to proceed with securing other commitments.

**Portland Housing Development Corporation / Front Street Housing Redevelopment, LP
HOME Application
Project Summary**

Front Street Re-Development - Detailed Project Proposal

Summary - Request for Funding

Portland Housing Development Corporation (PHDC) and Front Street Housing Redevelopment, LP are requesting \$841,540 in grant funding from the City of Portland’s HOME program to assist in the re-development of affordable family rental housing in Portland, Maine. PHDC is requesting these HOME funds as a critical early step in securing other funding to replace outdated housing and bring new housing to a mixed-income community.

Project Summary and Description of Housing

Front Street is currently a 50-unit Public Housing community in the East Deering neighborhood of Portland, Maine. The project was built in 1971 as part of Portland’s Urban Renewal effort and the creation of Franklin Arterial to connect the interstate with the Downtown tourist area of the Portland peninsula. Over 200 residential structures, considered a blighted area, were taken by eminent domain and demolished in Portland’s Bayside neighborhood. A portion of those families were moved to temporary housing at Front Street in Portland’s East Deering neighborhood.

47 years later, this “temporary” housing was identified in Portland Housing Authority's Strategic Vision Plan of 2015 as the top priority property for re-development due to deterioration of buildings due to poor construction quality and structural issues due to poor soils. A 2012 Physical Needs Assessment concluded that the buildings are at the end of their useful life, and an Obsolescence Study in 2016 determined that renovations would be costlier than demolition and new construction.

PHA is proposing a single-phase approach to not only demolish and re-develop the existing 50 units of housing, but add an additional 61 units of mixed-income family rental housing that will be durable, beautiful and extremely energy efficient. Please note there is an adjacent 10-unit homeownership project that will be developed on the existing Front Street parcel along Illsley Street, but is not part of the rental housing project and is not part of this application.

Existing Housing Unit Distribution

1-Bedroom	0
2-Bedroom	0
3-Bedroom	25
4-Bedroom	18
5-Bedroom	7
Totals	50

Front Street Utilization

	Sufficient Size	Under Utilized	Over Utilized
1-Bedroom	N/A		
2-Bedroom	N/A		
3-Bedroom	16	7	2
4-Bedroom	10	6	1
5-Bedroom	6	1	0

Proposed Housing Unit Distribution

Unit Type	# units	Square Footage
1-bedroom	29	550
2-bedroom	38	850
3-bedroom	27	1100
4-bedroom	13	1225
5-bedroom	4	1400
Total Units	111	

Population Served

Households currently living at Front Street are Extremely-Low Income, (ELI), or Very-Low Income, (VLI). There are currently 49 occupied units; 35 households, (about 71%), have extremely-low incomes. Current households range in size from one-person to ten-persons. Households are predominantly between three- and six-persons. A unique feature of Front Street is its 4- and 5-bedroom units for larger families. PHA has a public housing waiting list with 1,800 families and several of those on the waiting list are looking for 4- and 5-bedroom units.

PHA is applying to HUD under Section 18 Demolition and Disposition of the Housing Act of 1937 to re-develop Front Street public housing. Section 18 allows all residents the right to compensation for temporary relocation and PHA is pledging 100% Right of Return. Residents will be relocated with Tenant Protection Vouchers in private housing or will be able to move to some of the other 1,000 units of public housing owned by PHA in Portland. We are anticipating at least half of the current families will choose to return to the re-developed Front Street. PHA is pledging 50 Project Based Vouchers to the new project. These will ensure those returning after relocation will have a subsidized unit. 23 units (20%) will be market rate with a goal of protecting existing ELI families while diversifying incomes in the development and neighborhood. The balance of units will be at or below 50% and 60% of Area Median Income.

Proposed Use of Funds, Market Demand and Measures of Success

Our first and foremost measure of success will be 111 new units of affordable housing. Portland has over 3,000 people on the Section 8 waiting list and there are over 13,000 people statewide who often have to wait 3-5 years for an affordable home. This project will clearly have an effect on over a hundred families. Please see the attached market study to understand the market demand.

The Front Street Redevelopment project has partnered with local social service providers to go beyond beautiful new apartments for its residents and provide critical services to help residents thrive in the community. The focus of these services is to enable empowerment and self-sufficiency. The following services are committed to the project and letters of commitment are available upon request:

- Boys and Girls Club of Southern Maine – After School programs
- Goodwill – Employment and job training supportive services
- LearningWorks – English language and literacy programs and YouthBuild Program
- The Opportunity Alliance – Early Head Start Family Visiting Program

Financial Feasibility

There is no doubt that Front Street's legacy of a placing low-income housing on a former City dump with poor structural soils combined with drastic cuts to public housing over the life of the project has left this property in desperate need of redevelopment. It also means the project has costs that many other projects do not have: The size of the site is two City blocks spanning 4 acres. 50 families will be temporarily moved, re-housed and returned, all with financial support required in the Uniform Relocation Act. The project has a DEP VRAP plan for remediation of the soils. Hazardous materials will need to be removed from the buildings prior to demolition.

These initial costs are considered "Seller's costs." PHA has received \$250,000 of CDBG funds from the City of Portland as well as a \$125,000 grant from the TD Charitable Foundation Housing for Everyone competition in 2017. These funds, as well as potential EPA Brownfields funds and PHA non-federal reserves will pay for all "Seller Cost" that are NOT part of this application.

The project has already secured \$3,900,000 of AHP funds from the Federal Home Loan Bank of Boston through our construction lender, Bath Savings. We are applying to MaineHousing for 4% LIHTC and Tax-Exempt Debt and will request a City of Portland Housing Trust Fund 0% loan as well. Please see the attached pro forma development budget, sources and uses, operating budget and 15-year operating pro forma.

Capacity to Develop the Project

The Portland Housing Authority hired Jay Waterman as their Real Estate Development Director over three years ago. Since that time, Bayside Anchor, a 45-unit mixed-income multi-family affordable housing project has been built and occupied. Mr. Waterman is the project manager for the Front Street project. Mark Adelson, PHA's Executive Director, is also integrally involved in the project, assisting with the Relocation Plan for temporary relocation of Front Street families. Our HUD application process is being supported by Joe Schiff, a former HUD deputy undersecretary. Our relocation planning is being supported by Andrew Daniels of MAPPLAN Partners. Gary Vogel of Drummond Woodsum is our legal counsel. Our property management firm will be Avesta Housing.

PHA has assembled a top-notch design team for the project, including Utile Architecture and Planning from Boston, Carroll Associates Landscape Architects, Allied Engineering, Ransom Environmental Consulting, and Thornton Tomasetti to assist with Passive House certification.

Neighborhood and Design Compatibility

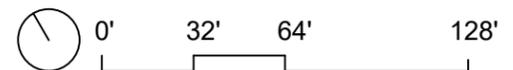
Front Street has been affordable public housing for the last 47 years. The project has been a low-density development that has the potential for significantly more density with the Division 30 changes. We feel the proposed design will have a more connective fabric with the surrounding neighborhood than the existing building. Walkability, scale, connectivity and permeability are all part of the design. We have worked with City planning and urban design staff for the last 18 months on this project and will continue to work with them as we bring this to the planning board in the Summer of 2018.



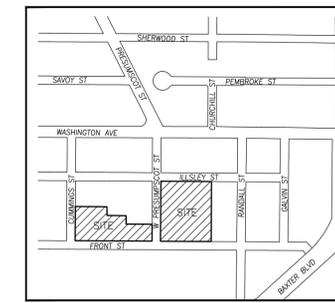
DISCLAIMER: These plans are conceptual only. They have not been subject to a comprehensive code and regulatory review, nor have they been tested against any as-built surveys. Discoveries in such an analysis may result in fundamental changes to the original concept.



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- | EXISTING | PROPOSED |
|--------------------------------|---------------------------|
| PROPERTY LINE | PROPERTY LINE |
| DECIDUOUS TREE (preserved) | SETBACK LINE |
| DECIDUOUS TREE (to be removed) | LIMIT OF WORK LINE |
| CURB | DECIDUOUS TREE |
| EDGE OF PAVING | SHRUBS |
| BUILDING OUTLINE | PERENNIALS / GROUND COVER |
| POLE LIGHT | ASPHALT PAVEMENT |
| FIRE HYDRANT | CONCRETE PAVERS |
| MANHOLE | EDGE OF PAVING |
| ELEC / GAS METER | GRANITE CURB |
| UTILITY POLE | SLIPFORM CONCRETE CURB |
| STREET LIGHT | CROSSWALK STRIPING |
| SIGN | LIGHT |
| CATCH BASIN | TRAFFIC SIGNAGE |
| WATER VALVE /SHUTOFF | CATCH BASIN |
| CHAIN LINK FENCE | SEWER MANHOLE |
| OVERHEAD WIRES | TRANSFORMER |
| UNDERGROUND POWER | BOLLARD |
| WATER LINE | CONTOUR LINE |
| GAS LINE | SPOT ELEVATION |
| TELEPHONE | SITE FEATURE (TBD) |
| STORM DRAIN | BUILDING ENTRY POINTS |
| SANITARY SEWER | |
| 15' CONTOUR LINE | |



LOCATION MAP
SCALE: NTS

APPLICANT:

FRONT STREET REDEVELOPMENT, LP
14 BAXTER BLVD
PORTLAND, MAINE 04101

OWNER:

PORTLAND HOUSING AUTHORITY
14 BAXTER BLVD
PORTLAND, MAINE 04101

FRONT STREET DEVELOPMENT

Project: FRONT STREET DEVELOPMENT

Revisions	Date	Description
2	11.28.2017	FINAL SUBMISSION TO CITY
1	9.15.2017	CITY OF PORTLAND LEVEL II SITE PLAN SUBM.

Scale: AS SHOWN
3/27/2018
INITIAL PRICING DOCS

SITE PLAN

PERMITTING

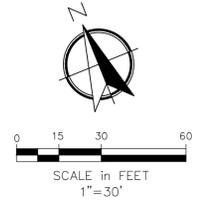
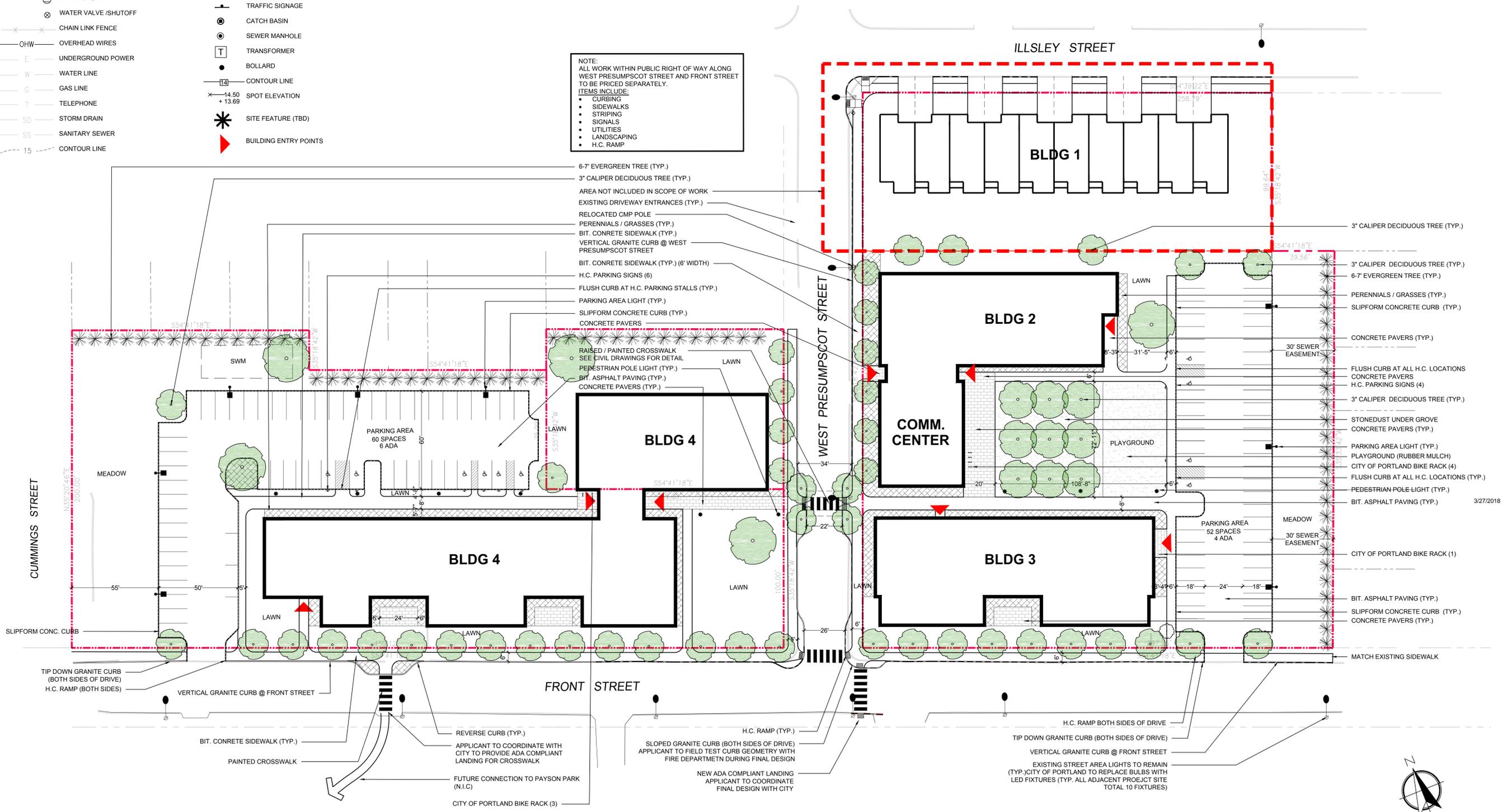
CARROLL ASSOCIATES
LANDSCAPE ARCHITECTS
217 COMMERCIAL STREET, STE 200
PORTLAND, MAINE 04101
207.772.1652 V. F. 207.772.0112

Date: MARCH 14, 2018

Sheet No:

L-1.0

NOTE:
ALL WORK WITHIN PUBLIC RIGHT OF WAY ALONG WEST PRESUMPCOT STREET AND FRONT STREET TO BE PRICED SEPARATELY.
ITEMS INCLUDE:
• CURBING
• SIDEWALKS
• STRIPING
• SIGNALS
• UTILITIES
• LANDSCAPING
• H.C. RAMP



Project Completion Schedule

Activity	Actual/Scheduled Date Month/Year
A. SITE	
Option/Contract	01/05/17
Site Acquisition	06/15/19
Zoning Approval	08/15/18
Site Analysis	10/15/17
B. FINANCING	
Construction Loan Commitment	09/01/18
Permanent Loan Commitment	09/01/18
Other Sources Committed	09/01/18
C. PLANS AND SPECIFICATIONS	
50%	10/15/18
90%	02/01/19
100%	03/15/19
D. CONSTRUCTION LOAN CLOSING	06/15/19
E. CONSTRUCTION START	06/20/19
F. COMPLETION OF CONSTRUCTION	09/01/20
G. LEASE-UP	
Initial Lease-up	09/15/20
Sustained (95%) Occupancy	05/01/21

Please account for application processing - approximately 60 days from the application due date.

DEVELOPMENT ASSUMPTIONS						
Total Units		111	Inflation Adjustments	Yr 1-5	Yr. 6-15	Yr. 16-30
# @ 40% AMI	0.0%	0	Rent	2.00%	2.00%	2.00%
# @ 50% AMI (PBV Low HOME)	45.0%	50	Operating Expense	3.00%	3.00%	3.00%
# @ 50% AMI (LIHTC)	31.5%	35	Other Income	2.00%	2.00%	2.00%
# @ 60% AMI (High HOME)	0.0%	0	Debt Coverage Ratio		1.15	
# @ 60% AMI (LIHTC)	2.7%	3	Vacancy		5%	
# @ Market	20.7%	23				
Appraised Market Value	100.0%	17,190,480	Market Value/Unit		\$154,869	

Pro Forma Development Budget					
	Residential	Per Unit	Commercial	Total	
Site Improvements	1,326,000	11,946			1,326,000
Construction	18,421,902	165,963			18,421,902
Demolition	0	0			0
Builder Overhead	400,000	3,604			400,000
Builder Profit	780,000	7,027			780,000
Bond Premium	50,000	450			50,000
Construction Contingency	5% 1,048,895	9,450			1,048,895
Subtotal Construction Costs	22,026,797	198,440	0		22,026,797
Building Permits and Fees	322,613	2,906			322,613
Survey & Engineering	103,900	936			103,900
Architectural & Design	945,000	8,514			945,000
Legal	73,000	658			73,000
Title & Recording	15,000	135			15,000
Accounting	8,000	72			8,000
Construction Period Tax	2,000	18			2,000
Construction Period Insurance	25,000	225			25,000
Soft Cost Contingency	42,000	378			42,000
Subtotal Soft Costs	1,536,513	13,842	0		1,536,513
Construction Loan Origination Fees	8,500	77			8,500
Construction Loan Interest	700,000	6,306			700,000
Constr Partic. Fee/Perm Loan Fee	282,500	2,545			282,500
Lend Inspec, Const legal, Letter of Credit	28,750	259			28,750
Subtotal Finance Costs	1,019,750	9,187	0		1,019,750
Market Survey	5,200	47			5,200
Appraisal	6,000	54			6,000
Environmental Study	13,500	122			13,500
LIHTC Fees/ prepd monitor	142,625	1,285			142,625
Commissioning	47,080	424			47,080
FF&E	89,000	802			89,000
Subtotal Miscellaneous	303,405	2,733	0		303,405
Acquisition: Buildings	0	0			0
Acquisition: Land	0	0			0
Acquisition: Legal	0	0			0
Subtotal Acquisition	0	0	0		0
Operating Deficit Escrow	925,000	8,333			925,000
Pre-funded Replacements	196,519	1,770			196,519
Tax & Insurance Escrow	126,592	1,140			126,592
Working Capital / Relocation	0	0			0
GP Contribution	0	0			0
Developer Overhead	2,000,000	18,018			2,000,000
Developer Profit	1,900,000	17,117			1,900,000
Rent-up & Marketing	50,000	450			50,000
Subtotal Fee and Reserves	5,198,111	46,830	0		5,198,111
Total Project Costs	30,084,575	271,032	0		30,084,575
Total Development Costs (MSHA)	28,526,950	257,000			
Total Development Cost (MSHA) Index		208,190			

LIHTC Alloc.	933,564
Equity yield	0.89
Synd. %	99.99%
Equity Raise	8,307,892

Historic Credit FED	0
Equity yield	0.95
Synd. %	99.99%
Equity Raise	0

Historic Credit STATE	0
Equity yield	0.88
Synd. %	99.99%
Equity Raise	0

Total Equity:	8,307,892
---------------	-----------

Gross Square Footage	132,000
Construction Cost/Sq ft.	\$158.92

Front Street Re-Development - Sources and Uses		
Sources		
Development Fee Loan	2,400,000	
Tax Exempt Bond Loan	14,045,415	
AHP Loan	3,400,000	
FHLB Subsidy	500,000	
City Housing Trust Funds	589,728	
City HOME Funds	841,540	
Net Syndication	8,307,892	933,564 Credit Allocation
Sponsor Loan	0	
Total	30,084,575	
Uses		
Construction	22,026,797	\$158.92 /sf Construction
Soft Costs	1,536,513	
Finance Costs	1,019,750	
Miscellaneous	303,405	
Acquisition	0	
Reserves	1,298,111	
Developer Fee	3,900,000	
Total	30,084,575	271,032 Gross TDC / Unit
		257,000 Adj. TDC / unit
Changes to this pro forma version		
111 units		
Trending at 2% income / 3% expenses		
New LIHTC and PBV rents as of April 2018		
OPEX increased to \$7,700/unit		
No MSHA subsidy		
City HOME funds		
Adjusted TDC Index calculation		
MAXIMUM DEVELOPER FEE AVAILABLE	3,927,686	
ACTUAL DEVELOPER FEE	3,900,000	
% OF MAXIMUM DEVELOPER FEE	99.3%	
NET DEVELOPER FEE COLLECTED	1,500,000	
% OF MAXIMUM DEVELOPER FEE	38.2%	

FLOW OF FUNDS										
Sources	CLC	During Construction				PLC	2018	2019	Total	
	10/15/18	1/13/19	4/13/19	7/12/19	10/10/19	12/14/19				
Beginning Cash	0	0	0	0	0	0	3,084,605	2,992,302	0	
Capital Contribution	830,789		0	2,076,973		4,984,735	207,697	207,698	8,307,892	
Construction Loan	1,563,245	5,006,699	5,506,699	3,429,726	5,556,699				21,063,069	Total loan \$XXXXXX incl. \$500k City
GP Bridge Loan									0	
MH Subsidy	0					0			0	
Tax Exempt Bond Loan						14,045,415			14,045,415	
Conventional First Mortgage									0	
AHP Loan						3,400,000			3,400,000	
Seller Note						0			0	
City Housing Trust Fund	294,864					294,864			589,728	
City FedHOME	420,770		0			420,770			841,540	
AHP Subsidy	0	500,000							500,000	
Development Fee Loan						2,400,000			2,400,000	
TOTAL SOURCES	3,109,668	5,506,699	5,506,699	5,506,699	5,556,699	25,545,784	3,292,302	3,200,000	51,147,644	
Uses										
Acquisition	0								0	
Construction		5,506,699	5,506,699	5,506,699	5,506,699				22,026,797	
Soft Costs	1,536,513	0	0	0	0	0			1,536,513	
Financing Costs	1,019,750								1,019,750	
Miscellaneous	303,405								303,405	CLC
Dev Fee	250,000								3,900,000	PLC
Reserves					50,000	1,248,111	300,000	3,200,000	1,298,111	8609
TOTAL DEV. COSTS	3,109,668	5,506,699	5,506,699	5,506,699	5,556,699	1,398,111	300,000	3,200,000	30,084,575	Stabilized
Repay GP Bridge Loan						0			0	
Repay Construction Loan						21,063,069			21,063,069	
Other Syndication Costs	0								0	
SUBTOTAL OTHER ITEMS	0					21,063,069			21,063,069	
TOTAL USES OF FUNDS	3,109,668	5,506,699	5,506,699	5,506,699	5,556,699	22,461,179	300,000	3,200,000	51,147,644	
Ending Cash	0	0	0	0	0	3,084,605	2,992,302	0	0	

PROJECT FINANCING							
Source	Amount	Rate	Term	Lien	Annual D/S		
					Yr. 1-5	Yr. 6-15	Yr. 16-30
Source 1: MH Subsidy	0	0.00%	30	First	0	0	0
Source 2: Tax Exempt Bond Loan	14,045,415	5.50%	30	First	772,498	772,498	772,498
Source 3: AHP Loan	3,400,000	5.00%	30	First	219,023	219,023	219,023
Source 4: Seller Note	0	0.00%	30		0	0	0
Source 5: City Housing Trust Fund	589,728						
Source 7: City FedHOME	841,540	0.00%	30	Third	0	0	0
Source 8: AHP Subsidy	500,000			Third		Grant	
Source 9: Development Fee Loan	2,400,000			cash flow	0	0	0
Source 10: Net Syndication	8,307,892	\$0.89					
Capitalization Gap	0						
Total	30,084,575						

COLLATERAL COVERAGE		
	Total	Per Unit
Projected Mortgage	14,045,415	126,535
Appraised Market Value	17,190,480	154,869
Loan to Value Ratio	82%	
Market Rent Differential	248,892	187
Subsidy per Low Income Unit		0

PROPOSED RENT SCHEDULE									
Type	AMI	# Units	Rents from Applicant	Program Max Rents	Gross Rent	Market Rent	Utility Allow.	Total Rent	
0BR	40% LIHTC	0				\$1,000	0	0	
	50% LIHTC PBV	0	788	788	788	\$1,000	0	0	
	50% LIHTC	0	788	788	788	\$1,000	0	0	
	60% HOME	0				\$1,000	0	0	
	60% LIHTC	0	946	946	946	\$1,000	0	0	
	Market	0	\$900	\$900	900	\$1,000	0	0	
1BR	40% LIHTC	0				\$1,100	0	0	
	50% LIHTC PBV	7	845	845	845	\$1,100	0	70,980	
	50% LIHTC	11	845	845	845	\$1,100	0	111,540	
	60% HOME	0				\$1,100	0	0	
	60% LIHTC	0	1014	1014	1,014	\$1,100	0	0	
	Market	11	\$990	\$990	990	\$1,100	0	130,680	
2BR	40% LIHTC	0				\$1,300	0	0	
	50% HOME	0				\$1,300	0	0	
	50% LIHTC PBV	7	1013	1013	1013	\$1,300	0	85,092	
	50% LIHTC	19	1013	1013	1,013	\$1,300	0	230,964	
	60% LIHTC	0	1216	1216	1216	\$1,300	0	0	
	Market	12	\$1,170	\$1,170	1,170	\$1,300	0	168,480	
3BR	40% LIHTC	0				\$1,600	0	0	
	50% LIHTC	5	1171	1171	1,171	\$1,600	0	70,260	
	50% LIHTC PBV	19	1171	1171	1,171	\$1,600	0	266,988	
	High HOME	0				\$1,600	0	0	
	60% LIHTC	3	1,406	1,406	1,406	\$1,600	0	50,616	
	Market	0	\$1,440	\$1,440	1,440	\$1,600	0	0	
4BR	50% LIHTC	0	1307	1307	1,307	\$1,900	0	0	
	50% LIHTC PBV	13	1307	1307	1,307	\$1,900	0	203,892	
	60% HOME	0				\$1,900	0	0	
	60% LIHTC	0	1569	1569	1,569	\$1,900	0	0	
	Market	0	\$1,615	\$1,615	1,615	\$1,900	0	0	
	5BR	50% LIHTC	0	\$1,442	\$1,442	\$1,442	\$2,200	0	0
50% LIHTC PBV	4	\$1,442	\$1,442	\$1,442	\$2,200	0	69,216		
60% HOME	0				\$2,200	0	0		
60% LIHTC	0	\$1,731	\$1,731	\$1,731	\$2,200	0	0		
Market	0						0		
Other:								0	
Subtotals		111						1,458,708	
# PBVs	50		Vacancy Rate	5%				-96,167	
			Other Income	PBV-HAP Diff.				464,628	
			Other Income	Laundry				11,100	
			Other Income	75% TIF				146,138	
			Effective Gross Income					1,984,407	

AFFORDABLE MORTGAGE CALCULATION			
Effective Gross Income			1,984,407
Annual Operating Expense			858,060
Stabilized NOI			1,126,346
DSC	1.15		146,915
\$ Avail for D/S			979,432
Other DS			772,498
Balance			206,934
Affordable Mortgage		5.50%	3,037,129

BREAKEYEN ANALYSIS:	RENT SENSITIVITY		OCCUPANCY	
	Total		Annual	
Operating Expense	858,060		Gross Revenues	1,934,436
Debt Service	991,521			
Breakeven Rent	1,389		Breakeven Occupancy	96%

OPERATING EXPENSES		
Expense	Residential Annual	Annual Per Unit
Administrative Expenses:		
Management Fees	109,630	988
Management Charges	109,630	988
Marketing Expenses	500	5
Legal Expenses	4,000	36
Auditing Expenses	7,000	63
Other Administrative Expenses	0	0
Administrative Expenses	230,760	2,079
Operating Expenses:		
Janitorial Payroll	0	0
Janitorial Supplies and Equipment	0	0
Janitorial Contractual Services	40,000	360
Natural Gas Heat & HW	45,000	405
Electricity	50,000	450
Water and Sewer	42,000	378
Garbage and Trash Removal	35,000	315
Vehicle and Equipment Expenses	0	0
Other Operating Expenses	0	0
Operating Expenses	212,000	1,910
Maintenance Expenses:		
Grounds Maintenance Payroll	0	0
Grounds Tools and Supplies	0	0
Grounds Contractual Services	18,000	162
Miscellaneous Ground Maintenance	0	0
Tenant Damage Charges - Grounds	0	0
Building Maintenance Payroll	0	0
Building Tools and Supplies	5,500	50
Building Contractual Services	45,000	405
Building Systems Maintenance	42,000	378
Miscellaneous Building Maintenance	500	5
Tenant Damage Charges - Building	0	0
Maintenance Expenses	111,000	1,000
General Expenses:		
Property Taxes	194,850	1,755
Property and Liability Insurance	25,000	225
Tenant Computer Network Expense	2,500	23
Tenant Service Expenses	32,000	288
General Expenses	254,350	2,291
Replacement Reserve Funding	49,950	450
Commercial Expenses (if applicable)	0	0
Total	858,060	7,730
Operating Cost per unit without Replacement Reserve		7,280
Social Service Multi-Use Space portion of rent	0	

0 check versus OPEX;

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT													
0 Months													
	PLC	12/14/19	0	12	24	36	48	60	72	84	96	108	120
		12/31/19	12/30/20	12/30/21	12/30/22	12/31/23	12/30/24	12/30/25	12/30/26	12/31/27	12/30/28	12/30/29	
Effective Gross Income		0	2,024,095	2,064,577	2,105,868	2,147,986	2,190,945	2,234,764	2,279,460	2,325,049	2,371,550	2,418,981	
Less Operating Expense		0	883,802	910,316	937,626	965,754	994,727	1,024,569	1,055,306	1,086,965	1,119,574	1,153,161	
Net Operating Income		0	1,140,293	1,154,261	1,168,243	1,182,231	1,196,218	1,210,195	1,224,154	1,238,084	1,251,976	1,265,819	
Less RLP Repay		0	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	
Less Other Repay		0	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	
Cash Flow		0	148,772	162,740	176,722	190,710	204,697	218,674	232,633	246,563	260,455	274,298	
Cash Flow per Unit		#DIV/0!	1,340	1,466	1,592	1,718	1,844	1,970	2,096	2,221	2,346	2,471	
Debt Coverage Ratio(RLP)		0.00	1.15	1.16	1.18	1.19	1.21	1.22	1.23	1.25	1.26	1.28	
MH Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	
Tax Exempt Bond Loan	14,045,415	#NUM!	13,856,211	13,656,334	13,445,182	13,222,120	12,986,475	12,737,539	12,474,560	12,196,747	11,903,263	11,593,225	
Principal Balance(RLP)	14,045,415	#NUM!	13,856,211	13,656,334	13,445,182	13,222,120	12,986,475	12,737,539	12,474,560	12,196,747	11,903,263	11,593,225	
Operating Reserve Balance		925,000	971,250	1,019,813	1,070,803	1,124,343	1,180,560	1,239,588	1,301,568	1,366,646	1,434,979	1,506,728	1,582,064

Total Cash Flow
Projected over 12 Yrs
2,706,143

Yr 15													
		12/30/30	12/31/31	12/30/32	12/30/33	12/30/34	12/31/35	12/30/36	12/30/37	12/30/38	12/31/39	12/30/40	
Effective Gross Income		2,467,360	2,516,708	2,567,042	2,618,382	2,670,750	2,724,165	2,778,648	2,834,221	2,890,906	2,948,724	3,007,698	
Less Operating Expense		1,187,756	1,223,389	1,260,090	1,297,893	1,336,830	1,376,935	1,418,243	1,460,790	1,504,614	1,549,752	1,596,245	
Net Operating Income		1,279,604	1,293,319	1,306,951	1,320,489	1,333,920	1,347,230	1,360,406	1,373,431	1,386,292	1,398,972	1,411,454	
Less RLP Repay		772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	
Less Other Repay		219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	
Cash Flow		288,083	301,798	315,430	328,968	342,399	355,709	368,884	381,910	394,771	407,451	419,932	
Cash Flow per Unit		2,595	2,719	2,842	2,964	3,085	3,205	3,323	3,441	3,556	3,671	3,783	
Debt Coverage Ratio(RLP)		1.29	1.30	1.32	1.33	1.35	1.36	1.37	1.39	1.40	1.41	1.42	
MH Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	
Tax Exempt Bond Loan	11,593,225	11,265,698	10,919,695	10,554,176	10,168,038	9,760,119	9,329,191	8,873,954	8,393,039	7,884,996	7,348,296	6,781,322	
Principal Balance(RLP)	11,593,225	11,265,698	10,919,695	10,554,176	10,168,038	9,760,119	9,329,191	8,873,954	8,393,039	7,884,996	7,348,296	6,781,322	
Operating Reserve Balance		1,582,064	1,661,167	1,744,225	1,831,437	1,923,009	2,019,159	2,120,117	2,226,123	2,337,429	2,454,300	2,577,015	2,705,866

		12/30/41	12/30/42	12/31/43	12/30/44	12/30/45	12/30/46	12/31/47	12/30/48	12/29/49
Effective Gross Income		3,067,852	3,129,209	3,191,794	3,255,630	3,320,742	3,387,157	3,454,900	3,523,998	3,594,478
Less Operating Expense		1,644,132	1,693,456	1,744,260	1,796,588	1,850,485	1,906,000	1,963,180	2,022,075	2,082,738
Net Operating Income		1,423,720	1,435,753	1,447,534	1,459,042	1,470,257	1,481,157	1,491,720	1,501,923	1,511,740
Less RLP Repay		772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498	772,498
Less Other Repay		219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023
Cash Flow		432,199	444,232	456,013	467,521	478,736	489,636	500,199	510,402	520,219
Cash Flow per Unit		3,894	4,002	4,108	4,212	4,313	4,411	4,506	4,598	4,687
Debt Coverage Ratio(RLP)		1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51	1.52
MH Subsidy	0	0	0	0	0	0	0	0	0	0
Tax Exempt Bond Loan	6,781,322	6,182,365	5,549,623	4,881,189	4,175,051	3,429,080	2,641,031	1,808,530	929,069	-0
Principal Balance(RLP)	6,781,322	6,182,365	5,549,623	4,881,189	4,175,051	3,429,080	2,641,031	1,808,530	929,069	-0
Operating Reserve Balance		2,705,866	2,841,159	2,983,217	3,132,378	3,288,997	3,453,447	3,626,119	3,807,425	4,197,687



To: Mary Davis, City of Portland
From: Anne Boynton, Urban Ventures, Inc.
Re: Front Street Housing Redevelopment LP
 Developed by Portland Housing Development Corporation (PHDC)
Date: June 3, 2018

Executive Summary

The Front Street Redevelopment will replace 50 units of deteriorated “temporary housing” built in 1971 which is suffering from structural problems with 111 units of new rental housing and a 10 unit homeownership development (which is not part of this request). Due a range of complications including underlying soil contamination and soil structure issues throughout the 4 acre site, size of units (includes 17 units with 4 or 5 bedrooms), zoning constraints limiting project height to 3 stories, and commitments to the neighborhood on design issues, this is quite an expensive development, with a total development cost of \$30 million (which **excludes** all demolition and much of the site work.) The per unit development cost is \$271,032. PHDC is requesting a HOME loan of \$841,540 and is anticipating a Housing Trust Fund request of \$589,728, for a total capital investment from the City of Portland of \$1,431,268.

In order to make use of the 4% LIHTCs and tax exempt bond financing, PHDC is giving up their current property tax exempt ownership structure and is requesting a 75% TIF with an estimated value of \$146,148 in year 1. The TIF will return an estimated \$48,712 to the City in year 1, raising over time, from this property which would not otherwise be on the tax rolls.

Sources and Uses

Sources:		Uses:	
1 st Mortgage	\$14,045,415	Site Improvements	\$1,326,000
AHP 2 nd lien	\$3,400,000	Hard Construction	\$19,651,902
AHP subsidy	\$500,000	Hard Cost Contingency	\$1,048,895
LIHTC Equity	\$8,307,892	Soft & Misc. Costs	\$1,839,918
Deferred Dev Fee	\$2,400,000	Interest & Financing Costs	\$1,019,750
HOME – Portland	\$841,540	Acquisition	0
Housing Trust Fund – Portland	<u>\$589,728</u>	Reserves	\$1,298,111
		Developer Fee	<u>\$3,900,000</u>
Sources of Funds	\$30,084,575	Uses of Funds	\$30,084,576

For analysis of “Uses,” see Development Budget.

Development Budget

The Total Development Cost for this project is very high, particularly considering there is no acquisition cost and the units will ultimately be modest in scale and amenities (for instance, the 5 bedroom units have only 1.5 baths and a total of 1,400 square feet). Of the six projects receiving HOME commitments in the past 2 years, this project costs 32% more per unit than the next most expensive project (Boyd

Street). Unfortunately, most of this additional cost is an outgrowth of the unique site conditions and neighborhood considerations – either directly in construction costs, architectural & engineering expense, and in construction period interest. Short of abandoning the site or reconfiguring for a narrower, taller structure, there is not a lot of room to reduce costs.

Construction Costs:

Over \$1.9 million of the site preparation costs will be borne by the PHA prior to transferring the site to the Front Street LP, including hazardous material removal, demolition of existing structures, removal of contaminated soils, and relocation of existing residents. None of these expenses are included in the project budget. Even so, there is still \$1,326,000 in ADDITIONAL site improvements to be borne by the project to address inadequate soil structures and the extensive soil remediation. Construction techniques to secure the foundation on the old landfill will be more expensive than typical.

The existing development is all larger units and the new development will include 44 units of 3 bedrooms or larger. These larger units also push construction costs up – to the largest units are only 1400 sq ft with 1.5 baths, so they are not over investing in amenities. Construction costs are based on an overall conceptual design estimate by Wright-Ryan, so there is not currently much detail to evaluate in terms of value engineering opportunities.

Soft Costs:

Soft costs are generally in line with other Portland area developments except as related to the extraordinary site conditions which drives up architectural, engineering, and the high total development cost which drives up construction loan interest. Overall high costs also push up soft costs which are calculated on a percentage basis: operating reserve, replacement reserve, and developer fee. Developer fee budgeted at \$3.9 million and is calculated at the maximum allowable by Maine Housing. This works out to 15.64% of total development cost excluding reserves and developers fee. The developer commits to lend 62% of developer fee (\$2.4 million) back to the project for a cash out developer fee of \$1.5 million.

Contingency:

Hard cost contingency is at 5% which is QUITE thin considering the very preliminary stage of development. The costs are estimated based on an October 2018 start date which is not realistic, so there will be construction inflation which needs to be factored in. Also soil conditions can be very difficult to estimate. We should expect these costs to rise over time.

Acquisition:

Acquisition price is ZERO.

Operating Budget & 20 Year Cashflow Projection

Project Income:

The PHA is providing 50 project based vouchers to insure that every returning resident has an affordable unit. There will be 23 market rate 1 and 2 bedroom units, with rents of \$990 & \$1,170 respectively. PHDC states these are discounted 10% vs. true market rate. There will be 38 units affordable at 50% or

60% of AMI with rents ranging from \$880 for a 1 bedroom to \$1,406 for a 3 bedroom. Vacancy is budgeted at 5%.

Operating Expense

Total operating cost per unit is \$7,730, towards the upper end of affordable housing operating costs. However this does not account for the TIF. A property with an equivalent real estate tax subsidy in the form of a PILOT would show operating expenses of \$6,413, exactly in range for affordable housing. Administration is slightly high at \$2,101 per unit. Utilities are currently thin at \$1,234 per unit – given large units and large families, this is inadequate. PHDC has conducted a utility review of comparable units and agrees to increase the utility line item to \$1,527 per unit. Given energy efficient construction and a range of unit sizes, this should be sufficient. Annual contribution to Reserves for Replacement is \$450/unit, which should be sufficient even given the larger units and anticipation of some wear and tear from larger families.

20 Year Cashflow & Debt Service Coverage Ratio (DSCR)

The projected year 1 Debt Service Coverage Ratio (DSCR) is an adequate 1.16. With industry standard inflators of 2% for income and 3% for expense, the projections show the DSCR gradually increasing to 1.43 in year 20.

Since there is a hefty developer fee loan -- \$2.4 mill – which the investors will insist is repaid from cashflow prior to the end of the 15 year tax credit compliance period, there is not a lot of leeway in projected cashflow to retire the City investment in the early years. If the cashflow is divided 75% to the developer fee loan, projections show the developer fee loan fully retired in year 14. Ten percent of cashflow is the minimum which should be retained by the project. If 15% of cashflow goes the City, that would be a repayment of about \$24,000 in the first year, rising to \$50,000 by year 14 when the developer fee loan is fully repaid. The percentage of cashflow paid to the City should be structured to increase at the point the developer fee loan is repaid. If the cashflow share paid to the City rises to 50% when the developer fee is repaid, the full City investment is retired in year 19.

Developer Financials

Portland Housing Authority has submitted audits for FY2014, 2015, 2016 and 2017. Their fiscal year ends 6/30. Their audit as of 6/30/17 showed strong and improving financial health, with current assets of \$13.7 million and current liabilities of \$1.7 million, resulting in a current ratio of 8. The Quick Ratio (cash and cash equivalents divided by current liabilities) is a remarkably healthy 4.9. In 2017, they increased their Net Position by \$1,104,212, as growth in revenues exceeded growth in expenses. This brought their total Net Worth to over \$20 million. Overall, this organization has very strong financial health. This developer has the financial capacity to intervene in a development facing unexpected setbacks and or cost over-runs to keep the development process moving forward. Their financial strength as an organization mitigates the risk of the thin hard and soft cost contingency.

Recommendations

At this time, I recommend a HOME loan in the amount of \$480,174, zero percent interest, payment from cashflow with cashflow waterfall acceptable to City, with the following conditions prior to loan closing:

1. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.
2. Commitment of all sources on terms and conditions acceptable to City of Portland, including acceptable cashflow waterfall, and cashflow projection which shows retirement of developer fee loan and City of Portland loans;
3. Revised operating budget reflective of higher utility costs and cashflow projection satisfactory to City.

Development Budget with Permanent Sources

Date 5/15/2018
 Project Name Front Street
 Project Address _____
 Developer/Sponsor _____

Total Units 111
 Total Square Feet 60,000 incorrect \$1,431,268

	Total	Per Unit	Per Sq Ft
Sources of Funds			
Permanent Financing - 1st Lien	\$14,045,415	\$126,535	\$234
Permanent Financing - AHP Loan \$3.4 mill Subsidy \$500k	\$3,900,000	\$35,135	\$65
Equity (LIHTC/tenant contributions)	\$8,307,892	\$74,846	\$138
Deferred development fee	\$2,400,000	\$21,622	\$40
HOME -- City of Portland	\$841,540	\$7,581	\$14
Housing Trust Fund -- City of Portland	\$589,728	\$5,313	\$10
Total Sources of Funds	\$30,084,575	\$271,032	\$501

Uses of Funds

Hard Costs			
Site Improvements	\$1,326,000	\$11,946	\$22
Rehabilitation		\$0	\$0
New Construction	\$18,421,902	\$165,963	\$307
Contractor's Profit, Overhead, & Gen. Requirements	6.0%	\$1,180,000	\$10,631
Hazardous Materials abatement (if contracted separately)		\$0	\$0
Demolition Cost (if contracted separately)		\$0	\$0
Bond Premium	\$50,000	\$450	\$1
Other		\$0	\$0
Hard Cost Contingency (% of hard costs)	5.0%	\$1,048,895	\$9,450
Total Hard Costs		\$22,026,797	\$198,440

Soft Costs			
Building Permit & Fees	\$322,613	\$2,906	\$5
Survey & Engineering	\$103,900	\$936	\$2
Design & Permitting (% of const exp)	5.0%	\$945,000	\$8,514
Borrower Legal (all closings, excluding syndication legal)	\$73,000	\$658	\$1
Title & Recording	\$15,000	\$135	\$0
Accounting	\$8,000	\$72	\$0
Construction Period Taxes	\$2,000	\$18	\$0
Construction Period Insurance	\$25,000	\$225	\$0
Other: FF&E, Security		\$0	\$0
Other		\$0	\$0
Total Soft Costs		\$1,494,513	\$13,464

Financing Costs			
Construction Loan Origination Fees	\$8,500	\$77	\$0
Construction Period Interest	\$700,000	\$6,306	\$12
Lender Inspection Fees	\$28,750	\$259	\$0
Letter of Credit Fee		\$0	\$0

Permanent Loan Fee	\$282,500	\$2,545	\$5
Construction Lender Legal		\$0	\$0
Other	\$0	\$0	\$0
Total Financing Costs	\$1,019,750	\$9,187	\$17

Miscellaneous			
Market Survey	\$5,200	\$47	\$0
Appraisal	\$6,000	\$54	\$0
Environmental Study	\$13,500	\$122	\$0
LIHTC Fees -- prepaid monitoring	\$142,625	\$1,285	\$2
Other: Commissioning	\$47,080	\$424	\$1
Relocation Costs		\$0	\$0
Other -- FF&E	\$89,000	\$802	\$1
Soft Cost Contingency (% of soft costs excl Dev Fee)	0.99%	\$42,000	\$378
Total Miscellaneous:	\$345,405	\$3,112	\$6

Acquisition			
Acquisition: Buildings	\$0	\$0	\$0
Acquisition: Land	\$0	\$0	\$0
Acquisition: Legal	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Acquisition	\$0	\$0	\$0

Reserves and Developer Fee			
Operating Deficit Escrow	\$925,000	\$8,333	\$15
Prefunded Replacement Reserve	\$196,519	\$1,770	\$3
Taxes & Insurance Escrow	\$126,592	\$1,140	\$2
Developer Overhead	\$2,000,000	\$18,018	\$33
Developer Profit	\$1,900,000	\$17,117	\$32
Rent Up Reserve & Marketing	\$50,000	\$450	\$1
Other	\$0	\$0	\$0
Total Reserves and Developer Fee	\$5,198,111	\$46,830	\$87

Total Uses of Funds	\$30,084,576	\$271,032	\$501
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Developer Fee Analysis: Total Fees: \$3,900,000
Percent of TDC: 15.64% (excluding reserves & developer fee)

Project Operating Pro Forma

Date May 15, 2018
 Project Name Front Street
 Project Address _____
 Developer/Sponsor _____

Rental Income

Unit Type	Number of Units	Per Unit Sq Ft	Total Sq Ft	Restriction on % Median Inc.	Per Unit Monthly Gross Rent	Utility Deductions	Rent Subsidy	Per Unit Monthly Net Rent	Per Unit Net Rent Per Sq Ft	Total Monthly Net Income	Total Annual Net Rent
1 BR	7		PBV	50%	\$845			\$845	#DIV/0!	\$5,915	\$70,980
1 BR	11		0	50%	\$845			\$845	#DIV/0!	\$9,295	\$111,540
1 BR	11		0	market	\$990			\$990	#DIV/0!	\$10,890	\$130,680
2 BR	7		PBV	50%	\$1,013			\$1,013	#DIV/0!	\$7,091	\$85,092
2 BR	19		0	50%	\$1,013			\$1,013	#DIV/0!	\$19,247	\$230,964
2 BR	12		0	market	\$1,170			\$1,170	#DIV/0!	\$14,040	\$168,480
3 BR	5		0	50%	\$1,171			\$1,171	#DIV/0!	\$5,855	\$70,260
3 BR	19		PBV	50%	\$1,171			\$1,171	#DIV/0!	\$22,249	\$266,988
3 BR	3		0	60%	\$1,406			\$1,406	#DIV/0!	\$4,218	\$50,616
4 BR	13		PBV	50%	\$1,307			\$1,307	#DIV/0!	\$16,991	\$203,892
Other	4		PBV	50%	\$1,442			\$1,442	#DIV/0!	\$5,768	\$69,216
Other			0	60%				\$0	#DIV/0!	\$0	\$0
Total:	111		0							\$121,559	\$1,458,708

6.59% budgeted vacancy per pro forma

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

\$48,712 Note: Year 1 is the first full year of stabilized operations

	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income											
Sch. Gross Income - Residential	\$1,458,708	\$13,142	\$1,487,882	\$1,517,640	\$1,547,993	\$1,578,952	\$1,610,532	\$1,642,742	\$1,675,597	\$1,709,109	\$1,743,291
<u>Vacancy Loss</u> 5.0%	(\$72,935)	(\$657)	(\$74,394)	(\$75,882)	(\$77,400)	(\$78,948)	(\$80,527)	(\$82,137)	(\$83,780)	(\$85,455)	(\$87,165)
Other income: PBV/HAP Diff.	\$464,628	\$4,186	\$473,921	\$483,399	\$493,067	\$502,928	\$512,987	\$523,247	\$533,712	\$544,386	\$555,273
Other income (laundry)	\$11,100	\$100	\$11,322	\$11,548	\$11,779	\$12,015	\$12,255	\$12,500	\$12,750	\$13,005	\$13,266
TIF -- 75%	\$146,138	\$1,317	\$149,061	\$152,042	\$155,083	\$158,184	\$161,348	\$164,575	\$167,867	\$171,224	\$174,648
Effective Gross Income	\$2,007,639	\$18,087	\$2,047,791	\$2,088,747	\$2,130,522	\$2,173,133	\$2,216,595	\$2,260,927	\$2,306,146	\$2,352,269	\$2,399,314

Administrative

Management Fee	\$109,630	\$988	\$112,919	\$116,306	\$119,796	\$123,390	\$127,091	\$130,904	\$134,831	\$138,876	\$143,042
Management Charges	\$109,630	\$988	\$112,919	\$116,306	\$119,796	\$123,390	\$127,091	\$130,904	\$134,831	\$138,876	\$143,042
Marketing Expense	\$500	\$5	\$515	\$530	\$546	\$563	\$580	\$597	\$615	\$633	\$652
Legal	\$4,000	\$36	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219
Audit & Accounting	\$7,000	\$63	\$7,210	\$7,426	\$7,649	\$7,879	\$8,115	\$8,358	\$8,609	\$8,867	\$9,133
Tenant Computer network	\$2,500	\$23	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262
Total Administrative	\$233,260	\$2,101	\$240,258	\$247,466	\$254,890	\$262,536	\$270,412	\$278,525	\$286,880	\$295,487	\$304,351

Supportive Services

	\$32,000	\$288	\$32,960	\$33,949	\$34,967	\$36,016	\$37,097	\$38,210	\$39,356	\$40,537	\$41,753
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Utilities

Fuel Oil		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Natural Gas	\$45,000	\$405	\$46,350	\$47,741	\$49,173	\$50,648	\$52,167	\$53,732	\$55,344	\$57,005	\$58,715
Electric	\$50,000	\$450	\$51,500	\$53,045	\$54,636	\$56,275	\$57,964	\$59,703	\$61,494	\$63,339	\$65,239
Water / Sewer	\$42,000	\$378	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$137,000	\$1,234	\$141,110	\$145,343	\$149,704	\$154,195	\$158,821	\$163,585	\$168,493	\$173,548	\$178,754

Maintenance	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Grounds	\$18,000	\$162	\$18,540	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Tools and Supplies	\$5,500	\$50	\$5,665	\$5,835	\$6,010	\$6,190	\$6,376	\$6,567	\$6,764	\$6,967	\$7,176
Janitor Contract	\$40,000	\$360	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191
Security		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trash Removal	\$35,000	\$315	\$36,050	\$37,132	\$38,245	\$39,393	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667
Maintenance	\$42,000	\$378	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800
Elevator, HVAC, pool contracts	\$45,000	\$405	\$46,350	\$47,741	\$49,173	\$50,648	\$52,167	\$53,732	\$55,344	\$57,005	\$58,715
Other --Misc	\$500	\$5	\$515	\$530	\$546	\$563	\$580	\$597	\$615	\$633	\$652
Total Maintenance	\$186,000	\$1,676	\$191,580	\$197,327	\$203,247	\$209,345	\$215,625	\$222,094	\$228,757	\$235,619	\$242,688

Taxes & Insurance											
Real Estate Taxes or PILOT	\$194,850	\$1,755	\$200,696	\$206,716	\$212,918	\$219,305	\$225,885	\$232,661	\$239,641	\$246,830	\$254,235
Payroll Taxes / Fidelity Bond / Workers Comp / Health Ins.		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance (property, liability)	\$25,000	\$225	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Taxes & Insurance	\$219,850	\$1,981	\$226,446	\$233,239	\$240,236	\$247,443	\$254,866	\$262,512	\$270,388	\$278,499	\$286,854

Replacement Reserves	\$49,950	\$450	\$51,449	\$52,992	\$54,582	\$56,219	\$57,906	\$59,643	\$61,432	\$63,275	\$65,173
Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Expenses	\$858,060	\$7,730	\$883,802	\$910,316	\$937,625	\$965,754	\$994,727	\$1,024,569	\$1,055,306	\$1,086,965	\$1,119,574
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Net Operating Income	\$1,149,579	\$10,357	\$1,163,990	\$1,178,431	\$1,192,897	\$1,207,378	\$1,221,869	\$1,236,359	\$1,250,840	\$1,265,304	\$1,279,740
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Debt Service											
First Lien -- Tax Exempt Bond	\$772,498	\$6,959	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498
Second Lien -- AHP Loan	\$219,023	\$1,973	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service (Must Pay)	\$991,521	\$8,933	\$991,521								

Cash Flow (after Must Pay Debt)	\$158,058	\$1,424	\$172,469	\$186,910	\$201,376	\$215,857	\$230,348	\$244,838	\$259,319	\$273,783	\$288,219
Debt Service Coverage Ratio	1.16		1.17	1.19	1.20	1.22	1.23	1.25	1.26	1.28	1.29

Cash Flow Debt Payments	\$1,407,559		\$1,381,689	\$1,353,653	\$1,323,446	\$1,291,068	\$1,256,515	\$1,219,790	\$1,180,892	\$1,139,824	\$1,096,592
City of Portland	15.0%	\$23,709	\$214	\$25,870	\$28,037	\$30,206	\$32,379	\$34,552	\$36,726	\$38,898	\$41,067
Developer Fee Loan	75.0%	\$118,543	\$1,068	\$129,351	\$140,183	\$151,032	\$161,893	\$172,761	\$183,628	\$194,489	\$205,337
Cash Flow Retained by Project	\$15,806	\$142	\$17,247	\$18,691	\$20,138	\$21,586	\$23,035	\$24,484	\$25,932	\$27,378	\$28,822

Retained Cash Flow % 2%

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Income										
Sch. Gross Income - Residential	\$1,778,157	\$1,813,720	\$1,849,994	\$1,886,994	\$1,924,734	\$1,963,229	\$2,002,493	\$2,042,543	\$2,083,394	\$2,125,062
<u>Vacancy Loss</u> 5.0%	(\$88,908)	(\$90,686)	(\$92,500)	(\$94,350)	(\$96,237)	(\$98,161)	(\$100,125)	(\$102,127)	(\$104,170)	(\$106,253)
Other income (laundry)	\$566,379	\$577,707	\$589,261	\$601,046	\$613,067	\$625,328	\$637,835	\$650,591	\$663,603	\$676,875
Other income (laundry)	\$13,531	\$13,801	\$14,077	\$14,359	\$14,646	\$14,939	\$15,238	\$15,543	\$15,854	\$16,171
TIF -- 75%	\$178,141	\$181,704	\$185,338	\$189,045	\$192,826	\$196,683	\$200,616	\$204,628	\$208,721	\$212,895
Effective Gross Income	\$2,447,300	\$2,496,246	\$2,546,171	\$2,597,095	\$2,649,036	\$2,702,017	\$2,756,058	\$2,811,179	\$2,867,402	\$2,924,750

Administrative										
Advertising	\$147,334	\$151,754	\$156,306	\$160,995	\$165,825	\$170,800	\$175,924	\$181,202	\$186,638	\$192,237
Office Payroll & Benefits	\$147,334	\$151,754	\$156,306	\$160,995	\$165,825	\$170,800	\$175,924	\$181,202	\$186,638	\$192,237
Office Supplies, Phone, Misc.	\$672	\$692	\$713	\$734	\$756	\$779	\$802	\$826	\$851	\$877
Mngr or Super Rent Free Unit	\$5,376	\$5,537	\$5,703	\$5,874	\$6,050	\$6,232	\$6,419	\$6,611	\$6,810	\$7,014
Audit & Accounting	\$9,407	\$9,690	\$9,980	\$10,280	\$10,588	\$10,906	\$11,233	\$11,570	\$11,917	\$12,275
Admin Other	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781	\$3,895	\$4,012	\$4,132	\$4,256	\$4,384
Total Administrative	\$313,482	\$322,886	\$332,573	\$342,550	\$352,827	\$363,411	\$374,314	\$385,543	\$397,110	\$409,023

Supportive Services	\$43,005	\$44,295	\$45,624	\$46,993	\$48,403	\$49,855	\$51,351	\$52,891	\$54,478	\$56,112
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Utilities										
Fuel Oil	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electric	\$60,476	\$62,291	\$64,159	\$66,084	\$68,067	\$70,109	\$72,212	\$74,378	\$76,609	\$78,908
Gas	\$67,196	\$69,212	\$71,288	\$73,427	\$75,629	\$77,898	\$80,235	\$82,642	\$85,122	\$87,675
Water / Sewer	\$56,444	\$58,138	\$59,882	\$61,678	\$63,529	\$65,435	\$67,398	\$69,420	\$71,502	\$73,647
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$184,117	\$189,640	\$195,329	\$201,189	\$207,225	\$213,442	\$219,845	\$226,440	\$233,233	\$240,230

Maine Workforce Housing, LLC
482 Congress Street, Suite 203
Portland, ME 04101

Project Summary

Maine Workforce Housing is applying for \$400,000 in City of Portland HOME funding in this application, to fill a gap for a project at 178 Kennebec Street.

Project Team

The principals and staff of Maine Workforce Housing have successfully developed nine (9) mixed-income housing projects in Maine and New Hampshire over the last fourteen (14) years. These properties, the oldest of which has been open since 2004, have never had a single year of operating deficits. All of them are 100% leased with long waiting lists.

We are working with Ross Furman's team to incorporate housing into their multi-phase development of the block. The first phase includes the area closest to Kennebec Street. It includes ground-level retail and/or artist studio space with 46-51 units of housing on the upper floors. The housing will be rental; all 1-bedroom units, set aside for households whose head of household is aged 55+. We've included a concept floor-plan of Phase 1.

The site has some unique advantages for residential development:

- The City has identified the Bayside neighborhood as a priority for redevelopment. Kennebec Street is a prominent street in Bayside, and street-level retail will dovetail well with surrounding buildings.
- A mixed-use residential/retail building will bring new residents to live, work, and shop in Bayside, reinforcing the urban fabric and adding new vitality to the core of the City.
- The site is within walking distance of a variety of services and destinations for daily living (e.g., banks, library, schools, etc.) as well as employers and public transportation.
- The site is within steps of a major park (Deering Oaks Park). Yet, it is also just a minute from an entrance to and exit from I-295, a highway that takes residents throughout Maine.

We expect the income mix targeted for this development will be 22% market rate, and 78% affordable (aimed at those at or below 60% of the area median income), creating economic diversity both in the building and in the neighborhood. Our attached proforma shows a mix of 22% market rate and 78% affordable. If construction costs come down from the conceptual estimate included in our application, this mix may shift slightly. As a business model, we find a more even mix of low-income and market-rate renters is more acceptable to renters and neighbors.

The residents will be a mix of people, incomes, and occupations in Portland. We expect the tenants in income-restricted units will include retired people on social security and also those with jobs at the lower end of the wage scale. The market-rate units are likely to also include retired people, and also professionals who are downsizing from larger homes.

This project, like all of our projects to date, will be completely non-smoking. Smoking will be prohibited both inside units and in the interior and exterior common areas of the project. This will be outlined both

as an addendum to each lease, and also stated in the House Rules. Our Resident Services Coordinator will have materials on tobacco cessation programs available to residents.

The project incorporates smart growth, affordable housing, green building design, brownfield redevelopment, downtown revitalization, urban outdoor recreation, and alternative transportation.

Amenities

We propose to provide our residents with the following amenities:

- Heat and hot water included in rent
- Community room with kitchen
- Coin-operated laundry facility
- Wireless internet throughout the building at no extra charge;
- Resident Services Coordinator on staff;
- Telemedicine room

Resident Services Coordination

Our RSC's mission is to foster an environment in which elderly persons and people with disabilities can live independently and remain in their communities. As this project is proposed to be elderly, and with the Portland Shelter set-aside requirement, we are proposing to increase the number of hours an RSC is on the property. The Low Income Housing Tax Credit Program, as administered by MaineHousing, requires one (1) hour per week for every five (5) low-income units, or six (6) hours in this case. We would schedule an RSC for twelve (12) hours – double what is required. Our experience in other properties with a Homeless Preference has given us an appreciation for the staff levels needed onsite. This is reflected in our operating budget which is part of this application.

Transportation

The site is wonderfully located for service by public transportation. The METRO bus system, with scheduled service all over downtown Portland and connections to the neighboring cities, stops 2/10 of a mile from our site.

Photos and Renderings

We urge you to look at the set of photos of the site and “before” and “after” renderings, found immediately after this Executive Summary. They convey information about the project which simply cannot be expressed in narrative form. Thank you.



Image capture: Aug 2017 © 2018 Google

Portland, Maine



Street View - Aug 2017









178 Kennebec Timeline

April 2018 – July 2018

- Full Site Plan and Subdivision Approval
- City HOME Application
- City Tax Increment Financing Application
- Market study

September 2018

- Submit Affordable Housing Tax Credit Application to MaineHousing

November 2018 – May 2019 (if successful on MaineHousing Application):

- Full design
- Finalize investor agreement
- Finalize construction loan

June 2019:

- Close and begin construction

Summer 2020:

- Open for occupancy

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton
and Robert C.S. Monks, Principals)

04/27/18

46 Resident Units
36 Low-Income Units
10 Market-Rate Units
5 Residential Stories

DEVELOPMENT BUDGET - SOURCES OF FUNDS

Sources of Funds

Equity Raise from Sale of LIHTC	6,192,000					
MaineHousing Mortgage - Interest Only	2,646,603	6.00%	Interest Only	30 years		
MaineHousing Deferred Debt	1,080,000	0%	int., principal and interest deferred until sale or transfer.		30,000 per unit.	1,200,000 per project cap.
Deferred Developer Fee	758,262	Net Fee =	774,939	\$34,939		
City HOME	400,000	30-year deferred loan, in 2nd position				
Furman LLL Buyout of Commercial Space at PLC	829,943					
GAP (EXCESS)	<u>0</u>					
TOTAL	11,906,808					

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton and Robert C.S. Monks, Principals)

46 Resident Units

36 Affordable

10 Market-Rate

Constr. cost/sq. ft. - finished space (not counting demolition, sitework, and contingency)

46,669 Number of square feet of space in building

41,215 Number of square feet of space - finished residential

5,454 Number of square feet of space - vanilla box commercial

Residential square footage, buildout at \$ 175.00 psf

Commercial at \$ 132.00 psf

7,932,553 Total Construction Cost (not including construction contingency)

\$156,796 per residential unit of construction cost

DEVELOPMENT BUDGET - USES OF FUNDS

	Total Funds	Retail Unit Costs	Notes
Land Acquisition	215,000		4,674 per unit 33% 2 points Need to be less than 3,500 to get 3 points
Parking requirement buy-out	80,600		Assuming a need for 0.5 space per unit (23), less the 10 we have onsite (Housing only)
Demolition	0		Existing building, landscaping, etc.
Site Preparation	0		Included in Construction Cost
Off-Site Improvements (paid by Owner)	0		
Construction of finished space	7,932,553	709,020	Includes utility hook-ups and all construction except demolition & site work. See note above re assumed cost per sq. ft.
Construction Contingency	396,628	35,451	5.0% of finished construction cost.
Utility Back-Charges	40,000	3,575	
Furnishings, Fixtures & Equipment	85,000		Common area furnishings, laundry equipment, signage, wi-fi equipment, surveillance cameras, wall hangings, etc.
Architectural and Engineering	299,000	26,725	6,500 per unit 3.77%
Civil Engineering	45,000	4,022	Not included in architect's contract
Landscape Architecture	0	0	Included in Civil Eng. Contract
Geoen지니어ing	10,000	894	Not included in architect's contract. Includes test borings, test pits, soil test processing and report preparations.
Testing and Special Inspections	15,000	1,341	
Legal and Title, Non-TC Related	82,000	7,329	Negotiated fee: land use and title opinions; services in connection with land acquisition; etc. Additional \$15K for condo documentation
Legal, TC Syndication-Related	33,000		Negotiated fee: creation of all documents, provision of due diligence, and conducting closings of LIHTC-related matters
Title Insurance	20,000		Based on our negotiated rate with TICOR title insurance agency for simultaneous owner's and lender's coverage.
Cost Certification/Audit	6,500		Budgeting \$1,000 for Carryover Allocation certification and \$5,500 for final cost certification
Appraisal	7,500		
Surveyor	5,600	501	To establish boundaries
Market Study	6,500		To substantiate demand and determine proper rent levels.
Environmental Testing & Remediation	8,000	715	
City and State Permits and Fees	50,000	4,469	
MSHA Financing Application Fee	2,500		
MSHA Financing Commitment Fee	2,000		Non-refundable, due at execution of commitment
MSHA Financing Fee	52,932		2% of tax-exempt debt amount, due at construction loan close.
MSHA Review Fee	2,500		
Tax Credit Monitoring Fee	36,000		\$1,000 per tax credit unit paid before issuance of an 8609.
Tax Credit Allocation Fee	54,000		7.5% annual allocation of 720,000 798,887
Soft Cost Contingency	50,000	4,469	For unforeseen and/or underbudgeted soft costs
Developer Overhead and Fee (Gross)	1,533,201		MSHA Net Fee formula: \$17,500 for first 20 units, & \$15,000 each unit thereafter Net: 740000
Tax and Insurance Reserve Pre-Funding	64,393		Six months of property taxes and insurance premium expense.
Rent-up Deficit Reserve	46,000		MSHA Max = \$1,000 per unit NTE \$50,000
Operating Reserve	286,500		MSHA requirement, 6 months of operating and residential debt service
Pre-Funding of Replacement Reserve	72,235		1% of cost of construction
City of Portland Legal Fees	15,000		TIF / CEA documents
Construction Loan Orig. Fee	16,298	1,457	0.2% of construction loan but not less than 16,000
Construction Loan Interest	235,168	21,020	Based on loan of \$8.149 million at 4.5% for 14 months (12 month construction)
Letter of Credit Fee for Performance Guaranty	5,000	447	Based on LOC value of \$500,000 at 1%
Constr. Lender, Equity Provider Legal Fees	27,000	2,413	
Constr. Lender Plan Review, Inspection	9,200	822	\$600/inspection for 12 inspections plus \$2000 for plans review
Construction Period Insurance	55,000	4,916	Builder's Risk and General Liability Insurance
Construction Period Taxes	4,000	358	15 months of pre-construction assessment
TOTALS	11,906,808	829,943	

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton and Robert C.S. Monks, Principals)

	50%	32.6%
	60%	45.7%
market	<u>21.7%</u>	
		100%

OPERATING INCOME SCHEDULE

Income From Units

Unit Type	# of Units	Square Footage	Gross Rent	Less Utility Allowance	Net Rent	Gross Potential Monthly Revenue From These Units
0-BR LIHTC unit at/below 50% of AMI	0	500	788	-30	758	-
1-BR LIHTC unit at/below 50% of AMI	15	650	845	-40	805	12,075
0-BR LIHTC unit at/below 60% of AMI	0	500	946	-30	916	-
1-BR LIHTC unit at/below 60% of AMI	21	650	1,014	-40	974	20,454
0-BR Market Rate unit (avg. market rate rent for all 1-BR units within the bldg)	0	500			925	-
1-BR Market Rate unit (avg. market rate rent for all 1-BR units within the bldg)	10	650			1195	11,950
Total Units	46	29,900				44,479

(note that total number of units may not appear to equal the sum of the unit types due to formula rounding)

Gross Annual Revenue from Unit Rents x 12 months = **533,748**

Laundry Income

Based on experience at 53 Danforth at \$15 per unit per month

8,280

SUMMARY OF INCOME

Gross Potential Annual Unit Rental Income	533,748		
Gross Potential Annual Laundry Income	8,280		
Total Gross Potential Annual Income	542,028		
Less Vacancy & Collection Loss at 5%	-26,687		
Property Taxes Returned from The City (TIF)	52,110	75%	CEA
Net Annual Revenue	567,450		

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton
and Robert C.S. Monks, Principals)**46 Resident Units**

41,215 sq. ft. of finished space

OPERATING EXPENSE SCHEDULE**Administrative Expenses**

Management Fee	42,086	8.30%	of gross receipts
Marketing	1,012	\$22	per unit per year.
Legal	2,300	\$50	per unit per year One eviction costs \$650-\$800. Appeals are more.
Management Software Fees	1,557	\$2.8	per unit per month
Audit	6,600		For annual audit of the project in MSHA format and tax return in format required by tax credit investor.
Telemedicine Room	1,800		For dedicated phone service and upgraded internet for the Telemedicine Room
Resident Services Coordination	32,120	Based on	16 hours per week \$35 /hr to the project, 52 weeks per year. Plus \$250/mo for supplies.
Portland Fire Inspection Fee	1,610	\$35	per unit per year **additional RSC hours due to homeless set-aside management

Utilities

Fuel	34,500	\$750	per unit per year
Common Area Electricity	16,100	\$350	pupy. Elevator, laundries, corridor & garage lights.
Water and Sewer	16,100	\$350	per unit per year
On-site phone and internet	8,000		Phone service for elevator/office/alarm and internet access for office

Maintenance Expenses

Elevator Maintenance	6,000		
Contract Maintenance	23,000	\$500	per unit per year. Includes pest control, electrical, plumbing & HVAC repair.
Common Area Cleaning	16,100	\$350	per unit per year 1342 per month
Trash Removal	11,500	\$250	per unit per year 958 per month
Snow Removal	5,000		
Work Orders/Turnovers	29,900	\$650	per unit per year
Parking Lease	18,000	\$150	per unit per month for 10 spaces
Maintenance Supplies	3,450	\$75	per unit per year

Taxes, Insurance, Other

Taxes	73,600		
Insurance - Property and Liability & Umbrella	13,800	\$300	pupy.
LIHTC Monitoring Fee			Prepaid as a development expense.
Replacement Reserve	20,700	\$450	pupy.
Real Estate Expenses w/o Debt Service	384,835		

Annual Debt Service - Amortizing Loan		0	Amortizing	6.0%	20 years	\$0	per month.
Annual Debt Service - Interest Only Loan	158,796	2,646,603	Interest Only	6.00%	30 years	\$13,233	per month.

TOTAL REAL ESTATE EXPENSES 543,631**TOTAL ANNUAL REAL ESTATE INCOME 567,450**

Annual Cash Flow from Real Estate	23,819	Cash flow of	500 PUPY	minimum is required by MSHA
MH Debt Service Coverage Ratio	1.150	Debt Service Coverage Ratio of 1.15	is required by MSHA.	
Annual Real Estate Operating Cost Per Unit	7,916	Not including debt service and replacement reserve, but includes resident services coordination.		
Monthly Real Estate Operating Cost Per Unit	660	Not including debt service and replacement reserve, but includes resident services coordination.		



To: Mary Davis, City of Portland
From: Anne Boynton, Urban Ventures, Inc.
Re: 178 Kennebec St (51 unit version)
 Maine Workforce Housing, LLC (Szanlon & Monk)
Date: 7/15/18

Executive Summary (Revised Proposal)

178 Kennebec is a proposed new construction project which was underwritten in early June with 46 units. The developer has recently changed the project description to 51 units, adding 5 senior efficiency units to the prior proposed 46 one bedroom senior apartments. This memo highlights the **changes** to the project description, budgets, and underwriting since the memo dated 6/3/18, and should be read in conjunction with that memo.

The developer reduced the requested HOME funds to \$370,000 (from \$400,000). The developer continues to request a 75% TIF. The unit mix continues to be 78% affordable units and 22% market. The new proposed AMI distribution is 16 units below 50% AMI, 24 units below 60% AMI, including 5 units reserved for homeless households – and 11 market rate units.

Comparing the July project budgets to the May budgets illustrates the following major shifts:

- Total development cost has dropped \$623,500 (14%). The primary cost savings are projected in:
 - Construction interest (dropped 30%);
 - Parking requirement buy-out (dropped 85%);
 - Operating deficit escrow (prefunded reserve) (dropped 26%);
 - Developer Fee (dropped 35%);
- Sources have shifted significantly, with LIHTC Equity up \$288,000 (5%), while Maine Housing Deferred Debt has dropped more than 50%;
- Net residential leasable square footage is up 2,500 sq feet (8%);
- Projected real estate tax liability (and value of TIF) is up 25%.

Revised Sources and Uses

Maine Housing 1 st	\$2,660,739	Acquisition:	\$227,400
Maine Housing Deferred Debt	\$ 500,000	Hard Construction:	\$8,336,527
LIHTC Equity	\$6,480,000	Soft & Misc Costs:	\$997,600
Sale of Commercial Unit	\$835,085	Financing Costs:	\$331,716
City of Portland HOME	\$370,000	Prefunded Reserves:	\$392,501
Deferred Developer Fee:	\$437,500	Developer Fee:	<u>\$1,000,000</u>
Gap:	<u>\$2,420</u>		
Total Sources:	\$11,285,744	Total Uses:	\$11,285,744

Letters of interest, intent, or commitment are not available for the sources. This is very early in project development.

The projected LIHTC Equity estimated proceeds have increased despite a 14% drop in Total Development Cost and slight decrease in construction costs. This is not a typical outcome and needs explanation.

The developer lowered the developer fee from the upper edge of acceptable range at 15.4% to 10.6% of Total Development Costs excluding reserves and developer fee. The developer commits to defer 44% of the developer fee. By lowering both the total developer fee and the percentage of the fee they will defer, they bring their deferred developer fee closer to an amount the project could repay over 15 years and therefore be acceptable to an investor. The revised cashflow projects suggest the developer fee loan could be repaid by year 15 if 95% of cashflow is devoted to developer fee loan retirement. (This is still quite an aggressive projection which leaves very little cashflow in the project and no cashflow to retire City of Portland HOME funds.)

Revised Development Budget

Revised Construction Costs:

Despite adding 8% more leasable residential square footage and 5 additional units (with bathrooms and kitchen facilities), the revised construction cost has dropped slightly (by \$10,908). This is not a typical result of adding units and needs explanation. It is a reminder that these budget figures are preliminary and very broad stroke. The original construction costs were based on an estimated square footage cost provided by Wright-Ryan. Based on the Wright-Ryan price per square foot estimate, the construction cost would have been expected to rise \$430,000. That understates the anticipated price increase from the addition of 5 efficiencies. Efficiencies typically have a higher per square foot cost than one bedrooms because bath & kitchenette are relatively expensive to build and occupy a higher percentage of an efficiency unit than in a 1 bedroom.

An explanation is needed for how 2,500 more leasable square footage (8%) can be built on this tightly constrained site.

Revised Soft Costs:

The significant soft cost savings in construction interest needs explanation.

The savings in prefunded operating reserve, set by MHFA formula, is not the typical outcome of increasing units (which increases operating expense and debt service, and drives UP the prefunded reserve requirement). This needs further explanation, as the prefunded reserve appears to be under budgeted by roughly \$100,000.

Revised Acquisition:

The revised total acquisition cost has dropped due to a \$68,200 drop in "Parking Requirement Buy Out." An explanation of the shifting parking strategy is needed.

Revised Operating Budget & 20 Year Cashflow Projection

Revised TIF

The developer continues to request a 75% TIF, but the anticipated tax liability (and therefore also the anticipated taxes returned) have increased by 25%. The Property Tax expense has been increased to

\$91,800 (a 25% increase from the prior estimate of \$73,600). It is not clear why the 8% additional leasable floor space (generating a 9% increase in rental income) would result in a 25% increase in taxable value.

Revised Project Income:

The new efficiency units are projected to rent for \$743 (for 50% AMI) and \$901 (for 60% AMI). There is no market study yet to confirm the appropriateness of the projected rents. This is a discount of \$57 & \$68 compared to the one bedroom units (at 50% & 60% AMI, respectively). Adding the efficiency units at 50% and 60% AMI allows the developer to shift a 1 bedroom to market rate while maintaining the same overall ratio of affordable to market rate units.

Revised Operating Expense

Revised operating costs per unit (net of projected TIF) are down slightly to \$7,063, which is still on the high end of operating costs for affordable unit nationally, but an improvement over the prior budgets of \$7,166.

The new operating projections includes a new line items: parking rental income of \$19,800 (annotated as 11 spaces at \$150/month) which mostly offsets a parking lease expense of \$21,600. More explanation is needed to clarify how the parking needs of the residents will be met.

Revised 20 Year Cashflow & Debt Service Coverage Ratio (DSCR)

Adding units, adding parking income, and trimming operating expense has strengthened the revised cashflow, which is now 1.15 DSCR in year one, rising to gradually to 1.20 over 10 years where it remains till year 20.

Revised Recommendations

Subject to the availability of funds, I recommend a loan in the amount of \$370,000, zero percent interest, with payment deferred, and with the following conditions prior to loan closing:

1. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.
2. Commitment of all sources on terms and conditions acceptable to City of Portland, including cashflow waterfall, LIHTC raise rate, evidence of purchaser for commercial space, and a cashflow projection which shows retirement of developer fee loan;
3. Clean Phase I, or Phase II if appropriate, and incorporation of all needed environmental remediation into the project budget;
4. written agreements documenting how parking requirements will be met consistent with the budget;
5. satisfactory market study which supports the projected unit mix and rent rates;
6. explanation of "Other Current Assets;" and evidence of satisfactory working capital and margin in case of cost over runs. This might come in the form of personal guarantees or prefunding a project specific development account.

Prior to issuing a commitment, I recommend requiring satisfactory explanation of:

1. increase in LIHTC equity;
2. increase in projected TIF (ie increase in projected real estate tax expense);
3. decrease in construction interest, prefunded operating reserve, & parking requirement buy out;
4. how 5 additional units can be added to the floor plan and to the pre-existing construction estimate;
5. sales price of the site as it changes hands through the development process; and
6. Parking requirements and the strategy for meeting the parking requirements.



City of Portland HOME Funds Application

Project: 977 Brighton Avenue Apartments

Avesta Housing is requesting \$300,000 of HOME funds from the City of Portland for our 977 Brighton Avenue Apartments project ("977 Brighton") at 977 Brighton Avenue in Portland, Maine.

The development involves the new construction of 40 1-bedroom rental apartments for seniors (55+ years of age), in one 4-story building. 34 of the apartments will be affordable and 6 will be market rate. 24 units will be affordable to households at or below 50% of area median income and 10 will be affordable to households at or below 60% of area median income. Portland Housing Authority has awarded project-based rental assistance to eight of the units at the project. All units with affordability restrictions will have a utility allowance factored into the tenant rent payment.

977 Brighton represents an opportunity to create much-needed affordable senior housing in an accessible location within Portland. The development site contains eight contiguous lots located in a highly walkable area in the Nasons Corner section of Portland. The project is located near many amenities and services, making it a prime location for housing; retail stores, a pharmacy, trails and restaurants are all located within a half mile. The site is also located within a tenth of a mile to a bus stop on the extensive Portland public transportation bus system, connecting residents with Portland's downtown as well as adjoining communities.

See the attached maps for more information about the project's siting within the City and relative to numerous nearby amenities.

As shown in the attached pictures, the 0.73-acre site currently contains a single-family home and a garage, both of which will be demolished and cleared prior to construction. The project will consist of one 4-story building, placed at the front of the property so as to create maximum active street frontage. There will also be a parking lot for 32 cars and an external gathering area or patio for residents. Vegetative screening will be used to create a level of privacy for residents. Storm water management systems will be used to ensure that the project does not adversely impact the vicinity of the subject parcel. Avesta will work with City staff and the Planning Board to ensure that the design of the project is consistent with neighborhood design characteristics.

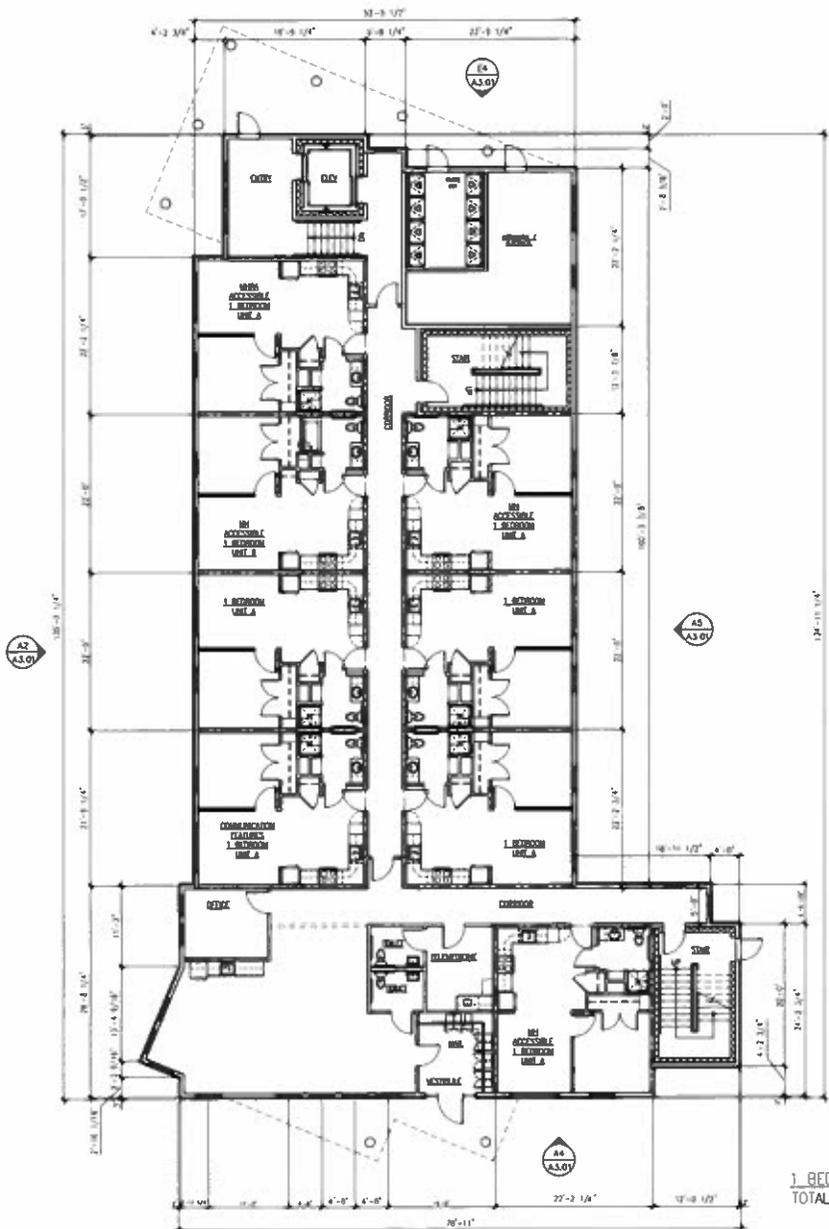
Each apartment will be approximately 600 square feet and all accessibility requirements will be met. Additional amenities will include on-site laundry, a health room, a community room and resident service coordination.

977 Brighton Avenue Apartments will continue Avesta Housing's commitment to construct and manage buildings designed to maximize energy performance, minimize adverse environmental impacts, provide healthy living spaces, conserve natural resources, and promote smart growth and sustainable development. All requirements of the City of Portland's Green Building Ordinance will be met. Additionally, as alluded to in the attached information provided by the property manager, Avesta Housing Development Corporation, smoking at the project will be prohibited and educational materials on tobacco treatment programs will be provided to tenants.

These affordable units at 977 Brighton Avenue come at a critical time for the City. Vacancies in Portland are at historic lows while rents remain too high for thousands of local renter households. In 2017, Avesta alone received requests for affordable housing from nearly 3,800 households (over 1,300 of which were senior-led households) but was only able to provide housing to 393.

977 Brighton Avenue Apartments will create much-needed senior affordable rental housing in an area of the city that is rich with transit, services, and neighborhood amenities.





1 BED UNITS = 40
 TOTAL 1ST FL = 8

FIRST FLOOR PLAN 7684 SQ. FT.

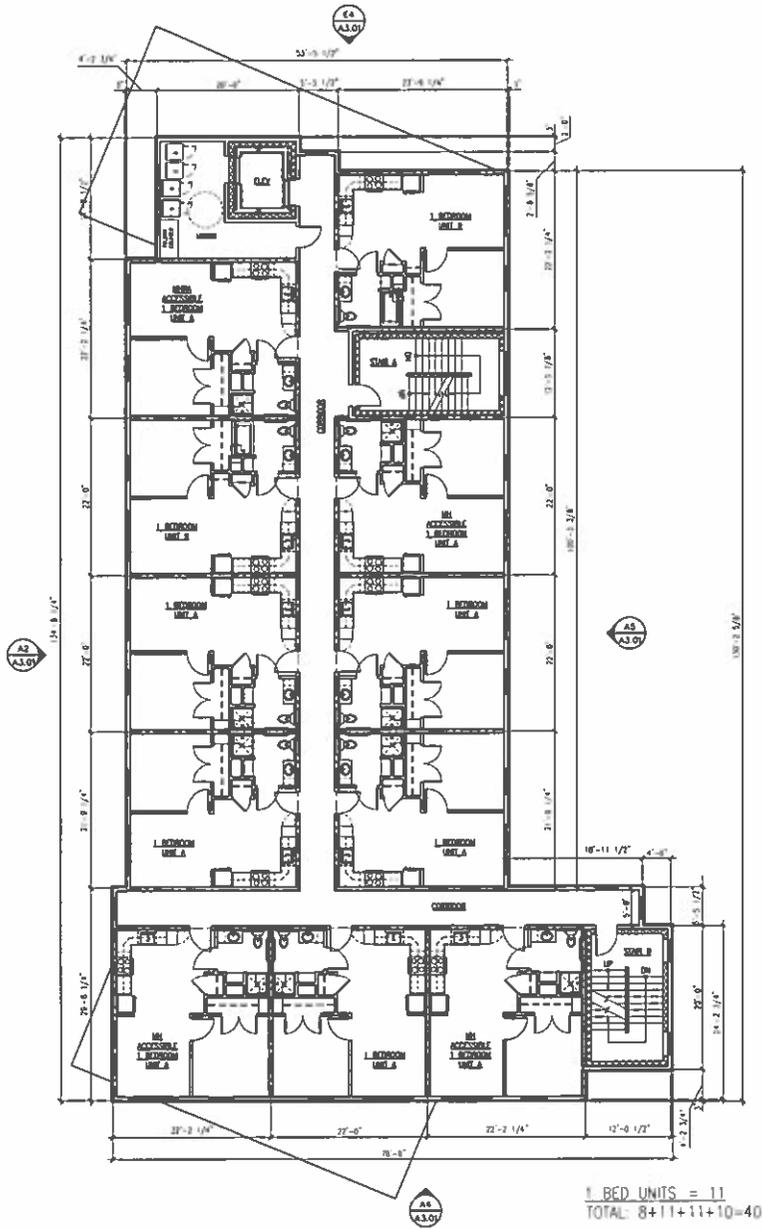


ALL UNITS DESIGNED WITH THE SAME LAYOUT FOR ADAPTABLE OR ACCESSIBLE UNIT. REVISIONS OF ACCESSIBLE UNIT QUANTITY AND LOCATION TO BE PROVIDED WITH APPLICATION. ALL UNITS MEET MINIMUM REQUIREMENTS.

CWS ARCHITECTS ARCHITECTS 434 Commercial Avenue, Portland, ME 04107 (207) 772-4441 CWSARCH.COM																					
DESIGNER CWS ARCHITECTS ARCHITECTS OF INTERIOR DESIGN 434 COMMERCIAL AVENUE PORTLAND, ME 04107 WWW.CWSARCH.COM	OWNER AVESTA 977 BRIGHTON LP C/O AVESTA HOUSING 117 BRIMLEY AVENUE PORTLAND, ME 04107																				
PROJECT 977 BRIGHTON AVE SENIOR APARTMENTS	DRAWING NUMBER A1.10																				
DRAWING FIRST FLOOR PLAN	SCALE AS NOTED																				
REVISIONS <table border="1"> <tr><td> </td><td> </td></tr> </table>																					DATE 12/21/2017

A5 FIRST FLOOR PLAN
 REFERENCED FROM

SCALE: 1/8" = 1'-0"



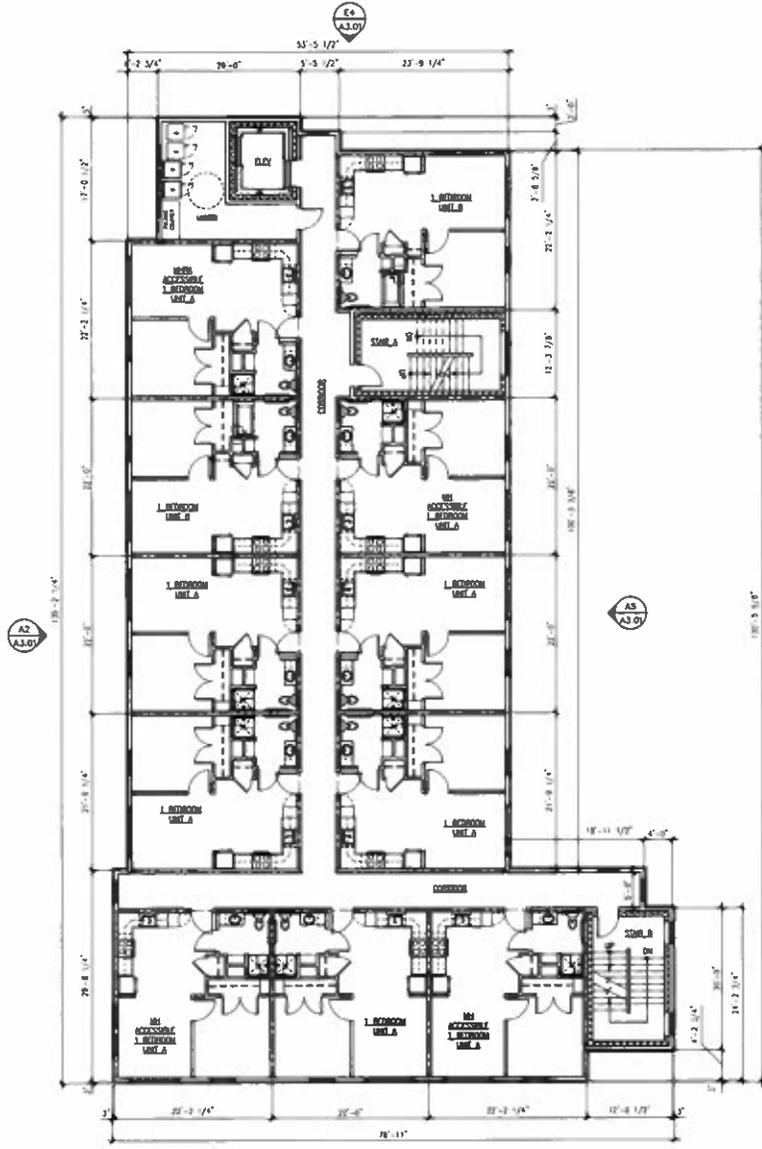
SECOND FLOOR PLAN
7684 SQ. FT.

1 BED UNITS = 11
TOTAL: 8+11+11+10=40

ALL UNITS DESIGNED WITH THE SAME AMOUNT FOR ADAPTABLE OR ACCESSIBLE UNIT. DESIGNATION OF ACCESSIBLE UNIT QUANTITY AND LOCATION TO BE PROVIDED WITH APPROVAL. ALL UNITS MEET DIMENSIONAL REQUIREMENTS.



CWS ARCHITECTS ARCHITECTS AT INTERIOR DESIGN 238 Commercial Avenue, Suite 201, D101 OAKLAND, CA 94612-4441 CWSARCH.COM																					
DESIGNER	CWS ARCHITECTS ARCHITECTS AT INTERIOR DESIGN 238 COMMERCIAL AVENUE, SUITE 201, D101 OAKLAND, CA 94612-4441 WWW.CWSARCH.COM																				
OWNER	AVESTA 977 BRIGHTON LP c/o AVESTA HOUSING 2575 LAMAR AVENUE OAKLAND, CA 94612-4441																				
PROJECT	977 BRIGHTON AVE SENIOR APARTMENTS 977 BRIGHTON AVENUE OAKLAND, CA 94612-4441																				
DRAWING	SECOND FLOOR PLAN																				
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SCALE	AS SHOWN																				
DATE	12/21/2017																				



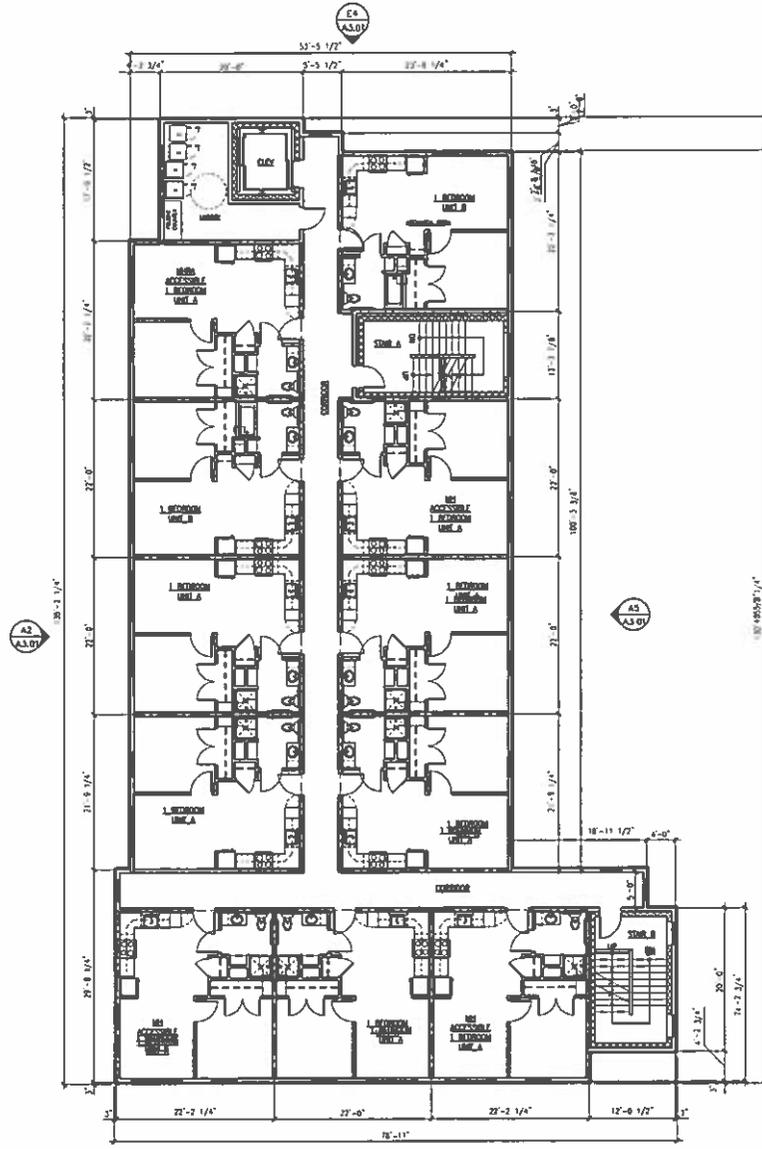
A1
A3.01

THIRD FLOOR PLAN
7684 SQ. FT.

ALL UNITS DESIGNED WITH THE SAME LAYOUT FOR ADAPTABLE OR ACCESSIBLE UNIT. DESIGNATION OF ACCESSIBLE UNIT QUANTITY AND LOCATION TO BE PROVIDED WITH APPLICATION. ALL UNITS MEET DIMENSIONAL REQUIREMENTS.



REVISIONS	DRAWING NUMBER			DRAWING NUMBER	
	THIRD FLOOR PLAN			A1.30	
PROJECT		OWNER		DESIGNER	
977 BRIGHTON AVE SENIOR APARTMENTS		AVESTA 977 BRIGHTON LP 6/6 AVESTA HOUSING		CWS ARCHITECTS ARCHITECTS OF INTERIOR DESIGN 333 CUMBERLAND AVENUE ROSELAND, NJ 07068 TEL: 201.775.4441 WWW.CWSARCH.COM	
DRAWING		OWNER		DESIGNER	
THIRD FLOOR PLAN		AVESTA 977 BRIGHTON LP 6/6 AVESTA HOUSING		CWS ARCHITECTS ARCHITECTS OF INTERIOR DESIGN 333 CUMBERLAND AVENUE ROSELAND, NJ 07068 TEL: 201.775.4441 WWW.CWSARCH.COM	
DRAWING NUMBER		OWNER		DESIGNER	
A1.30		AVESTA 977 BRIGHTON LP 6/6 AVESTA HOUSING		CWS ARCHITECTS ARCHITECTS OF INTERIOR DESIGN 333 CUMBERLAND AVENUE ROSELAND, NJ 07068 TEL: 201.775.4441 WWW.CWSARCH.COM	
SCALE		OWNER		DESIGNER	
1/8" = 1'-0"		AVESTA 977 BRIGHTON LP 6/6 AVESTA HOUSING		CWS ARCHITECTS ARCHITECTS OF INTERIOR DESIGN 333 CUMBERLAND AVENUE ROSELAND, NJ 07068 TEL: 201.775.4441 WWW.CWSARCH.COM	
DATE		OWNER		DESIGNER	
12/21/2014		AVESTA 977 BRIGHTON LP 6/6 AVESTA HOUSING		CWS ARCHITECTS ARCHITECTS OF INTERIOR DESIGN 333 CUMBERLAND AVENUE ROSELAND, NJ 07068 TEL: 201.775.4441 WWW.CWSARCH.COM	



FOURTH FLOOR PLAN
7684 SQ. FT.

ALL UNITS DESIGNED WITH THE SAME LAYOUT FOR ADAPTABLE OR ACCESSIBLE UNIT. DESIGNATION OF ACCESSIBLE UNIT QUANTITY AND LOCATION TO BE PROVIDED WITH APPLICATION. ALL UNITS MEET OVERSIGHT REQUIREMENTS.



A5 FOURTH FLOOR PLAN
SCALE: 1/8" = 1'-0"

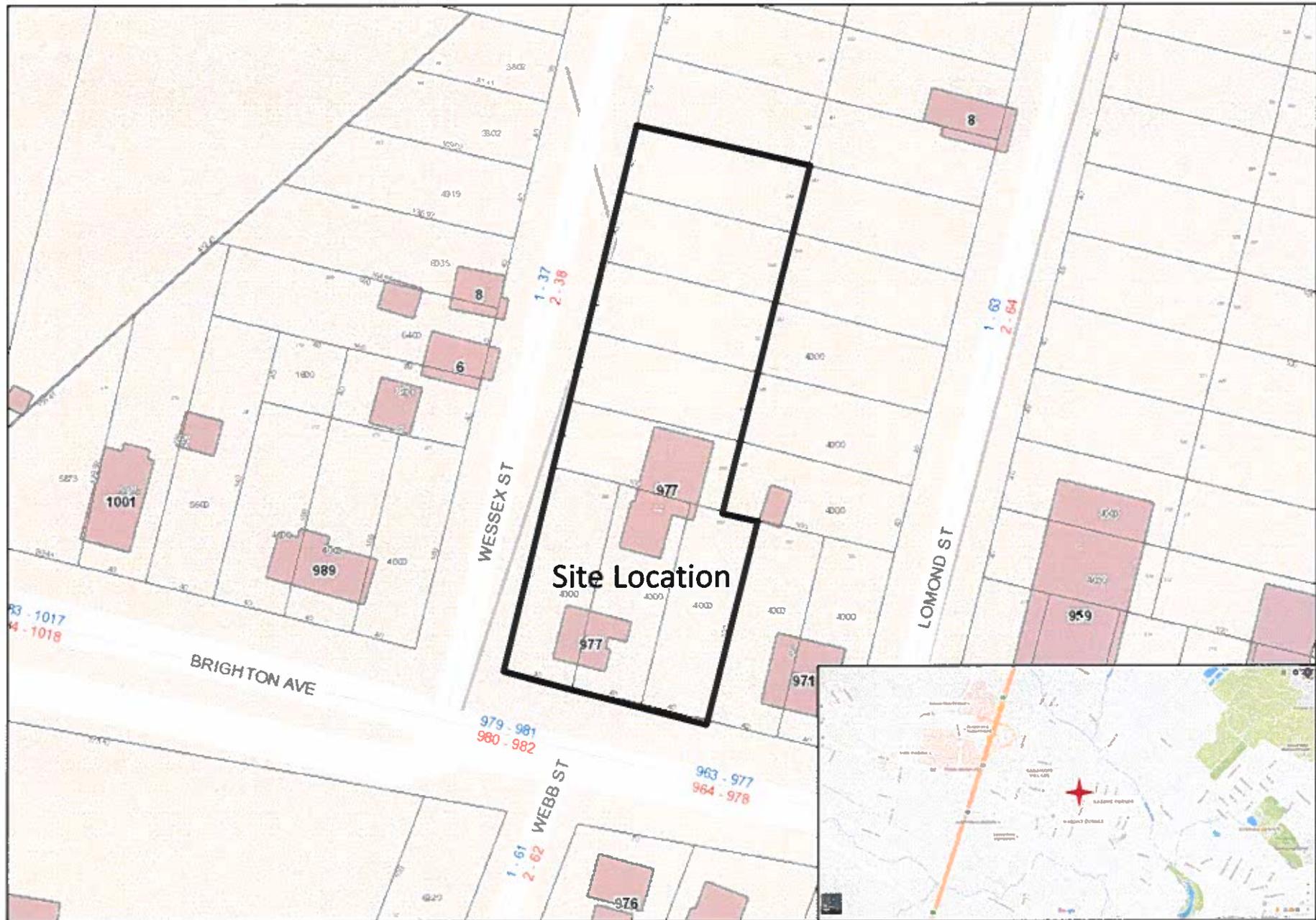
REVISIONS	<p>CWS ARCHITECTS ARCHITECTURE INTERIOR DESIGN</p> <p>171 Cambridge Avenue, Boston, MA 02110 OFFICE: 267-7144441 FAX: 617-451-1234</p>		
	DESIGNER	<p>CWS ARCHITECTS 445 CORNHILL AND AVENUE BOSTON, MA 02116 TEL: 267-7144441 FAX: 617-451-1234 WWW.CWSARCHITECTS.COM</p>	
DRAWING	PROJECT	<p>AVESTA 977 BRIGHTON LP c/o AVESTA HOUSING</p> <p>117 BRIMLEY AVENUE BOSTON, MA 02116 TEL: 617-451-1234 FAX: 617-451-1234</p>	
	OWNER	<p>AVESTA 977 BRIGHTON LP c/o AVESTA HOUSING</p> <p>117 BRIMLEY AVENUE BOSTON, MA 02116 TEL: 617-451-1234 FAX: 617-451-1234</p>	
DRAWING	PROJECT	<p>977 BRIGHTON AVE SENIOR APARTMENTS</p> <p>117 BRIMLEY AVENUE BOSTON, MA 02116 TEL: 617-451-1234 FAX: 617-451-1234</p>	
	FOURTH FLOOR PLAN	<p>CWS ARCHITECTS - BOSTON, MA</p>	
DRAWING	DRAWING NUMBER	<p>A1.40</p>	
	SCALE	<p>AS NOTED</p>	
DATE	<p>12/21/2012</p>		

977 BRIGHTON AVENUE APARTMENTS

Project Completion Schedule

Activity	Actual/Scheduled Date Month/Year
A. SITE	
Option/Contract	07/13/15
Site Acquisition	10/06/15
Municipal Approval	06/01/18
B. FINANCING	
Construction Loan Commitment	09/01/18
Permanent Loan Commitment	09/01/18
Other Sources Committed	12/01/18
C. PLANS AND SPECIFICATIONS	
50%	02/01/19
90%	03/01/19
100%	04/01/19
D. CONSTRUCTION LOAN CLOSING	05/01/19
E. CONSTRUCTION START	05/01/19
F. SUBSTANTIAL COMPLETION	05/01/20
G. COMPLETION OF CONSTRUCTION	06/01/20
H. LEASE-UP	
Lease-up Begins	05/01/20
Sustained (95%) Occupancy	11/01/20

977 Brighton Avenue, Portland, Me.



PROJECT NAME: 977 Brighton Avenue
 LOCATION: Portland

Date: 04/30/18

DEVELOPMENT ASSUMPTIONS						
Total Units		40	Inflation Adjustments	Yr 1-5	Yr. 6-15	Yr. 16-30
# @ 50% AMI (PBVs)	20.0%	8	Rent	2.00%	2.50%	2.00%
# @ 50% AMI (LIHTC/High HOME)	40.0%	16	Operating Expense	3.00%	3.00%	3.00%
# @ 60% AMI (LIHTC/High HOME)	0.0%	0	Other Income	2.00%	2.50%	2.00%
# @ 60% AMI (LIHTC)	25.0%	10	Debt Coverage Ratio	0.00		
# @ Market	15.0%	6	Vacancy	5%		
Appraised Market Value			Market Value/Unit	4,590,846		

LIHTC Alloc.	638,000
Equity yield	0.830
Synd. %	99.99%
Equity Raise	5,294,870

Historic Credit FED	0
Equity yield	0.99
Synd. %	99.99%
Equity Raise	0

Number of Tax-payers	1
Historic Credit STATE	0
Equity yield	0
Synd. %	99.99%
Equity Raise	0

Total Equity:	5,294,870
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Gross Square Footage	0
Construction Cost/Sq ft.	\$0

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PRO FORMA DEVELOPMENT BUDGET				
	Residential	Per Unit	Commercial	Total
Site Improvements	572,194	14,305		572,194
Construction	5,227,444	130,686		5,227,444
Solar	0	0		0
General Requirements	0	0		0
Builder Overhead	0	0		0
Builder Profit	0	0		0
Bond Premium	0	0		0
Construction Contingency	5% 289,982	7,250		289,982
Subtotal Construction Costs	6,089,620	152,240	0	6,089,620
Building Permits and Fees	81,936	2,048		81,936
Survey & Engineering	38,000	950		38,000
Architectural & Design	461,000	11,525		461,000
Legal	65,000	1,625		65,000
Title & Recording	5,885	147		5,885
Accounting	10,000	250		10,000
Construction Period Tax	12,000	300		12,000
Construction Period Insurance	12,000	300		12,000
Subtotal Soft Costs	685,821	17,146	0	685,821
Construction Loan Origination Fees	10,000	250		10,000
Construction Loan Interest	157,266	3,932		157,266
Letter of Credit Fee	3,630	91		3,630
Escrow Agent Fee	0	0		0
Perm Loan Commitment Fee	10,000	250		10,000
Construction Lender Legal	12,000	300		12,000
Subtotal Finance Costs	192,896	4,822	0	192,896
Market Survey	3,500	88		3,500
Appraisal	6,200	155		6,200
Environmental	12,700	318		12,700
LIHTC Fees	40,000	1,000		40,000
Soft Cost Contingency	25,000	625		25,000
3rd Party Consultants	18,000	450		18,000
FF&E	61,000	1,525		61,000
Subtotal Miscellaneous	166,400	4,160	0	166,400
Acquisition: Buildings	0	0		0
Acquisition: Land	280,000	7,000		280,000
Carrying Costs	0	0		0
Subtotal Acquisition	280,000	7,000	0	280,000
Operating Deficit Escrow	141,859	3,546		141,859
Pre-funded Replacements	52,274	1,307		52,274
Tax & Insurance Escrow	28,500	713		28,500
Developer Overhead	487,500	12,188		487,500
Developer Profit	0	0		0
Marketing & Rent-Up Reserve	40,000	1,000		40,000
Subtotal Fee and Reserves	750,133	18,753	0	750,133
Total Development	8,164,870	204,122	0	8,164,870

Notes:

MAXIMUM DEVELOPER FEE AVAILABLE	650,000
ACTUAL DEVELOPER FEE	1,208,430
% OF MAXIMUM DEVELOPER FEE	185.9%
NET DEVELOPER FEE COLLECTED	1,208,430
% OF MAXIMUM DEVELOPER FEE	185.9%

7,983,011

199,575

< 175000 = 4PTS

FLOW OF FUNDS									
Sources	CLC	During Construction				PLC	Mar-21	Aug-21	Total
	May-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20			
Beginning Cash	0	0	0	0	0	0	0	0	0
Capital Contribution	1,058,974		1,058,974			2,956,922	170,000	50,000	5,294,870
Construction Loan	406,143	1,272,405	213,431	1,522,405	1,522,405				4,936,788
GP Bridge Loan									0
MSHA Subsidy									0
MSHA Amortizing Mortgage						0			0
AHP Grant	0	250,000	250,000						500,000
AHP Loan						2,070,000			2,070,000
City HOME	0	0				300,000			300,000
Solar Equity	0	0				0			0
Other: Sponsor Loan	0								0
Other									0
Development Fee Loan	0								0
TOTAL SOURCES	1,465,117	1,522,405	1,522,405	1,522,405	1,522,405	5,326,922	170,000	50,000	13,101,659
Uses									
Acquisition	280,000								280,000
Construction		1,522,405	1,522,405	1,522,405	1,522,405				6,089,620
Soft Costs	685,821								685,821
Financing Costs	192,896								192,896
Miscellaneous	166,400					40,000			206,400
Dev Fee	140,000					127,500	170,000	50,000	487,500
Reserves						222,633			222,633
TOTAL DEV. COSTS	1,465,117	1,522,405	1,522,405	1,522,405	1,522,405	390,133	170,000	50,000	8,164,870
Repay GP Bridge Loan						0			0
Repay Construction Loan						4,936,788			4,936,788
SUBTOTAL OTHER ITEMS	0	0	0	0	0	4,936,788	0	0	4,936,788
TOTAL USES OF FUNDS	1,465,117	1,522,405	1,522,405	1,522,405	1,522,405	5,326,922	170,000	50,000	13,101,658
Ending Cash	0	0	0	0	0	0	0	0	0

PROJECT FINANCING								
Source	Amount	Rate	Term	Lien	Annual D/S			
					Yr. 1-5	Yr. 6-15	Yr. 16-30	
Source 1:	MSHA Subsidy	0	0.00%	30		0	0	0
Source 2	MSHA Interest Only Mortgage	0	6.00%	30		0	0	0
Source 3	AHP Grant	500,000	0.00%	30	Co-First	0	0	0
Source 4	AHP Loan	2,070,000	3.50%	30	First	112,934	112,934	112,934
Source 5	City HOME	300,000	0.00%	30	Co-First		Grant	
Source 6	Solar Equity	0						
Source 7	Other: Sponsor Loan							
Source 8	Development Fee Loan	0						Cash Flow
Source 9	Net Syndication	5,294,870	\$0.83					
	Capitalization Gap (Surplus)	(0)						
	Total	8,164,870						

\$0.0706

PROPOSED RENT SCHEDULE								
Type	AMI	# Units	Rents from Applicant	Program Max Rents	Gross Rent	Market Rent	Utility Allow	Total Rent
Efficiency	50% PBVs	0		911	911	\$955	0	0
	50% LIHTC	0		718	718	\$955	0	0
	60% HOME						0	0
	60% LIHTC	0		862	862	\$955	0	0
0	Market						0	
1BR	50% PBVs	8		1028	1,028	\$1,050		98,688
	50% LIHTC	16		770	770	\$1,050	0	147,840
	60% HOME					\$1,050		0
	60% LIHTC	10		924	924	\$1,050	0	110,880
40	Market	6			1,050		75,600	
2BR	50% HOME						0	0
	50% LIHTC			923	923	\$1,250	0	0
	60% HOME						0	0
	60% LIHTC			1108	1,108	\$1,250	0	0
0	Market						0	
3BR	50% HOME						0	0
	50% LIHTC						0	0
	60% HOME						0	0
	60% LIHTC						0	0
0	Market						0	
4BR	50% HOME						0	0
	50% LIHTC						0	0
	60% HOME						0	0
	60% LIHTC						0	0
0	Market						0	
Other:							0	
Subtotals		40						433,008
			Other Income		Laundry			3,156
			Vacancy Rate		5%			(21,808)
			Other Income		TIF	65%		30,765
			Effective Gross Income					445,120

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current taxes 4,670

OPERATING EXPENSES			
Expense	Annual	Annual Per Unit	Monthly Per Unit
Administrative Expenses:			
Management Fees	24,672	617	51
Management Charges	24,672	617	51
Marketing Expenses	0	0	0
Legal Expenses	1,500	38	3
Auditing Expenses	5,000	125	10
Bad Debts	0	0	0
Other Administrative Expenses	6,000	150	13
Administrative Expenses	61,844	1,546	129
Operating Expenses:			
Janitorial Payroll	0	0	0
Janitorial Supplies and Equipment	0	0	0
Janitorial Contractual Services	6,600	165	14
Fuel and Gas	18,000	450	38
Electricity	34,000	850	71
Water and Sewer	16,000	400	33
Garbage and Trash Removal	4,000	100	8
Vehicle and Equipment Expenses	0	0	0
Other Operating Expenses	0	0	0
Operating Expenses	78,600	1,965	164
Maintenance Expenses:			
Grounds Maintenance Payroll	0	0	0
Grounds Tools and Supplies	0	0	0
Grounds Contractual Services	25,000	625	52
Miscellaneous Ground Maintenance	0	0	0
Tenant Damage Charges - Grounds	0	0	0
Building Maintenance Payroll	0	0	0
Building Tools and Supplies	5,000	125	10
Building Contractual Services	20,000	500	42
Building Systems Maintenance	25,000	625	52
Miscellaneous Building Maintenance	0	0	0
Tenant Damage Charges - Building	0	0	0
Maintenance Expenses	75,000	1,875	156
General Expenses:			
Property Taxes	52,000	1,300	108
Property and Liability Insurance	15,000	375	31
Tenant Computer Network Expense		0	0
Tenant Service Expenses	12,199	305	25
General Expenses	79,199	1,980	165
Replacement Reserve Funding	18,000	450	38
Commercial Expenses (if applicable)		0	0
Total	312,643	7,816	651

AFFORDABLE MORTGAGE CALCULATION	
Effective Gross Income	445,120
Annual Operating Expense	312,643
Stabilized NOI	132,477
DSC	
\$ Avail for D/S	
Other DS	112,934
Balance	1.17
Affordable Mortgage	

BREAKEVEN ANALYSIS	RENT SENSITIVITY		OCCUPANCY	
	Total		Annual	
Operating Expense	312,643		Gross Revenues	466,929
Debt Service	112,934			
Breakeven Rent	887		Breakeven Occupancy	91%

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT												
5 Months												
	7/24/20	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30
Effective Gross Income		185,467	445,120	454,023	463,103	472,365	481,813	493,858	506,204	518,859	531,831	545,127
Less Operating Expense		130,268	312,643	322,022	331,683	341,634	351,883	362,439	373,312	384,512	396,047	407,928
Net Operating Income		55,199	132,477	132,000	131,420	130,732	129,930	131,419	132,892	134,348	135,784	137,198
Less RLP Repay			0	0	0	0	0	0	0	0	0	0
Less Other Repay		47,056	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934
Cash Flow		8,143	19,543	19,066	18,486	17,798	16,996	18,485	19,958	21,414	22,850	24,264
Cash Flow per Unit		489	489	477	462	445	425	462	499	535	571	607
Debt Coverage Ratio(RLP)		1.17	1.17	1.17	1.16	1.16	1.15	1.16	1.18	1.19	1.20	1.21
Operating Reserve Balance	141,859	148,952	156,400	164,220	172,431	181,052	190,105	199,610	209,590	220,070	231,073	242,627

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT, continued												
Yr 15												
	1/1/32	12/31/32	12/31/33	12/31/34	1/1/36	12/31/36	12/31/37	12/31/38	1/1/40	12/31/40	12/31/41	
Effective Gross Income	558,755	572,724	587,042	601,718	616,761	629,096	641,678	654,511	667,602	680,954	694,573	
Less Operating Expense	420,166	432,771	445,754	459,127	472,901	487,088	501,701	516,752	532,254	548,222	564,668	
Net Operating Income	138,589	139,952	141,287	142,591	143,860	142,008	139,977	137,760	135,348	132,732	129,904	
Less RLP Repay	0	0	0	0	0	0	0	0	0	0	0	
Less Other Repay	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	
Cash Flow	25,655	27,019	28,353	29,657	30,926	29,074	27,043	24,826	22,414	19,798	16,971	
Cash Flow per Unit	641	675	709	741	773	727	676	621	560	495	424	
Debt Coverage Ratio(RLP)	1.23	1.24	1.25	1.26	1.27	1.26	1.24	1.22	1.20	1.18	1.15	
Operating Reserve Balance	242,627	254,758	267,496	280,871	294,915	309,660	325,143	341,401	358,471	376,394	395,214	414,975

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT, continued										
	12/31/42	1/1/44	12/31/44	12/31/45	12/31/46	1/1/48	12/31/48	12/31/49	7/30/50	
Effective Gross Income	708,464	722,634	737,086	751,828	766,864	782,202	797,846	813,803	484,213	
Less Operating Expense	581,608	599,057	617,028	635,539	654,605	674,244	694,471	715,305	429,779	
Net Operating Income	126,856	123,577	120,058	116,289	112,259	107,958	103,375	98,498	54,434	
Less RLP Repay	0	0	0	0	0	0	0	0	0	
Less Other Repay	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	
Cash Flow	13,922	10,643	7,124	3,355	(675)	(4,976)	(9,559)	(14,436)	(58,500)	
Cash Flow per Unit	348	266	178	84	(17)	(124)	(239)	(361)	(2,507)	
Debt Coverage Ratio(RLP)	1.12	1.09	1.06	1.03	0.99	0.96	0.92	0.87	0.48	
Operating Reserve Balance	414,975	435,723	457,510	480,385	504,404	528,950	550,422	568,384	582,367	552,985



To: Mary Davis, City of Portland
From: Anne Boynton, Urban Ventures, Inc.
Re: 977 Brighton Ave, proposed by Avesta
Date: June 12, 2018

Executive Summary

Avesta requests \$300,000 in HOME funding and a 75% TIF to support their development of a 40 unit new construction senior apartment complex at 977 Brighton Ave. Avesta purchased the site proposed for this development in 2015. The lots currently contain a house and a garage, which will both be demolished. Though the area is suburban, the site is a short walk from the Pine Tree Shopping Center, providing access to a pharmacy and other shopping and dining options, and is less than 1/10th of a mile from a bus stop.

Sources and Uses

AHP loan	\$2,070,000	Construction (incl. site & contingency)	\$6,089,620
AHP grant	\$500,000	Soft costs (incl financing & contingency)	\$1,045,117
LIHTC Equity	\$5,294,870	Acquisition	\$280,000
City of Portland HOME	\$300,000	Pre funded Reserves	\$262,633
		Developer Fee	<u>\$487,500</u>
Total Sources:	\$8,164,870	Total Uses:	\$8,164,870

Avesta has received a commitment of funds for the AHP loan and \$500,000 grant. Bangor Savings has issued a term sheet for both construction and permanent first mortgages. Avesta plans to submit an application for 9% LIHTCs in the upcoming round opening in September. Avesta seeks the \$300,000 HOME and 75% TIF to support the application for LIHTCs.

For analysis of "Uses," see Development Budget.

Development Budget

Construction Costs:

Construction costs are based on a letter of estimate from CWS Architects. This is a very broad brush estimate, without even a break out of demolition, site improvements, and anticipated cost per square foot for improvements provided in the architect's letter. However, based on Avesta's break out of site work, the estimated \$170/sq foot for improvements should be more than sufficient for a pretty straightforward design and should accommodate some price inflation prior to construction start.

Soft Costs:

Soft costs are in the range of normal, with a few exceptions. Architectural seems high for a straightforward design, and the relatively small number of units drives the per unit architectural expense up to over \$11,000 per unit. This does include \$45,000 for owner's representative construction management, which is typically a good investment in quality construction and smooth construction

process, with minimal change orders. FF&E is also high at \$61,000, which is \$1,525 per unit. This is \$25,000 for security cameras, \$6,000 for custodial equipment, and \$30,000 for common area and exterior furnishings. Since the “common area” is a single office and one interior lobby, plus exterior space, that seems quite high.

Contingency:

Contingency is budgeted at standard 5% for construction and a minimalist \$25,000 for soft costs. These are insufficient given the stage of development. However, the construction figure seems high enough to cover a range of unanticipated price increases, and from a practical perspective, I consider much of the FF&E item to be contingency.

Acquisition:

Avesta proposes to sell the sites to the LLC for \$280,000. Their acquisition price was \$283,000. The assessed value is \$291,100. While this seems a fair price, an appraisal supporting that price is a condition of any recommendation.

Operating Budget & 20 Year Cashflow Projection

Project Income:

Avesta plans a mixed income building, with 24 units for households below 50% AMI (\$770 LIHTC, \$1,028 w Project Based Vouchers), 10 units for households below 60% AMI (\$924/mo), and 6 market rate units (\$1,050/mo). Avesta has a commitment for 8 project based vouchers from the Housing Authority to provide a deeper subsidy for 8 of the 24 households at 50% AMI. Consistent with Portland policy, 4 units must house homeless seniors.

Operating Expense

The budgeted per unit operating cost appears high at \$8,122, however, factoring out the TIF shows operating expenses of \$6,918 per unit, which is in the middle range for affordable housing. Supportive services are budgeted consistent with Maine Housings requirements at \$12,199. Utilities are generously budgeted at \$1,700 per unit per year for 600 sq foot units of new construction meeting green standards. Maintenance also seems high at \$2,140 for newly constructed, small, senior units, including \$25,000 for grounds. They will be able to operate a bit leaner than these costs suggest.

20 Year Cashflow & Debt Service Coverage Ratio (DSCR)

Cashflow starts out at a comfortable 1.22 DSCR in year one with a 5% vacancy. However, with industry standard inflators of 2% for income and 3% for expenses, the cashflow gradually erodes. By year 20, DSCR is down to 1.05. Avestas projections show positive cashflow for 20 years by using a 2.5% income inflator for years 6-15. Creating positive cashflow by using more aggressive income inflators puts project success in the hands of one variable the developer does NOT control – increases in market price of rent. If, on the other hand, Avesta can find a way to trim maintenance from \$2,140 to \$2,015 per unit per year (for instance, trim grounds expense from \$25,000 to \$20,000), the year 1 DSCR is 1.26 and is 1.13 in year 20. There are ways the developer can control both the operating expenses and the rent revenue (out performing the budgeted 5% vacancy rate) which will support positive cashflow which don't require aggressive assumptions regarding income inflation.

Developer Financials

Avesta is in good, and improving, financial condition. Avesta has provided audits for 2014, 2015, 2016, and internal financial statements for 2017. Prior year audits have been received by Avesta in late May or early June, so while not ideal to review unaudited financials for 2017, it is not out of line with the timing of audit finalization in prior years.

Current assets in 2016 of \$9.6 million (audited) rise to \$11.8 million in 2017 (unaudited), while current liabilities in 2016 of \$4.9 million (audited) rise to \$6.1 million 2017 (unaudited). The resulting Current Ratios (current assets divided by current liabilities) are healthy for their scale of operations -- 1.97 (2016 audited) and 1.93 (2017 unaudited). Net assets were \$123 million in 2016 (audited) and \$132 million in 2017 (unaudited). There has been significant sustained growth in net assets – which have more than doubled in the 5 years since 2012, when net assets were \$66 million. In 2017, revenue continued to grow and exceed budget while operating expenses were held under budget. Depreciation resulted in a paper loss of \$2,973,841, which is typical for a company with this financial structure, but this paper loss was more than outweighed by the growth in real estate equity.

This developer has the financial capacity to intervene in a development facing unexpected set backs and or cost over-runs to keep the development process moving forward. Their financial strength as an organization mitigates the risk of the thin soft cost contingency and the possibility of leaner than projected operating surpluses.

Recommendations

Subject to availability of funding, I recommend a loan in the amount of \$300,000, zero percent interest, payment deferred for 30 years, and a 75% TIF, with the following conditions prior to loan closing:

1. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.
2. Satisfactory review of relocation budget.
3. Satisfactory appraisal

Development Budget with Permanent Sources

Date 6/7/2018
 Project Name 977 Brighton
 Project Address 977 Brighton
 Developer/Sponsor Avesta

Total Units 40
 Total Square Feet 30,736

	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>
Sources of Funds			
Permanent Financing - AHP Loan	\$2,070,000	\$51,750	\$67
AHP Grant	\$500,000	\$12,500	\$16
Equity (net LIHTC proceeds)	\$5,294,870	\$132,372	\$172
Deferred development fee	\$0	\$0	\$0
City of Portland HOME	\$300,000	\$7,500	\$10
Other		\$0	\$0
Total Sources of Funds	\$8,164,870	\$204,122	\$266

Uses of Funds

Hard Costs			
Site Improvements	\$572,194	\$14,305	\$19
Rehabilitation		\$0	\$0
New Construction	\$5,227,444	\$130,686	\$170
Contractor's Profit, Overhead, & Gen. Requirements	0.0%	\$0	\$0
Hazardous Materials abatement (if contracted separately)		\$0	\$0
Demolition Cost (if contracted separately)		\$0	\$0
Bond Premium		\$0	\$0
Other		\$0	\$0
Hard Cost Contingency (% of hard costs)	5.0%	\$289,982	\$7,250
Total Hard Costs	\$6,089,620	\$152,241	\$198

Soft Costs			
Building Permit & Fees	\$81,936	\$2,048	\$3
Survey & Engineering	\$38,000	\$950	\$1
Design & Permitting (% of const exp)	8.6%	\$461,000	\$11,525
Borrower Legal (all closings, excluding syndication legal)	\$65,000	\$1,625	\$2
Title & Recording	\$5,885	\$147	\$0
Accounting	\$10,000	\$250	\$0
Construction Period Taxes	\$12,000	\$300	\$0
Construction Period Insurance	\$12,000	\$300	\$0
Other: FF&E, Security	\$61,000	\$1,525	\$2
Other		\$0	\$0
Total Soft Costs	\$746,821	\$18,671	\$24

Financing Costs			
Construction Loan Origination Fees	\$10,000	\$250	\$0
Construction Period Interest	\$157,266	\$3,932	\$5
Lender Inspection Fees	\$3,630	\$91	\$0

Letter of Credit Fee		\$0	\$0
Permanent Loan Fee	\$10,000	\$250	\$0
Construction Lender Legal	\$12,000	\$300	\$0
Other	\$0	\$0	\$0
Total Financing Costs	\$192,896	\$4,822	\$6

Miscellaneous			
Market Survey	\$3,500	\$88	\$0
Appraisal	\$6,200	\$155	\$0
Environmental Study	\$12,700	\$318	\$0
LIHTC Fees -- prepaid monitoring	\$40,000	\$1,000	\$1
Other: Commissioning		\$0	\$0
Relocation Costs	\$0	\$0	\$0
Other -- 3rd Party Consultants	\$18,000	\$450	\$1
Soft Cost Contingency (% of soft costs excl Dev Fee)	1.43%	\$25,000	\$625
Total Miscellaneous:	\$105,400	\$2,635	\$10

Acquisition			
Acquisition: Buildings	\$0	\$0	\$0
Acquisition: Land	\$280,000	\$7,000	\$9
Acquisition: Legal	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Acquisition	\$280,000	\$7,000	\$9

Reserves and Developer Fee			
Operating Deficit Escrow	\$141,859	\$3,546	\$5
Prefunded Replacement Reserve	\$52,274	\$1,307	\$2
Taxes & Insurance Escrow	\$28,500	\$713	\$1
Developer Overhead	\$487,500	\$12,188	\$16
Developer Profit		\$0	\$0
Rent Up Reserve & Marketing	\$40,000	\$1,000	\$1
Other	\$0	\$0	\$0
Total Reserves and Developer Fee	\$750,133	\$18,753	\$24

Total Uses of Funds	\$8,164,870	\$204,122	\$272
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Developer Fee Analysis: Total Fees: \$487,500
Percent of TDC: 6.54% (excluding reserves & developer fee)

Project Operating Pro Forma

Date	June 12, 2018
Project Name	977 Brighton
Project Address	977 Brighton
Developer/Sponsor	Avesta

Rental Income

Unit Type	Number of Units	Per Unit Sq Ft	Total Sq Ft	Restriction on % Median Inc.	Per Unit Monthly Gross Rent	Utility Deductions	Rent Subsidy	Per Unit Monthly Net Rent	Per Unit Net Rent Per Sq Ft	Total Monthly Net Income	Total Annual Net Rent
1 BR	8		0	50%	\$1,028	\$0		\$1,028	#DIV/0!	\$8,224	\$98,688
1 BR	16		0	50%	\$770	\$0		\$770	#DIV/0!	\$12,320	\$147,840
1 BR	10		0	60%	\$924	\$0		\$924	#DIV/0!	\$9,240	\$110,880
1 BR	6		0	market	\$1,050	\$0		\$1,050	#DIV/0!	\$6,300	\$75,600
2 BR			0	50%				\$0	#DIV/0!	\$0	\$0
2 BR			0	60%				\$0	#DIV/0!	\$0	\$0
3 BR			0	50%				\$0	#DIV/0!	\$0	\$0
3 BR			0	60%				\$0	#DIV/0!	\$0	\$0
4 BR			0	50%				\$0	#DIV/0!	\$0	\$0
4 BR			0	60%				\$0	#DIV/0!	\$0	\$0
Other			0	50%				\$0	#DIV/0!	\$0	\$0
Other			0	60%				\$0	#DIV/0!	\$0	\$0
Total:	40		0							\$36,084	\$433,008

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

Note: Year 1 is the first full year of stabilized operations

	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Income												
Sch. Gross Income - Residential	\$433,008	\$10,825	\$441,668	\$450,502	\$459,512	\$468,702	\$478,076	\$487,637	\$497,390	\$507,338	\$517,485	
Vacancy Loss	5.0%	(\$21,650)	(\$541)	(\$22,083)	(\$22,525)	(\$22,976)	(\$23,435)	(\$23,904)	(\$24,382)	(\$24,870)	(\$25,367)	(\$25,874)
Other income (laundry)	\$2,998	\$75	\$3,058	\$3,119	\$3,182	\$3,245	\$3,310	\$3,376	\$3,444	\$3,513	\$3,583	
TIF -- 75% requested	\$48,171	\$1,204	\$49,616	\$51,105	\$52,638	\$54,217	\$55,843	\$57,519	\$59,244	\$61,022	\$62,852	
Effective Gross Income	\$462,527	\$11,563	\$472,259	\$482,200	\$492,355	\$502,729	\$513,326	\$524,151	\$535,209	\$546,505	\$558,046	

Administrative											
Management Fee	\$24,672	\$617	\$25,412	\$26,175	\$26,960	\$27,769	\$28,602	\$29,460	\$30,343	\$31,254	\$32,191
Management Charges	\$24,672	\$617	\$25,412	\$26,175	\$26,960	\$27,769	\$28,602	\$29,460	\$30,343	\$31,254	\$32,191
Marketing Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal	\$1,500	\$38	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739	\$1,791	\$1,845	\$1,900	\$1,957
Audit & Accounting	\$5,000	\$125	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
Admin Other	\$6,000	\$150	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	\$7,164	\$7,379	\$7,601	\$7,829
Total Administrative	\$61,844	\$1,546	\$63,699	\$65,610	\$67,579	\$69,606	\$71,694	\$73,845	\$76,060	\$78,342	\$80,692

Supportive Services	\$12,199	\$305	\$12,565	\$12,942	\$13,330	\$13,730	\$14,142	\$14,566	\$15,003	\$15,453	\$15,917
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Utilities											
Fuel Oil	\$18,000	\$450	\$18,540	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Natural Gas		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electric	\$34,000	\$850	\$35,020	\$36,071	\$37,153	\$38,267	\$39,415	\$40,598	\$41,816	\$43,070	\$44,362
Water / Sewer	\$16,000	\$400	\$16,480	\$16,974	\$17,484	\$18,008	\$18,548	\$19,105	\$19,678	\$20,268	\$20,876
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$68,000	\$1,700	\$70,040	\$72,141	\$74,305	\$76,535	\$78,831	\$81,196	\$83,631	\$86,140	\$88,725

Maintenance	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Grounds	\$25,000	\$625	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619
Janitorial	\$6,600	\$165	\$6,798	\$7,002	\$7,212	\$7,428	\$7,651	\$7,881	\$8,117	\$8,361	\$8,612
Trash Removal	\$4,000	\$100	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219
Security		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment & Supplies	\$5,000	\$125	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
Maintenance	\$25,000	\$625	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619
Maintenance contracts (HVAC, e	\$20,000	\$500	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	\$23,881	\$24,597	\$25,335	\$26,095
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Maintenance	\$85,600	\$2,140	\$88,168	\$90,813	\$93,537	\$96,344	\$99,234	\$102,211	\$105,277	\$108,436	\$111,689

Taxes & Insurance											
Real Estate Taxes or PILOT	\$64,229	\$1,606	\$66,156	\$68,141	\$70,185	\$72,290	\$74,459	\$76,693	\$78,994	\$81,363	\$83,804
Payroll Taxes / Fidelity Bond / Workers Comp / Health Ins.		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance (property, liability)	\$15,000	\$375	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Taxes & Insurance	\$79,229	\$1,981	\$81,606	\$84,054	\$86,576	\$89,173	\$91,848	\$94,604	\$97,442	\$100,365	\$103,376

Replacement Reserves	\$18,000	\$450	\$18,540	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Expenses	\$324,872	\$8,122	\$334,618	\$344,657	\$354,996	\$365,646	\$376,616	\$387,914	\$399,552	\$411,538	\$423,884
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Net Operating Income	\$137,655	\$3,441	\$137,641	\$137,544	\$137,359	\$137,083	\$136,710	\$136,236	\$135,657	\$134,967	\$134,161
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Debt Service											
First Lien	\$112,934	\$2,823	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934
Second Lien		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service (Must Pay)	\$112,934	\$2,823	\$112,934								

Cash Flow (after Must Pay Debt)	\$24,721	\$618	\$24,707	\$24,610	\$24,425	\$24,149	\$23,776	\$23,302	\$22,723	\$22,033	\$21,227
Debt Service Coverage Ratio	1.22		1.22	1.22	1.22	1.21	1.21	1.21	1.20	1.20	1.19

Cash Flow Debt Payments											
City of Portland	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Developer Fee Loan	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow Retained by Project		\$24,721	\$618	\$24,707	\$24,610	\$24,425	\$24,149	\$23,776	\$23,302	\$22,723	\$21,227

Retained Cash Flow % 8%

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Income										
Sch. Gross Income - Residential	\$527,834	\$538,391	\$549,159	\$560,142	\$571,345	\$582,772	\$594,427	\$606,316	\$618,442	\$630,811
<u>Vacancy Loss</u> 5.0%	(\$26,392)	(\$26,920)	(\$27,458)	(\$28,007)	(\$28,567)	(\$29,139)	(\$29,721)	(\$30,316)	(\$30,922)	(\$31,541)
Other income (laundry)	\$3,655	\$3,728	\$3,802	\$3,878	\$3,956	\$4,035	\$4,116	\$4,198	\$4,282	\$4,368
TIF -- 75% requested	\$64,738	\$66,680	\$68,680	\$70,741	\$72,863	\$75,049	\$77,300	\$79,619	\$82,008	\$84,468
Effective Gross Income	\$569,835	\$581,879	\$594,184	\$606,754	\$619,597	\$632,717	\$646,122	\$659,817	\$673,810	\$688,106

Administrative										
Advertising	\$33,157	\$34,152	\$35,176	\$36,232	\$37,319	\$38,438	\$39,591	\$40,779	\$42,002	\$43,263
Office Payroll & Benefits	\$33,157	\$34,152	\$35,176	\$36,232	\$37,319	\$38,438	\$39,591	\$40,779	\$42,002	\$43,263
Office Supplies, Phone, Misc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mngr or Super Rent Free Unit	\$2,016	\$2,076	\$2,139	\$2,203	\$2,269	\$2,337	\$2,407	\$2,479	\$2,554	\$2,630
Audit & Accounting	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
Admin Other	\$8,063	\$8,305	\$8,555	\$8,811	\$9,076	\$9,348	\$9,628	\$9,917	\$10,215	\$10,521
Total Administrative	\$83,113	\$85,607	\$88,175	\$90,820	\$93,545	\$96,351	\$99,241	\$102,219	\$105,285	\$108,444

Supportive Services	\$16,394	\$16,886	\$17,393	\$17,915	\$18,452	\$19,006	\$19,576	\$20,163	\$20,768	\$21,391
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Utilities										
Fuel Oil	\$24,190	\$24,916	\$25,664	\$26,434	\$27,227	\$28,043	\$28,885	\$29,751	\$30,644	\$31,563
Electric	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas	\$45,693	\$47,064	\$48,476	\$49,930	\$51,428	\$52,971	\$54,560	\$56,197	\$57,883	\$59,619
Water / Sewer	\$21,503	\$22,148	\$22,812	\$23,497	\$24,201	\$24,927	\$25,675	\$26,446	\$27,239	\$28,056
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$91,386	\$94,128	\$96,952	\$99,860	\$102,856	\$105,942	\$109,120	\$112,394	\$115,765	\$119,238



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: July 27, 2018

SUBJECT: 2018 Housing Trust Fund Requests

Background

The Housing Trust fund is established by Section 14-489 of the City's Code of Ordinances. The 2018 Annual Plan, which was adopted by the City Council on June 18, 2018 (Order 263 17/18), established the priorities in which the current balance of the Housing Trust Fund will be allocated.

The Housing Trust Fund received a payment of \$276,500 on July 3 representing the fee-in-lieu associated with the development project located at 62 India Street and a deposit of \$33,318.80 on July 13 from fees generated by the Short Term Rental Registration program. The deposit of \$309,818.80 into the Housing Trust Fund during the month of July has increased the balance of the fund to \$1,223,320.80 as of July 27, 2018.

Funding Priority

The 2018 Annual Plan prioritizes support of the Portland Housing Authority in the implementation of their Strategic Vision Plan when other funding sources are not available.

Allocation Process

A Notice of Funding Availability was published on June 29 and applications for Housing Trust Funds were accepted as of July 1. Three application have been received as of Friday, July 27.

- (1) Portland Housing Authority Front Street, \$1,435,174 less any HOME funding
- (2) Avesta 977 Brighton Avenue \$300,000, less any HOME funding
- (3) 178 Kennebec Street, \$370,000, less any HOME funding

The Annual Plan outlined scoring factors, noted below, which were included in the Housing Trust Fund Application. These are the same scoring factors used in the HOME Application.



Mary Davis

Division Director, Housing & Community Development Division

- *Proposed use of funds to achieve the City of Portland's goals and address demonstrated need.*
- *Financial feasibility, including cost, development budget operating pro forma and the provision of secured and leverage funds.*
- *Applicant's ability to complete project, including development team experience, capacity, project readiness and timeframe for completion*
- *Impact on surrounding neighborhood, including design compatibility and environmental issues.*

Eligible Activities

All three applications meet one of the eligible activity requirements of creating new affordable housing.

Financing Parameters

All the applications are requesting assistance through the Housing Trust Fund have made efforts to obtain other private, federal, state or local resources for the project. HTF assistance will help to fill gaps in the project financing and make these projects more competitive for other funding sources.

Maximum Award Amount: The City contribution per unit does not exceed \$15,000.

Income Targeting

The Annual Plan calls for projects that are focused on opportunities where other funding sources do not work or are not effective, such as projects designed to create housing affordable to households earning at or below 50% of the area median income, or projects designed to create housing affordable to households earning 80% to 120% of the area median income.

Between 35% and 77% of the units in each project will be affordable to households at or below 50% of the area median income. The Front Street project has the highest percentage (77%) of units at or below 50% of the area median income and Brighton Avenue has the second highest percentage (60%) of units at or below 50% of the area median income.

Front Street: 77% of the units will be affordable at or below 50% of the area median income (49% with project-based vouchers).
 Kennebec St: 35% of the units will be affordable at or below 50% of the area median income.
 Brighton Ave: 60% of the units will be affordable at or below 50% of the area median income (20% with project-based vouchers).

Affordability Restrictions

Affordability restrictions are required. Rental units must remain affordable for the life of the housing unit, which is presumed to be a minimum of thirty (30) years. These restrictions will be documented and recorded in the Cumberland County Registry of Deeds.

Staff Recommendations

Staff recommends fully funding the applications, in the order noted below, utilizing the current balance in the Housing Trust Fund plus any additional funding that may be appropriated by the City



Mary Davis

Division Director, Housing & Community Development Division

Council, while maintaining the \$500,000 minimum balance noted in the Annual Plan. Staff requests the ability to make adjustments to the allocation amounts as long as it is within 10% of the Committee approved allocation.

(1) Portland Housing Authority Front Street, \$1,435,174 less any HOME funding

Justification:

- a) The PHA Front Street project is a priority under the 2018 Annual Plan
- b) Eligible Activity: new construction of affordable rental housing
- c) Utilizing multiple federal, state and local resources to fund the project
- d) Per unit contribution does not exceed \$15,000/unit
- e) 77% of units affordable to households at or below 50% of the area median income

(2) Avesta 977 Brighton Avenue \$300,000, less HOME funding

Justification:

- a) Eligible Activity: new construction of affordable rental housing
- b) Utilizing multiple federal, state and local resources to fund the project
- c) Per unit contribution does not exceed \$15,000/unit
- d) 60% of units affordable to households at or below 50% of the area median income
- e) The proposed use of City funds and the timing of the investment of City funds makes this project better suited for Housing Trust Fund financing.

(3) 178 Kennebec Street, \$370,000, less HOME funding

Justification:

- a) Eligible Activity: new construction of affordable rental housing
- b) Utilizing multiple federal, state and local resources to fund the project
- c) Per unit contribution does not exceed \$15,000/unit
- d) 35% of units affordable to households at or below 50% of the area median income

There has been some discussion on allocating a portion of the proceeds from the sale of the 0 Thames Street property into the Housing Trust Fund. Possible funding scenarios that factor in changes in the HOME recommendations and additional funding in the Housing Trust Fund are noted below.

Housing Committee recommendations will be forwarded to the City Council for final review and approval (first read August 13 and second read September 5).



Mary Davis
 Division Director, Housing & Community Development Division

CURRENT BALANCE IN HOUSING TRUST FUND (\$1,223,320) & 6/27 COMMITTEE HOME RECOMMENDATION				
	Applicant Request	6/27 Committee HOME Recommendations	Staff HTF Recommendations*	Balance Remaining of Applicants Request
PHA Front Street	\$1,435,174	\$580,174	\$723,320	\$131,680
178 Kennebec Street	\$370,000	\$0	\$0	\$370,000
977 Brighton Avenue	\$300,000	\$300,000	\$0	\$0
Total	\$2,105,174	\$880,174	\$723,320	

*Maintains \$500,000 minimum balance

CURRENT BALANCE IN HOUSING TRUST FUND (\$1,223,320) & 6/27 STAFF HOME RECOMMENDATION				
	Applicant Request	6/27 Staff Committee HOME Recommendations	Staff HTF Recommendations*	Balance Remaining of Applicants Request
PHA Front Street	\$1,435,174	\$510,174	\$723,320	\$201,680
178 Kennebec Street	\$370,000	\$370,000	\$0	\$0
977 Brighton Avenue	\$300,000	\$0	\$0	\$300,000
Total	\$2,105,174	\$880,174	\$723,320	

*Maintains \$500,000 minimum balance

HOUSING TRUST FUND \$2,223,320 (including portion of 0 Thames St. Proceeds) & 6/27 COMMITTEE HOME RECOMMENDATION				
	Applicant Request	6/27 Committee HOME Recommendations	Staff HTF Recommendations*	Balance Remaining of Applicants Request
PHA Front Street	\$1,435,174	\$580,174	\$855,000	\$0
178 Kennebec Street	\$370,000	\$0	\$370,000	\$0
977 Brighton Avenue	\$300,000	\$300,000	\$0	\$0
Total	\$2,105,174	\$880,174	\$1,225,000	

*Maintains \$500,000 minimum balance; \$498,320 of HTF unallocated

HOUSING TRUST FUND \$2,223,320 (including portion of 0 Thames St. Proceeds & 6/27 STAFF HOME RECOMMENDATION				
	Applicant Request	6/27 Staff HOME Recommendations	Staff HTF Recommendations*	Balance Remaining of Applicants Request
PHA Front Street	\$1,435,174	\$510,174	\$925,000	\$0
178 Kennebec Street	\$370,000	\$370,000	\$0	\$0
977 Brighton Avenue	\$300,000	\$0	\$300,000	\$0
Total	\$2,105,174	\$880,174	\$1,225,000	

*Maintains \$500,000 minimum balance; \$498,320 of HTF unallocated



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Jul 27, 2018

Mary Davis
City of Portland - Housing and Community Development Division
389 Congress Street
Portland, Maine 04101

**Subject: Front Street Redevelopment
Response to RFP – Housing Trust Fund 2018-2019**

Dear Mary,

Portland Housing Authority is pleased to submit this response to the City of Portland's RFP for Housing Trust funds. Front Street Redevelopment is a multi-family development in Portland's East Deering neighborhood that transforms 50 public housing units into 111 homes for small and large families near Portland's peninsula. We are requesting \$855,000.

The City staff and Housing Committee are familiar with the Front Street redevelopment by this point. We have submitted a successful CDBG application and HOME funds application that are both critical funding sources for the redevelopment of a public housing development that has lasted longer than was originally envisioned as "temporary housing" in 1971.

As noted in our project summary, between the HOME and HTF subsidy, we are requesting \$1,435,174 of 0% loan as gap financing. We are flexible regarding the amount of each subsidy source as long as we achieve the total amount. Please note that since our HOME application submission, costs continue to go up. Our Construction Manager has since done a detailed 16-Division estimate and included an inflation factor for time we need for relocation and for national trends in building materials and labor costs. We have also shifted demolition and soil remediation costs to the project from the PHA "Seller Costs" to maximize our LIHTC equity. This has increased our total hard construction costs including demolition and soil remediation by \$2,086,620. We have increased our MSHA loan slightly, increased our 4% LIHTC equity,

increased the Portland Housing Development Corporation soft loan and expect to apply for a second Federal Home Loan Bank AHP grant.

The temporary relocation of these 50 families, demolition of the buildings, removal of hazardous materials, and soil remediation are critical first steps in preparing the site for a long-term lease for the redevelopment of this older housing and the new construction of additional units to help ease the rental housing crisis in Portland. This project is one of the first steps in Portland Housing Authority's 2015 Strategic Vision Plan that looked at the renovation and redevelopment of almost 1000 units of housing throughout Portland and the creation of new affordable housing on under-utilized parcels of land within PHA's portfolio. This East Deering neighborhood is a wonderful close-knit, mixed-income community that deserves new energy efficient, healthy, durable, beautiful housing.

Portland Housing is excited that the re-development of Front Street will be a part of the growth of this wonderful part of Portland.

Thank you for your consideration.

Sincerely,



Jay Waterman, Director of Development

**Portland Housing Development Corporation / Front Street Housing Redevelopment, LP
Housing Trust Fund Application
Project Summary**

Front Street Re-Development - Detailed Project Proposal

Summary - Request for Funding

Portland Housing Development Corporation (PHDC) and Front Street Housing Redevelopment, LP are requesting \$855,000 in grant funding from the City of Portland’s Housing Trust Fund (HTF) program to assist in the re-development of affordable family rental housing in Portland, Maine. PHDC is requesting these HTF funds as a critical early step in securing other funding to replace outdated housing and bring new housing to a mixed-income community. The request is based on the City’s Housing Committee recommendation of \$580,174 to the City Council. Understanding that this HOME amount has not been approved by the full Council, we are requesting a total subsidy amount of \$1,435,174. Any combination of HOME funds and Housing Trust Funds would provide the project with needed financing.

Project Summary and Description of Housing

Front Street is currently a 50-unit Public Housing community in the East Deering neighborhood of Portland, Maine. The project was built in 1971 as part of Portland’s Urban Renewal effort and the creation of Franklin Arterial to connect the interstate with the Downtown tourist area of the Portland peninsula. Over 200 residential structures, considered a blighted area, were taken by eminent domain and demolished in Portland’s Bayside neighborhood. A portion of those families were moved to temporary housing at Front Street in Portland’s East Deering neighborhood. 47 years later, this “temporary” housing was identified in Portland Housing Authority’s Strategic Vision Plan of 2015 as the top priority property for re-development due to deterioration of buildings due to poor construction quality and structural issues due to poor soils. A 2012 Physical Needs Assessment concluded that the buildings are at the end of their useful life, and an Obsolescence Study in 2016 determined that renovations would be costlier than demolition and new construction.

PHA is proposing a single-phase approach to not only demolish and re-develop the existing 50 units of housing, but add an additional 61 units of mixed-income family rental housing that will be durable, beautiful and extremely energy efficient. Please note there is an adjacent 10-unit homeownership project that will be developed on the existing Front Street parcel along Illsley Street, but is not part of the rental housing project and is not part of this application.

Existing Housing Unit Distribution

1-Bedroom	0
2-Bedroom	0
3-Bedroom	25
4-Bedroom	18
5-Bedroom	7
Totals	50

Front Street Utilization

	Sufficient Size	Under Utilized	Over Utilized
1-Bedroom	N/A		
2-Bedroom	N/A		
3-Bedroom	16	7	2
4-Bedroom	10	6	1
5-Bedroom	6	1	0

Proposed Housing Unit Distribution

Unit Type	# units	Square Footage
1-bedroom	29	550
2-bedroom	38	850
3-bedroom	27	1100
4-bedroom	13	1225
5-bedroom	4	1400
Total Units	111	

Population Served

Households currently living at Front Street are Extremely-Low Income, (ELI), or Very-Low Income, (VLI). There are currently 49 occupied units; 35 households, (about 71%), have extremely-low incomes. Current households range in size from one-person to ten-persons. Households are predominantly between three- and six-persons. A unique feature of Front Street is its 4- and 5-bedroom units for larger families. PHA has a public housing waiting list with 1,800 families and several of those on the waiting list are looking for 4- and 5-bedroom units.

PHA is applying to HUD under Section 18 Demolition and Disposition of the Housing Act of 1937 to re-develop Front Street public housing. Section 18 allows all residents the right to compensation for temporary relocation and PHA is pledging 100% Right of Return. Residents will be relocated with Tenant Protection Vouchers in private housing or will be able to move to some of the other 1,000 units of public housing owned by PHA in Portland. We are anticipating at least half of the current families will choose to return to the re-developed Front Street. PHA is pledging 50 Project Based Vouchers to the new project. These will ensure those returning after relocation will have a subsidized unit. 23 units (20%) will be market rate with a goal of protecting existing ELI families while

diversifying incomes in the development and neighborhood. The balance of units will be at or below 50% and 60% of Area Median Income.

Proposed Use of Funds, Market Demand and Measures of Success

Our first and foremost measure of success will be 111 new units of affordable housing. Portland has over 3,000 people on the Section 8 waiting list and there are over 13,000 people statewide who often have to wait 3-5 years for an affordable home. This project will clearly have an effect on over a hundred families. Please see the attached market study to understand the market demand.

The Front Street Redevelopment project has partnered with local social service providers to go beyond beautiful new apartments for its residents and provide critical services to help residents thrive in the community. The focus of these services is to enable empowerment and self-sufficiency. The following services are committed to the project and letters of commitment are available upon request:

- Boys and Girls Club of Southern Maine – After School programs
- Goodwill – Employment and job training supportive services
- LearningWorks – English language and literacy programs and YouthBuild Program
- The Opportunity Alliance – Early Head Start Family Visiting Program

Financial Feasibility

There is no doubt that Front Street's legacy of a placing low-income housing on a former City dump with poor structural soils combined with drastic cuts to public housing over the life of the project has left this property in desperate need of redevelopment. It also means the project has costs that many other projects do not have: The size of the site is two City blocks spanning 4 acres. 50 families will be temporarily moved, re-housed and returned, all with financial support required in the Uniform Relocation Act. The project has a DEP VRAP plan for remediation of the soils. Hazardous materials will need to be removed from the buildings prior to demolition.

Some of these initial costs are considered "Seller's costs." PHA has received \$250,000 of CDBG funds from the City of Portland as well as a \$125,000 grant from the TD Charitable Foundation Housing for Everyone competition in 2017. These funds, as well as potential EPA Brownfields funds and PHA non-federal reserves will pay for all "Seller Cost" that are NOT part of this application.

The project has already secured \$3,900,000 of AHP funds from the Federal Home Loan Bank of Boston through our construction lender, Bath Savings. We are applying to MaineHousing for 4% LIHTC and Tax-Exempt Debt and will seek a second Federal Home Loan Bank grant of \$500,000. Please see the attached pro forma development budget, sources and uses, operating budget and 15-year operating pro forma.

Capacity to Develop the Project

The Portland Housing Authority hired Jay Waterman as their Real Estate Development Director over three years ago. Since that time, Bayside Anchor, a 45-unit mixed-income multi-family affordable housing project has been built and occupied. Mr. Waterman is the project manager for the Front Street project. Mark Adelson, PHA's Executive Director, is also integrally involved in the project, assisting with the Relocation Plan for temporary relocation of Front Street families. Our HUD application process is being supported by Joe Schiff, a former HUD deputy undersecretary. Our relocation planning is being supported by Andrew Daniels of MAPPLAN Partners. Gary Vogel of Drummond Woodsum is our legal counsel. Our property management firm will be Avesta Housing.

PHA has assembled a top-notch design team for the project, including Utile Architecture and Planning from Boston, Carroll Associates Landscape Architects, Allied Engineering, Ransom Environmental Consulting, and Thornton Tomasetti to assist with Passive House certification.

Neighborhood and Design Compatibility

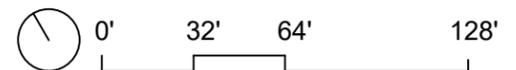
Front Street has been affordable public housing for the last 47 years. The project has been a low-density development that has the potential for significantly more density with the Division 30 changes. We feel the proposed design will have a more connective fabric with the surrounding neighborhood than the existing building. Walkability, scale, connectivity and permeability are all part of the design. We have worked with City planning and urban design staff for the last 18 months on this project and will continue to work with them as we bring this to the planning board in the Fall of 2018.



DISCLAIMER: These plans are conceptual only. They have not been subject to a comprehensive code and regulatory review, nor have they been tested against any as-built surveys. Discoveries in such an analysis may result in fundamental changes to the original concept.



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Front Street Re-Development Timeline

Submit planning board application.....September 2018

Add'l neighborhood meetings.....Aug.-Nov. 2018

Planning Board Approval ExpectedDecember 2018

Submission to MSHA for LIHTCDecember 2018

HUD Approval of Demolition/DispositionMarch 2019

Relocation Period.....June 2019 – Dec. 2019

Construction Closing and Start.....December 2019

Occupancy.....February 2021

Front Street Re-Development Location Map



DEVELOPMENT ASSUMPTIONS						
Total Units		111	Inflation Adjustments	Yr 1-5	Yr. 6-15	Yr. 16-30
# @ 40% AMI	0.0%	0	Rent	2.00%	2.00%	2.00%
# @ 50% AMI (PBV Low HOME)	45.0%	50	Operating Expense	3.00%	3.00%	3.00%
# @ 50% AMI (LIHTC)	31.5%	35	Other Income	2.00%	2.00%	2.00%
# @ 60% AMI (High HOME)	0.0%	0	Debt Coverage Ratio		1.15	
# @ 60% AMI (LIHTC)	2.7%	3	Vacancy		5%	
# @ Market	20.7%	23				
Appraised Market Value	100.0%	17,077,980	Market Value/Unit		\$153,856	

Pro Forma Development Budget					
	Residential	Per Unit	Commercial		Total
Site Improvements	1,945,563	17,528			1,945,563
Construction	17,745,165	159,866			17,745,165
Demolition	453,002	4,081			453,002
Builder Overhead	2,920,792	26,313			2,920,792
Builder Profit	0	0			0
Bond Premium	0	0			0
Construction Contingency	5% 1,153,226	10,389			1,153,226
Subtotal Construction Costs	24,217,748	218,178	0		24,217,748
Building Permits and Fees	339,827	3,062			339,827
Survey & Engineering	103,900	936			103,900
Architectural & Design	945,000	8,514			945,000
Legal	73,000	658			73,000
Title & Recording	15,000	135			15,000
Accounting	8,000	72			8,000
Construction Period Tax	2,000	18			2,000
Construction Period Insurance	25,000	225			25,000
Soft Cost Contingency	42,000	378			42,000
Subtotal Soft Costs	1,553,727	13,998	0		1,553,727
Construction Loan Origination Fees	8,500	77			8,500
Construction Loan Interest	770,000	6,937			770,000
Constr Partic. Fee/Perm Loan Fee	287,500	2,590			287,500
Lend Inspec, Const legal, Letter of Credit	28,750	259			28,750
Subtotal Finance Costs	1,094,750	9,863	0		1,094,750
Market Survey	5,200	47			5,200
Appraisal	6,000	54			6,000
Environmental Study	13,500	122			13,500
LIHTC Fees/ prepd monitor	150,650	1,357			150,650
Commissioning	47,080	424			47,080
FF&E	89,000	802			89,000
Subtotal Miscellaneous	311,430	2,806	0		311,430
Acquisition: Buildings	0	0			0
Acquisition: Land	275,000	2,477			275,000
Acquisition: Legal	0	0			0
Subtotal Acquisition	275,000	2,477	0		275,000
Operating Deficit Escrow	930,000	8,378			930,000
Pre-funded Replacements	211,190	1,903			211,190
Tax & Insurance Escrow	126,592	1,140			126,592
Working Capital / Relocation	0	0			0
GP Contribution	0	0			0
Developer Overhead	2,000,000	18,018			2,000,000
Developer Profit	1,900,000	17,117			1,900,000
Rent-up & Marketing	50,000	450			50,000
Subtotal Fee and Reserves	5,217,781	47,007	0		5,217,781
Total Project Costs	32,670,437	294,328	0		32,670,437
Total Development Costs (MSHA)	31,099,787	280,178			
Total Development Cost (MSHA) Index		226,966			

LIHTC Alloc.	1,009,873
Equity yield	0.89
Synd. %	99.99%
Equity Raise	8,986,968

Historic Credit FED	0
Equity yield	0.95
Synd. %	99.99%
Equity Raise	0

Historic Credit STATE	0
Equity yield	0.88
Synd. %	99.99%
Equity Raise	0

Total Equity:	8,986,968
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Gross Square Footage	132,000
Construction Cost/Sq ft.	\$174.73

Front Street Re-Development - Sources and Uses		
Sources		
Development Fee Loan	2,900,000	
Tax Exempt Bond Loan	14,250,000	
Bath AHP Loan	3,400,000	
FHLB Subsidy	500,000	
City Housing Trust Funds	855,000	
City HOME Funds	580,174	
Net Syndication	8,986,968	1,009,873 Credit Allocation
Seller Note	698,295	
Total	32,170,437	
Uses		
Construction	24,217,748	\$174.73 /sf Construction
Soft Costs	1,553,727	
Finance Costs	1,094,750	
Miscellaneous	311,430	
Acquisition	275,000	
Reserves	1,317,781	
Developer Fee	3,900,000	
Total	32,670,437	294,328 Gross TDC / Unit
		280,178 Adj. TDC / unit
Changes to this pro forma version		
111 units		
Trending at 2% income / 3% expenses		
New LIHTC and PBV rents as of April 2018		
OPEX increased to \$7,700/unit		
No MSHA subsidy		
City HOME funds		
Adjusted TDC Index calculation		
Added \$275,000 to Acquisition and added a Seller note for same		
MAXIMUM DEVELOPER FEE AVAILABLE 4,301,815		
ACTUAL DEVELOPER FEE 3,900,000		
% OF MAXIMUM DEVELOPER FEE 90.7%		
NET DEVELOPER FEE COLLECTED 1,000,000		
% OF MAXIMUM DEVELOPER FEE 23.2%		

FLOW OF FUNDS										
Sources	CLC	During Construction				PLC	2018	2019	Total	
	10/15/18	1/13/19	4/13/19	7/12/19	10/10/19	12/14/19				
Beginning Cash	0	0	500,000	0	0	0	3,050,652	2,975,326	0	
Capital Contribution	898,697		898,697	2,246,742		4,493,484	224,674	224,674	8,986,968	
Construction Loan	1,868,623	5,554,437	4,655,740	3,807,695	6,104,437				21,990,932	Total loan \$XXXXXX incl. \$500k City
GP Bridge Loan									0	
Other AHP Subsidy		500,000							500,000	
Other AHP Loan	0					0			0	
Tax Exempt Bond Loan						14,250,000			14,250,000	
Conventional First Mortgage									0	
Bath AHP Loan						3,400,000			3,400,000	
PHDC Loan						698,295			698,295	
City Housing Trust Fund	427,500					427,500			855,000	
City FedHOME	290,087		0			290,087			580,174	
Bath AHP Subsidy	0	500,000							500,000	
Development Fee Loan						2,900,000			2,900,000	
TOTAL SOURCES	3,484,907	6,554,437	6,054,437	6,054,437	6,104,437	26,459,366	3,275,326	3,200,000	54,661,369	
Uses										
Acquisition	275,000								275,000	
Construction		6,054,437	6,054,437	6,054,437	6,054,437				24,217,748	
Soft Costs	1,553,727	0	0	0	0	0			1,553,727	
Financing Costs	1,094,750					0			1,094,750	CLC
Miscellaneous	311,430					0			311,430	PLC
Dev Fee	250,000					150,000	300,000	3,200,000	3,900,000	8609
Reserves					50,000	1,267,781			1,317,781	Stabilized
TOTAL DEV. COSTS	3,484,907	6,054,437	6,054,437	6,054,437	6,104,437	1,417,781	300,000	3,200,000	32,670,437	
Repay GP Bridge Loan						0			0	
Repay Construction Loan						21,990,932			21,990,932	
Other Syndication Costs	0								0	
SUBTOTAL OTHER ITEMS	0	0	0	0	0	21,990,932	0	0	21,990,932	
TOTAL USES OF FUNDS	3,484,907	6,054,437	6,054,437	6,054,437	6,104,437	23,408,714	300,000	3,200,000	54,661,369	
Ending Cash	0	500,000	0	0	0	3,050,652	2,975,326	0	0	

PROJECT FINANCING								
Source	Amount	Rate	Term	Lien	Annual D/S			
					Yr. 1-5	Yr. 6-15	Yr. 16-30	
Source 1	Other AHP Loan	0	0.00%	30	First	0	0	0
Source 2	Tax Exempt Bond Loan	14,250,000	4.50%	40	First	768,752	768,752	768,752
Source 3	Bath AHP Loan	3,400,000	5.00%	30	First	219,023	219,023	219,023
Source 4	PHDC Loan	698,295	0.00%	30		0	0	0
Source 5	City Housing Trust Fund	855,000	0.00%	30		0		0
Source 6	Other AHP Subsidy	500,000	0.00%	30		0		0
Source 7	City FedHOME	580,174	0.00%	30	Third	0	0	0
Source 8	Bath AHP Subsidy	500,000	0.00%	30	Third	0	0	0
Source 9	Development Fee Loan	2,900,000	0.00%		cash flow	0	0	0
Source 10	Net Syndication	8,986,968	\$0.89					
	Capitalization Gap	-0						
	Total	32,670,437						

COLLATERAL COVERAGE		
	Total	Per Unit
Projected Mortgage	14,250,000	128,378
Appraised Market Value	17,077,980	153,856
Loan to Value Ratio	83%	
Market Rent Differential	248,892	187
Subsidy per Low Income Unit		0

PROPOSED RENT SCHEDULE									
Type	AMI	# Units	Rents from Applicant	Program Max Rents	Gross Rent	Market Rent	Utility Allow.	Total Rent	
0BR	40% LIHTC	0				\$1,000	0	0	
	50% LIHTC PBV	0	788	788	788	\$1,000	0	0	
	50% LIHTC	0	788	788	788	\$1,000	0	0	
	60% HOME	0				\$1,000	0	0	
	60% LIHTC	0	946	946	946	\$1,000	0	0	
	Market	0	\$900	\$900	900	\$1,000	0	0	
1BR	40% LIHTC	0				\$1,100	0	0	
	50% LIHTC PBV	7	845	845	845	\$1,100	0	70,980	
	50% LIHTC	11	845	845	845	\$1,100	0	111,540	
	60% HOME	0				\$1,100	0	0	
	60% LIHTC	0	1014	1014	1,014	\$1,100	0	0	
	Market	11	\$990	\$990	990	\$1,100	0	130,680	
2BR	40% LIHTC	0				\$1,300	0	0	
	50% HOME	0				\$1,300	0	0	
	50% LIHTC PBV	7	1013	1013	1013	\$1,300	0	85,092	
	50% LIHTC	19	1013	1013	1,013	\$1,300	0	230,964	
	60% LIHTC	0	1216	1216	1216	\$1,300	0	0	
	Market	12	\$1,170	\$1,170	1,170	\$1,300	0	168,480	
3BR	40% LIHTC	0				\$1,600	0	0	
	50% LIHTC	5	1171	1171	1,171	\$1,600	0	70,260	
	50% LIHTC PBV	19	1171	1171	1,171	\$1,600	0	266,988	
	High HOME	0				\$1,600	0	0	
	60% LIHTC	3	1,406	1,406	1,406	\$1,600	0	50,616	
	Market	0	\$1,440	\$1,440	1,440	\$1,600	0	0	
4BR	50% LIHTC	0	1307	1307	1,307	\$1,900	0	0	
	50% LIHTC PBV	13	1307	1307	1,307	\$1,900	0	203,892	
	60% HOME	0				\$1,900	0	0	
	60% LIHTC	0	1569	1569	1,569	\$1,900	0	0	
	Market	0	\$1,615	\$1,615	1,615	\$1,900	0	0	
	5BR	50% LIHTC	0	\$1,442	\$1,442	\$1,442	\$2,200	0	0
50% LIHTC PBV	4	\$1,442	\$1,442	\$1,442	\$2,200	0	69,216		
60% HOME	0				\$2,200	0	0		
60% LIHTC	0	\$1,731	\$1,731	\$1,731	\$2,200	0	0		
Market	0						0		
Other:								0	
Subtotals		111						1,458,708	
# PBVs	50		Vacancy Rate	5%				-96,167	
			Other Income	PBV-HAP Diff.				464,628	
			Other Income	Laundry				11,100	
			Other Income	75% TIF				146,138	
			Effective Gross Income					1,984,407	

AFFORDABLE MORTGAGE CALCULATION		
Effective Gross Income		1,984,407
Annual Operating Expense		867,060
Stabilized NOI		1,117,346
DSC	1.15	145,741
\$ Avail for D/S		971,606
Other DS		768,752
Balance		202,853
Affordable Mortgage	4.50%	3,760,192

BREAKEYEN ANALYSIS:	RENT SENSITIVITY		OCCUPANCY	
	Total	Annual	Total	Annual
Operating Expense	867,060		Gross Revenues	1,934,436
Debt Service	987,776			
Breakeven Rent	1,393		Breakeven Occupancy	96%

OPERATING EXPENSES		
Expense	Residential Annual	Annual Per Unit
Administrative Expenses:		
Management Fees	109,630	988
Management Charges	109,630	988
Marketing Expenses	500	5
Legal Expenses	4,000	36
Auditing Expenses	7,000	63
Other Administrative Expenses	0	0
Administrative Expenses	230,760	2,079
Operating Expenses:		
Janitorial Payroll	0	0
Janitorial Supplies and Equipment	0	0
Janitorial Contractual Services	35,000	315
Natural Gas Heat & HW	50,000	450
Electricity	55,000	495
Water and Sewer	62,000	559
Garbage and Trash Removal	19,000	171
Vehicle and Equipment Expenses	0	0
Other Operating Expenses	0	0
Operating Expenses	221,000	1,991
Maintenance Expenses:		
Grounds Maintenance Payroll	0	0
Grounds Tools and Supplies	0	0
Grounds Contractual Services	18,000	162
Miscellaneous Ground Maintenance	0	0
Tenant Damage Charges - Grounds	0	0
Building Maintenance Payroll	0	0
Building Tools and Supplies	5,500	50
Building Contractual Services	45,000	405
Building Systems Maintenance	42,000	378
Miscellaneous Building Maintenance	500	5
Tenant Damage Charges - Building	0	0
Maintenance Expenses	111,000	1,000
General Expenses:		
Property Taxes	194,850	1,755
Property and Liability Insurance	25,000	225
Tenant Computer Network Expense	2,500	23
Tenant Service Expenses	32,000	288
General Expenses	254,350	2,291
Replacement Reserve Funding	49,950	450
Commercial Expenses (if applicable)	0	0
Total	867,060	7,811
Operating Cost per unit without Replacement Reserve		7,361
Social Service Multi-Use Space portion of rent	0	

0 check versus OPEX;

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT													
0 Months													
	PLC	12/14/19	12/31/19	12/30/20	12/30/21	12/30/22	12/31/23	12/30/24	12/30/25	12/30/26	12/31/27	12/30/28	12/30/29
Effective Gross Income			0	2,024,095	2,064,577	2,105,868	2,147,986	2,190,945	2,234,764	2,279,460	2,325,049	2,371,550	2,418,981
Less Operating Expense			0	893,072	919,864	947,460	975,884	1,005,161	1,035,315	1,066,375	1,098,366	1,131,317	1,165,257
Net Operating Income			0	1,131,023	1,144,712	1,158,408	1,172,102	1,185,785	1,199,449	1,213,085	1,226,683	1,240,233	1,253,724
Less RLP Repay			0	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752
Less Other Repay			0	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023
Cash Flow			0	143,247	156,937	170,632	184,326	198,009	211,673	225,309	238,907	252,457	265,948
Cash Flow per Unit			#DIV/0!	1,291	1,414	1,537	1,661	1,784	1,907	2,030	2,152	2,274	2,396
Debt Coverage Ratio(RLP)			0.00	1.15	1.16	1.17	1.19	1.20	1.21	1.23	1.24	1.26	1.27
Other AHP Loan		0	0	0	0	0	0	0	0	0	0	0	0
Tax Exempt Bond Loan	14,250,000	#NUM!	14,119,835	13,983,690	13,841,290	13,692,349	13,536,565	13,373,624	13,203,198	13,024,943	12,838,499	12,643,490	12,643,490
Principal Balance(RLP)	14,250,000	#NUM!	14,119,835	13,983,690	13,841,290	13,692,349	13,536,565	13,373,624	13,203,198	13,024,943	12,838,499	12,643,490	12,643,490
Operating Reserve Balance		930,000	976,500	1,025,325	1,076,591	1,130,421	1,186,942	1,246,289	1,308,603	1,374,034	1,442,735	1,514,872	1,590,616

Total Cash Flow
Projected over 12 Yrs
2,619,528

Yr 15												
		12/30/30	12/31/31	12/30/32	12/30/33	12/30/34	12/31/35	12/30/36	12/30/37	12/30/38	12/31/39	12/30/40
Effective Gross Income		2,467,360	2,516,708	2,567,042	2,618,382	2,670,750	2,724,165	2,778,648	2,834,221	2,890,906	2,948,724	3,007,698
Less Operating Expense		1,200,214	1,236,221	1,273,307	1,311,507	1,350,852	1,391,377	1,433,119	1,476,112	1,520,395	1,566,007	1,612,988
Net Operating Income		1,267,146	1,280,487	1,293,734	1,306,876	1,319,898	1,332,788	1,345,530	1,358,109	1,370,510	1,382,717	1,394,711
Less RLP Repay		768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752
Less Other Repay		219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023
Cash Flow		279,370	292,711	305,959	319,100	332,123	345,012	357,754	370,334	382,735	394,941	406,935
Cash Flow per Unit		2,517	2,637	2,756	2,875	2,992	3,108	3,223	3,336	3,448	3,558	3,666
Debt Coverage Ratio(RLP)		1.28	1.30	1.31	1.32	1.34	1.35	1.36	1.37	1.39	1.40	1.41
Other AHP Loan		0	0	0	0	0	0	0	0	0	0	0
Tax Exempt Bond Loan	12,643,490	12,439,521	12,226,183	12,003,044	11,769,654	11,525,542	11,270,215	11,003,159	10,723,835	10,431,678	10,126,099	9,806,483
Principal Balance(RLP)	12,643,490	12,439,521	12,226,183	12,003,044	11,769,654	11,525,542	11,270,215	11,003,159	10,723,835	10,431,678	10,126,099	9,806,483
Operating Reserve Balance		1,590,616	1,670,146	1,753,654	1,841,336	1,933,403	2,030,073	2,131,577	2,238,156	2,350,064	2,467,567	2,590,945

		12/30/41	12/30/42	12/31/43	12/30/44	12/30/45	12/30/46	12/31/47	12/30/48	12/29/49
Effective Gross Income		3,067,852	3,129,209	3,191,794	3,255,630	3,320,742	3,387,157	3,454,900	3,523,998	3,594,478
Less Operating Expense		1,661,377	1,711,219	1,762,555	1,815,432	1,869,895	1,925,992	1,983,771	2,043,284	2,104,583
Net Operating Income		1,406,475	1,417,991	1,429,239	1,440,198	1,450,847	1,461,165	1,471,129	1,480,714	1,489,895
Less RLP Repay		768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752	768,752
Less Other Repay		219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023	219,023
Cash Flow		418,700	430,215	441,463	452,422	463,072	473,390	483,353	492,938	502,119
Cash Flow per Unit		3,772	3,876	3,977	4,076	4,172	4,265	4,355	4,441	4,524
Debt Coverage Ratio(RLP)		1.42	1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51
Other AHP Loan		0	0	0	0	0	0	0	0	0
Tax Exempt Bond Loan	9,806,483	9,472,183	9,122,526	8,756,805	8,374,283	7,974,188	7,555,713	7,118,014	6,660,206	6,181,367
Principal Balance(RLP)	9,806,483	9,472,183	9,122,526	8,756,805	8,374,283	7,974,188	7,555,713	7,118,014	6,660,206	6,181,367
Operating Reserve Balance		2,720,492	2,856,517	2,999,343	3,149,310	3,306,776	3,472,114	3,645,720	3,828,006	4,019,406



To: Mary Davis, City of Portland
From: Anne Boynton, Urban Ventures, Inc.
Re: Front Street Housing Redevelopment LP
 Developed by Portland Housing Development Corporation (PHDC)
Date: June 3, 2018

Executive Summary

The Front Street Redevelopment will replace 50 units of deteriorated “temporary housing” built in 1971 which is suffering from structural problems with 111 units of new rental housing and a 10 unit homeownership development (which is not part of this request). Due a range of complications including underlying soil contamination and soil structure issues throughout the 4 acre site, size of units (includes 17 units with 4 or 5 bedrooms), zoning constraints limiting project height to 3 stories, and commitments to the neighborhood on design issues, this is quite an expensive development, with a total development cost of \$30 million (which **excludes** all demolition and much of the site work.) The per unit development cost is \$271,032. PHDC is requesting a HOME loan of \$841,540 and is anticipating a Housing Trust Fund request of \$589,728, for a total capital investment from the City of Portland of \$1,431,268.

In order to make use of the 4% LIHTCs and tax exempt bond financing, PHDC is giving up their current property tax exempt ownership structure and is requesting a 75% TIF with an estimated value of \$146,148 in year 1. The TIF will return an estimated \$48,712 to the City in year 1, raising over time, from this property which would not otherwise be on the tax rolls.

Sources and Uses

Sources:		Uses:	
1 st Mortgage	\$14,045,415	Site Improvements	\$1,326,000
AHP 2 nd lien	\$3,400,000	Hard Construction	\$19,651,902
AHP subsidy	\$500,000	Hard Cost Contingency	\$1,048,895
LIHTC Equity	\$8,307,892	Soft & Misc. Costs	\$1,839,918
Deferred Dev Fee	\$2,400,000	Interest & Financing Costs	\$1,019,750
HOME – Portland	\$841,540	Acquisition	0
Housing Trust Fund – Portland	<u>\$589,728</u>	Reserves	\$1,298,111
		Developer Fee	<u>\$3,900,000</u>
Sources of Funds	\$30,084,575	Uses of Funds	\$30,084,576

For analysis of “Uses,” see Development Budget.

Development Budget

The Total Development Cost for this project is very high, particularly considering there is no acquisition cost and the units will ultimately be modest in scale and amenities (for instance, the 5 bedroom units have only 1.5 baths and a total of 1,400 square feet). Of the six projects receiving HOME commitments in the past 2 years, this project costs 32% more per unit than the next most expensive project (Boyd

Street). Unfortunately, most of this additional cost is an outgrowth of the unique site conditions and neighborhood considerations – either directly in construction costs, architectural & engineering expense, and in construction period interest. Short of abandoning the site or reconfiguring for a narrower, taller structure, there is not a lot of room to reduce costs.

Construction Costs:

Over \$1.9 million of the site preparation costs will be borne by the PHA prior to transferring the site to the Front Street LP, including hazardous material removal, demolition of existing structures, removal of contaminated soils, and relocation of existing residents. None of these expenses are included in the project budget. Even so, there is still \$1,326,000 in ADDITIONAL site improvements to be borne by the project to address inadequate soil structures and the extensive soil remediation. Construction techniques to secure the foundation on the old landfill will be more expensive than typical.

The existing development is all larger units and the new development will include 44 units of 3 bedrooms or larger. These larger units also push construction costs up – to the largest units are only 1400 sq ft with 1.5 baths, so they are not over investing in amenities. Construction costs are based on an overall conceptual design estimate by Wright-Ryan, so there is not currently much detail to evaluate in terms of value engineering opportunities.

Soft Costs:

Soft costs are generally in line with other Portland area developments except as related to the extraordinary site conditions which drives up architectural, engineering, and the high total development cost which drives up construction loan interest. Overall high costs also push up soft costs which are calculated on a percentage basis: operating reserve, replacement reserve, and developer fee. Developer fee budgeted at \$3.9 million and is calculated at the maximum allowable by Maine Housing. This works out to 15.64% of total development cost excluding reserves and developers fee. The developer commits to lend 62% of developer fee (\$2.4 million) back to the project for a cash out developer fee of \$1.5 million.

Contingency:

Hard cost contingency is at 5% which is QUITE thin considering the very preliminary stage of development. The costs are estimated based on an October 2018 start date which is not realistic, so there will be construction inflation which needs to be factored in. Also soil conditions can be very difficult to estimate. We should expect these costs to rise over time.

Acquisition:

Acquisition price is ZERO.

Operating Budget & 20 Year Cashflow Projection

Project Income:

The PHA is providing 50 project based vouchers to insure that every returning resident has an affordable unit. There will be 23 market rate 1 and 2 bedroom units, with rents of \$990 & \$1,170 respectively. PHDC states these are discounted 10% vs. true market rate. There will be 38 units affordable at 50% or

60% of AMI with rents ranging from \$880 for a 1 bedroom to \$1,406 for a 3 bedroom. Vacancy is budgeted at 5%.

Operating Expense

Total operating cost per unit is \$7,730, towards the upper end of affordable housing operating costs. However this does not account for the TIF. A property with an equivalent real estate tax subsidy in the form of a PILOT would show operating expenses of \$6,413, exactly in range for affordable housing. Administration is slightly high at \$2,101 per unit. Utilities are currently thin at \$1,234 per unit – given large units and large families, this is inadequate. PHDC has conducted a utility review of comparable units and agrees to increase the utility line item to \$1,527 per unit. Given energy efficient construction and a range of unit sizes, this should be sufficient. Annual contribution to Reserves for Replacement is \$450/unit, which should be sufficient even given the larger units and anticipation of some wear and tear from larger families.

20 Year Cashflow & Debt Service Coverage Ratio (DSCR)

The projected year 1 Debt Service Coverage Ratio (DSCR) is an adequate 1.16. With industry standard inflators of 2% for income and 3% for expense, the projections show the DSCR gradually increasing to 1.43 in year 20.

Since there is a hefty developer fee loan -- \$2.4 mill – which the investors will insist is repaid from cashflow prior to the end of the 15 year tax credit compliance period, there is not a lot of leeway in projected cashflow to retire the City investment in the early years. If the cashflow is divided 75% to the developer fee loan, projections show the developer fee loan fully retired in year 14. Ten percent of cashflow is the minimum which should be retained by the project. If 15% of cashflow goes the City, that would be a repayment of about \$24,000 in the first year, rising to \$50,000 by year 14 when the developer fee loan is fully repaid. The percentage of cashflow paid to the City should be structured to increase at the point the developer fee loan is repaid. If the cashflow share paid to the City rises to 50% when the developer fee is repaid, the full City investment is retired in year 19.

Developer Financials

Portland Housing Authority has submitted audits for FY2014, 2015, 2016 and 2017. Their fiscal year ends 6/30. Their audit as of 6/30/17 showed strong and improving financial health, with current assets of \$13.7 million and current liabilities of \$1.7 million, resulting in a current ratio of 8. The Quick Ratio (cash and cash equivalents divided by current liabilities) is a remarkably healthy 4.9. In 2017, they increased their Net Position by \$1,104,212, as growth in revenues exceeded growth in expenses. This brought their total Net Worth to over \$20 million. Overall, this organization has very strong financial health. This developer has the financial capacity to intervene in a development facing unexpected setbacks and or cost over-runs to keep the development process moving forward. Their financial strength as an organization mitigates the risk of the thin hard and soft cost contingency.

Recommendations

At this time, I recommend a HOME loan in the amount of \$480,174, zero percent interest, payment from cashflow with cashflow waterfall acceptable to City, with the following conditions prior to loan closing:

1. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.
2. Commitment of all sources on terms and conditions acceptable to City of Portland, including acceptable cashflow waterfall, and cashflow projection which shows retirement of developer fee loan and City of Portland loans;
3. Revised operating budget reflective of higher utility costs and cashflow projection satisfactory to City.

Development Budget with Permanent Sources

Date 5/15/2018
 Project Name Front Street
 Project Address _____
 Developer/Sponsor _____

Total Units 111
 Total Square Feet 60,000 incorrect \$1,431,268

	Total	Per Unit	Per Sq Ft
Sources of Funds			
Permanent Financing - 1st Lien	\$14,045,415	\$126,535	\$234
Permanent Financing - AHP Loan \$3.4 mill Subsidy \$500k	\$3,900,000	\$35,135	\$65
Equity (LIHTC/tenant contributions)	\$8,307,892	\$74,846	\$138
Deferred development fee	\$2,400,000	\$21,622	\$40
HOME -- City of Portland	\$841,540	\$7,581	\$14
Housing Trust Fund -- City of Portland	\$589,728	\$5,313	\$10
Total Sources of Funds	\$30,084,575	\$271,032	\$501

Uses of Funds

Hard Costs			
Site Improvements	\$1,326,000	\$11,946	\$22
Rehabilitation		\$0	\$0
New Construction	\$18,421,902	\$165,963	\$307
Contractor's Profit, Overhead, & Gen. Requirements	6.0%	\$1,180,000	\$10,631
Hazardous Materials abatement (if contracted separately)		\$0	\$0
Demolition Cost (if contracted separately)		\$0	\$0
Bond Premium	\$50,000	\$450	\$1
Other		\$0	\$0
Hard Cost Contingency (% of hard costs)	5.0%	\$1,048,895	\$9,450
Total Hard Costs		\$22,026,797	\$198,440

Soft Costs			
Building Permit & Fees	\$322,613	\$2,906	\$5
Survey & Engineering	\$103,900	\$936	\$2
Design & Permitting (% of const exp)	5.0%	\$945,000	\$8,514
Borrower Legal (all closings, excluding syndication legal)	\$73,000	\$658	\$1
Title & Recording	\$15,000	\$135	\$0
Accounting	\$8,000	\$72	\$0
Construction Period Taxes	\$2,000	\$18	\$0
Construction Period Insurance	\$25,000	\$225	\$0
Other: FF&E, Security		\$0	\$0
Other		\$0	\$0
Total Soft Costs		\$1,494,513	\$13,464

Financing Costs			
Construction Loan Origination Fees	\$8,500	\$77	\$0
Construction Period Interest	\$700,000	\$6,306	\$12
Lender Inspection Fees	\$28,750	\$259	\$0
Letter of Credit Fee		\$0	\$0

Permanent Loan Fee	\$282,500	\$2,545	\$5
Construction Lender Legal		\$0	\$0
Other	\$0	\$0	\$0
Total Financing Costs	\$1,019,750	\$9,187	\$17

Miscellaneous			
Market Survey	\$5,200	\$47	\$0
Appraisal	\$6,000	\$54	\$0
Environmental Study	\$13,500	\$122	\$0
LIHTC Fees -- prepaid monitoring	\$142,625	\$1,285	\$2
Other: Commissioning	\$47,080	\$424	\$1
Relocation Costs		\$0	\$0
Other -- FF&E	\$89,000	\$802	\$1
Soft Cost Contingency (% of soft costs excl Dev Fee)	0.99%	\$42,000	\$378
Total Miscellaneous:	\$345,405	\$3,112	\$6

Acquisition			
Acquisition: Buildings	\$0	\$0	\$0
Acquisition: Land	\$0	\$0	\$0
Acquisition: Legal	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Acquisition	\$0	\$0	\$0

Reserves and Developer Fee			
Operating Deficit Escrow	\$925,000	\$8,333	\$15
Prefunded Replacement Reserve	\$196,519	\$1,770	\$3
Taxes & Insurance Escrow	\$126,592	\$1,140	\$2
Developer Overhead	\$2,000,000	\$18,018	\$33
Developer Profit	\$1,900,000	\$17,117	\$32
Rent Up Reserve & Marketing	\$50,000	\$450	\$1
Other	\$0	\$0	\$0
Total Reserves and Developer Fee	\$5,198,111	\$46,830	\$87

Total Uses of Funds	\$30,084,576	\$271,032	\$501
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Developer Fee Analysis: Total Fees: \$3,900,000
Percent of TDC: 15.64% (excluding reserves & developer fee)

Project Operating Pro Forma

Date May 15, 2018
 Project Name Front Street
 Project Address _____
 Developer/Sponsor _____

Rental Income

Unit Type	Number of Units	Per Unit Sq Ft	Total Sq Ft	Restriction on % Median Inc.	Per Unit Monthly Gross Rent	Utility Deductions	Rent Subsidy	Per Unit Monthly Net Rent	Per Unit Net Rent Per Sq Ft	Total Monthly Net Income	Total Annual Net Rent
1 BR	7		PBV	50%	\$845			\$845	#DIV/0!	\$5,915	\$70,980
1 BR	11		0	50%	\$845			\$845	#DIV/0!	\$9,295	\$111,540
1 BR	11		0	market	\$990			\$990	#DIV/0!	\$10,890	\$130,680
2 BR	7		PBV	50%	\$1,013			\$1,013	#DIV/0!	\$7,091	\$85,092
2 BR	19		0	50%	\$1,013			\$1,013	#DIV/0!	\$19,247	\$230,964
2 BR	12		0	market	\$1,170			\$1,170	#DIV/0!	\$14,040	\$168,480
3 BR	5		0	50%	\$1,171			\$1,171	#DIV/0!	\$5,855	\$70,260
3 BR	19		PBV	50%	\$1,171			\$1,171	#DIV/0!	\$22,249	\$266,988
3 BR	3		0	60%	\$1,406			\$1,406	#DIV/0!	\$4,218	\$50,616
4 BR	13		PBV	50%	\$1,307			\$1,307	#DIV/0!	\$16,991	\$203,892
Other	4		PBV	50%	\$1,442			\$1,442	#DIV/0!	\$5,768	\$69,216
Other			0	60%				\$0	#DIV/0!	\$0	\$0
Total:	111		0							\$121,559	\$1,458,708

6.59% budgeted vacancy per pro forma

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

\$48,712 Note: Year 1 is the first full year of stabilized operations

	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income											
Sch. Gross Income - Residential	\$1,458,708	\$13,142	\$1,487,882	\$1,517,640	\$1,547,993	\$1,578,952	\$1,610,532	\$1,642,742	\$1,675,597	\$1,709,109	\$1,743,291
<u>Vacancy Loss</u> 5.0%	(\$72,935)	(\$657)	(\$74,394)	(\$75,882)	(\$77,400)	(\$78,948)	(\$80,527)	(\$82,137)	(\$83,780)	(\$85,455)	(\$87,165)
Other income: PBV/HAP Diff.	\$464,628	\$4,186	\$473,921	\$483,399	\$493,067	\$502,928	\$512,987	\$523,247	\$533,712	\$544,386	\$555,273
Other income (laundry)	\$11,100	\$100	\$11,322	\$11,548	\$11,779	\$12,015	\$12,255	\$12,500	\$12,750	\$13,005	\$13,266
TIF -- 75%	\$146,138	\$1,317	\$149,061	\$152,042	\$155,083	\$158,184	\$161,348	\$164,575	\$167,867	\$171,224	\$174,648
Effective Gross Income	\$2,007,639	\$18,087	\$2,047,791	\$2,088,747	\$2,130,522	\$2,173,133	\$2,216,595	\$2,260,927	\$2,306,146	\$2,352,269	\$2,399,314

Administrative

Management Fee	\$109,630	\$988	\$112,919	\$116,306	\$119,796	\$123,390	\$127,091	\$130,904	\$134,831	\$138,876	\$143,042
Management Charges	\$109,630	\$988	\$112,919	\$116,306	\$119,796	\$123,390	\$127,091	\$130,904	\$134,831	\$138,876	\$143,042
Marketing Expense	\$500	\$5	\$515	\$530	\$546	\$563	\$580	\$597	\$615	\$633	\$652
Legal	\$4,000	\$36	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219
Audit & Accounting	\$7,000	\$63	\$7,210	\$7,426	\$7,649	\$7,879	\$8,115	\$8,358	\$8,609	\$8,867	\$9,133
Tenant Computer network	\$2,500	\$23	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262
Total Administrative	\$233,260	\$2,101	\$240,258	\$247,466	\$254,890	\$262,536	\$270,412	\$278,525	\$286,880	\$295,487	\$304,351

Supportive Services

	\$32,000	\$288	\$32,960	\$33,949	\$34,967	\$36,016	\$37,097	\$38,210	\$39,356	\$40,537	\$41,753
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Utilities

Fuel Oil		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Natural Gas	\$45,000	\$405	\$46,350	\$47,741	\$49,173	\$50,648	\$52,167	\$53,732	\$55,344	\$57,005	\$58,715
Electric	\$50,000	\$450	\$51,500	\$53,045	\$54,636	\$56,275	\$57,964	\$59,703	\$61,494	\$63,339	\$65,239
Water / Sewer	\$42,000	\$378	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$137,000	\$1,234	\$141,110	\$145,343	\$149,704	\$154,195	\$158,821	\$163,585	\$168,493	\$173,548	\$178,754

Maintenance	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Grounds	\$18,000	\$162	\$18,540	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Tools and Supplies	\$5,500	\$50	\$5,665	\$5,835	\$6,010	\$6,190	\$6,376	\$6,567	\$6,764	\$6,967	\$7,176
Janitor Contract	\$40,000	\$360	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191
Security		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trash Removal	\$35,000	\$315	\$36,050	\$37,132	\$38,245	\$39,393	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667
Maintenance	\$42,000	\$378	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800
Elevator, HVAC, pool contracts	\$45,000	\$405	\$46,350	\$47,741	\$49,173	\$50,648	\$52,167	\$53,732	\$55,344	\$57,005	\$58,715
Other --Misc	\$500	\$5	\$515	\$530	\$546	\$563	\$580	\$597	\$615	\$633	\$652
Total Maintenance	\$186,000	\$1,676	\$191,580	\$197,327	\$203,247	\$209,345	\$215,625	\$222,094	\$228,757	\$235,619	\$242,688

Taxes & Insurance											
Real Estate Taxes or PILOT	\$194,850	\$1,755	\$200,696	\$206,716	\$212,918	\$219,305	\$225,885	\$232,661	\$239,641	\$246,830	\$254,235
Payroll Taxes / Fidelity Bond / Workers Comp / Health Ins.		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance (property, liability)	\$25,000	\$225	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Taxes & Insurance	\$219,850	\$1,981	\$226,446	\$233,239	\$240,236	\$247,443	\$254,866	\$262,512	\$270,388	\$278,499	\$286,854

Replacement Reserves	\$49,950	\$450	\$51,449	\$52,992	\$54,582	\$56,219	\$57,906	\$59,643	\$61,432	\$63,275	\$65,173
Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Expenses	\$858,060	\$7,730	\$883,802	\$910,316	\$937,625	\$965,754	\$994,727	\$1,024,569	\$1,055,306	\$1,086,965	\$1,119,574
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Net Operating Income	\$1,149,579	\$10,357	\$1,163,990	\$1,178,431	\$1,192,897	\$1,207,378	\$1,221,869	\$1,236,359	\$1,250,840	\$1,265,304	\$1,279,740
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Debt Service											
First Lien -- Tax Exempt Bond	\$772,498	\$6,959	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498	\$772,498
Second Lien -- AHP Loan	\$219,023	\$1,973	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023	\$219,023
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service (Must Pay)	\$991,521	\$8,933	\$991,521								

Cash Flow (after Must Pay Debt)	\$158,058	\$1,424	\$172,469	\$186,910	\$201,376	\$215,857	\$230,348	\$244,838	\$259,319	\$273,783	\$288,219
Debt Service Coverage Ratio	1.16		1.17	1.19	1.20	1.22	1.23	1.25	1.26	1.28	1.29

Cash Flow Debt Payments	\$1,407,559		\$1,381,689	\$1,353,653	\$1,323,446	\$1,291,068	\$1,256,515	\$1,219,790	\$1,180,892	\$1,139,824	\$1,096,592
City of Portland	15.0%	\$23,709	\$214	\$25,870	\$28,037	\$30,206	\$32,379	\$34,552	\$36,726	\$38,898	\$41,067
Developer Fee Loan	75.0%	\$118,543	\$1,068	\$129,351	\$140,183	\$151,032	\$161,893	\$172,761	\$183,628	\$194,489	\$205,337
Cash Flow Retained by Project	\$15,806	\$142	\$17,247	\$18,691	\$20,138	\$21,586	\$23,035	\$24,484	\$25,932	\$27,378	\$28,822

Retained Cash Flow % 2%

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Income										
Sch. Gross Income - Residential	\$1,778,157	\$1,813,720	\$1,849,994	\$1,886,994	\$1,924,734	\$1,963,229	\$2,002,493	\$2,042,543	\$2,083,394	\$2,125,062
<u>Vacancy Loss</u> 5.0%	(\$88,908)	(\$90,686)	(\$92,500)	(\$94,350)	(\$96,237)	(\$98,161)	(\$100,125)	(\$102,127)	(\$104,170)	(\$106,253)
Other income (laundry)	\$566,379	\$577,707	\$589,261	\$601,046	\$613,067	\$625,328	\$637,835	\$650,591	\$663,603	\$676,875
Other income (laundry)	\$13,531	\$13,801	\$14,077	\$14,359	\$14,646	\$14,939	\$15,238	\$15,543	\$15,854	\$16,171
TIF -- 75%	\$178,141	\$181,704	\$185,338	\$189,045	\$192,826	\$196,683	\$200,616	\$204,628	\$208,721	\$212,895
Effective Gross Income	\$2,447,300	\$2,496,246	\$2,546,171	\$2,597,095	\$2,649,036	\$2,702,017	\$2,756,058	\$2,811,179	\$2,867,402	\$2,924,750

Administrative										
Advertising	\$147,334	\$151,754	\$156,306	\$160,995	\$165,825	\$170,800	\$175,924	\$181,202	\$186,638	\$192,237
Office Payroll & Benefits	\$147,334	\$151,754	\$156,306	\$160,995	\$165,825	\$170,800	\$175,924	\$181,202	\$186,638	\$192,237
Office Supplies, Phone, Misc.	\$672	\$692	\$713	\$734	\$756	\$779	\$802	\$826	\$851	\$877
Mngr or Super Rent Free Unit	\$5,376	\$5,537	\$5,703	\$5,874	\$6,050	\$6,232	\$6,419	\$6,611	\$6,810	\$7,014
Audit & Accounting	\$9,407	\$9,690	\$9,980	\$10,280	\$10,588	\$10,906	\$11,233	\$11,570	\$11,917	\$12,275
Admin Other	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781	\$3,895	\$4,012	\$4,132	\$4,256	\$4,384
Total Administrative	\$313,482	\$322,886	\$332,573	\$342,550	\$352,827	\$363,411	\$374,314	\$385,543	\$397,110	\$409,023

Supportive Services	\$43,005	\$44,295	\$45,624	\$46,993	\$48,403	\$49,855	\$51,351	\$52,891	\$54,478	\$56,112
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Utilities										
Fuel Oil	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electric	\$60,476	\$62,291	\$64,159	\$66,084	\$68,067	\$70,109	\$72,212	\$74,378	\$76,609	\$78,908
Gas	\$67,196	\$69,212	\$71,288	\$73,427	\$75,629	\$77,898	\$80,235	\$82,642	\$85,122	\$87,675
Water / Sewer	\$56,444	\$58,138	\$59,882	\$61,678	\$63,529	\$65,435	\$67,398	\$69,420	\$71,502	\$73,647
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$184,117	\$189,640	\$195,329	\$201,189	\$207,225	\$213,442	\$219,845	\$226,440	\$233,233	\$240,230



City of Portland Housing Trust Fund Application

Project: 977 Brighton Avenue Apartments

Avesta Housing is requesting \$300,000 of Housing Trust Funds from the City of Portland for our 977 Brighton Avenue Apartments project ("977 Brighton") at 977 Brighton Avenue in Portland, Maine.

Please note that this request is being presented as an **alternative** to the City HOME funding request Avesta submitted for this project earlier this year. A total of \$300,000 in capital funding is being requested from the City for this project, from either or both sources of funding.

The development involves the new construction of 40 1-bedroom rental apartments for seniors (55+ years of age), in one 4-story building. 34 of the apartments will be affordable and 6 will be market rate. 24 units will be affordable to households at or below 50% of area median income and 10 will be affordable to households at or below 60% of area median income. Portland Housing Authority has awarded project-based rental assistance to eight of the units at the project.

977 Brighton represents an opportunity to create much-needed affordable senior housing in an accessible location within Portland. The development site contains eight contiguous lots located in a highly walkable area in the Nasons Corner section of Portland. The project is located near many amenities and services, making it a prime location for housing; retail stores, a pharmacy, trails and restaurants are all located within a half mile. The site is also located within a tenth of a mile to a bus stop on the extensive Portland public transportation bus system, connecting residents with Portland's downtown as well as adjoining communities.

See the attached maps for more information about the project's siting within the City and relative to numerous nearby amenities.

As shown in the attached pictures, the 0.73-acre site currently contains a single-family home and a garage, both of which will be demolished and cleared prior to construction. The project will consist of one 4-story building, placed at the front of the property so as to create maximum active street frontage. There will also be a parking lot for 32 cars and an external gathering area or patio for residents. Vegetative screening will be used to create a level of privacy for residents. Storm water management systems will be used to ensure that the project does not adversely impact the vicinity of the subject parcel. Avesta will work with City staff and the

Planning Board to ensure that the design of the project is consistent with neighborhood design characteristics.

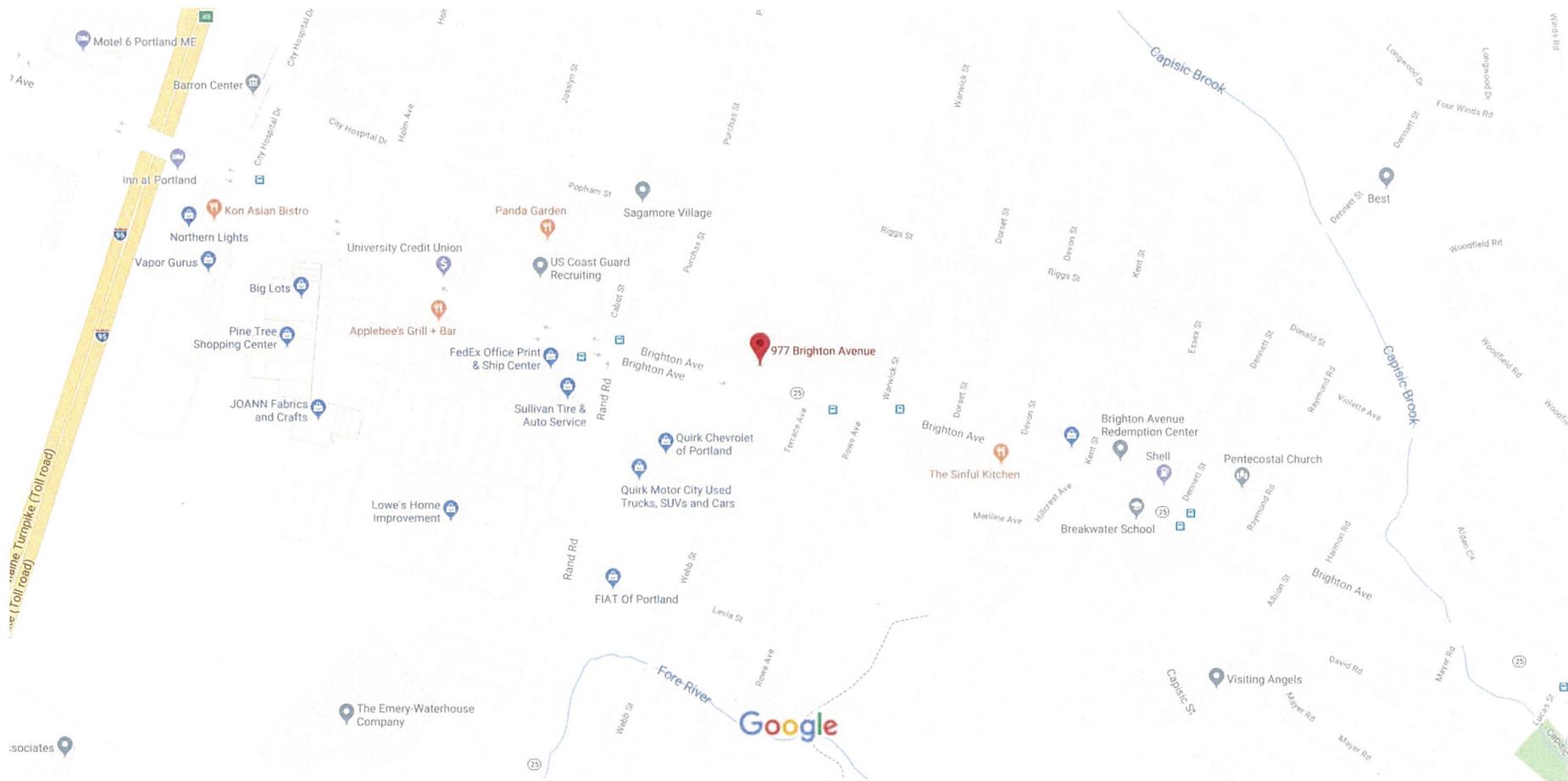
Each apartment will be approximately 600 square feet and all accessibility requirements will be met. Additional amenities will include on-site laundry, a health room, a community room and resident service coordination.

977 Brighton Avenue Apartments will continue Avesta Housing's commitment to construct and manage buildings designed to maximize energy performance, minimize adverse environmental impacts, provide healthy living spaces, conserve natural resources, and promote smart growth and sustainable development. All requirements of the City of Portland's Green Building Ordinance will be met. Additionally, as alluded to in the attached information provided by the property manager, Avesta Housing Development Corporation, smoking at the project will be prohibited and educational materials on tobacco treatment programs will be provided to tenants.

These affordable units at 977 Brighton Avenue come at a critical time for the City. Vacancies in Portland are at historic lows while rents remain too high for thousands of local renter households. In 2017, Avesta alone received requests for affordable housing from nearly 3,800 households (over 1,300 of which were senior-led households) but was only able to provide housing to 393.

977 Brighton Avenue Apartments will create much-needed senior affordable rental housing in an area of the city that is rich with transit, services, and neighborhood amenities.

Google Maps 977 Brighton Ave



Map data ©2018 Google 200 ft







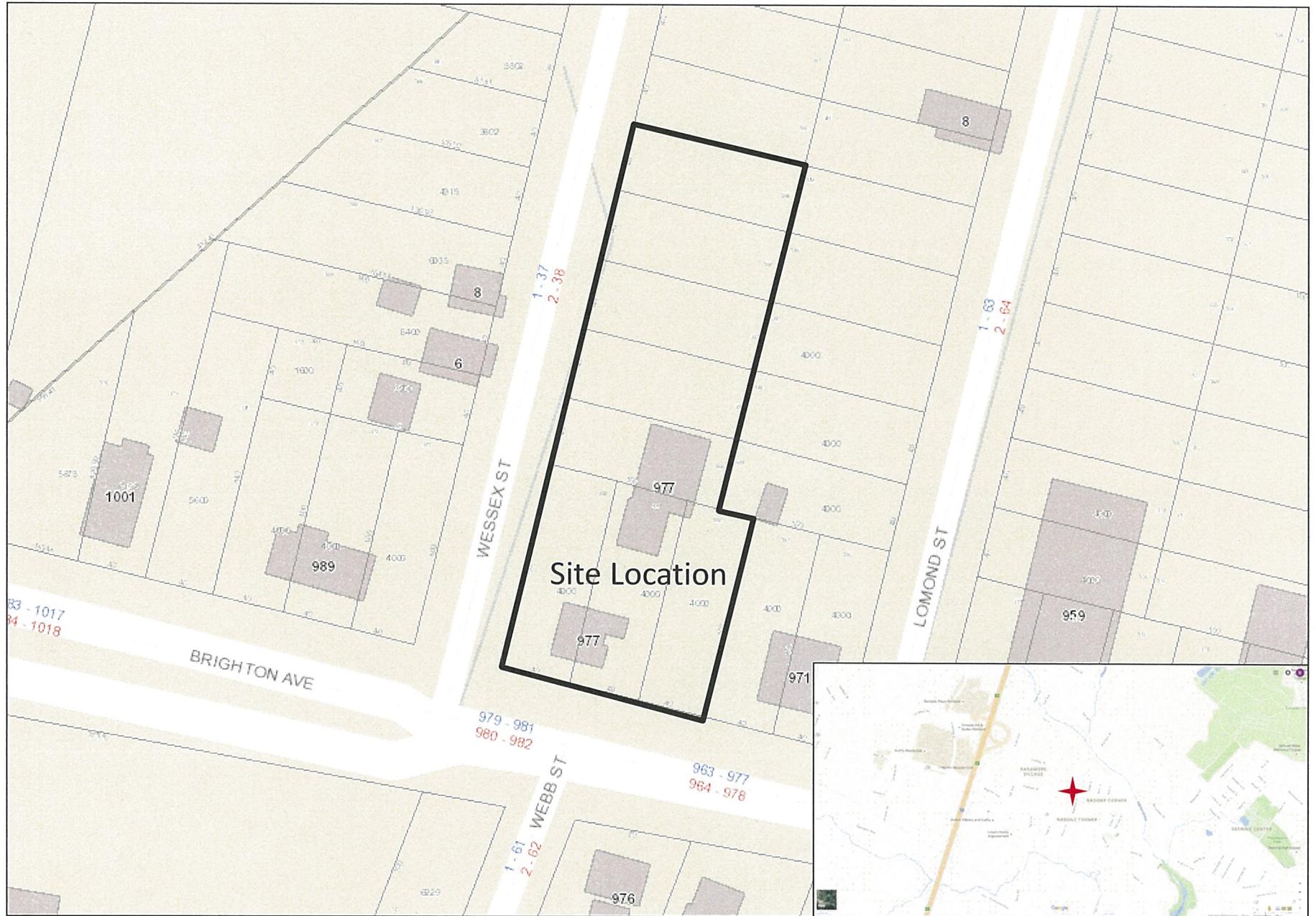
on Ave

977 BRIGHTON AVENUE APARTMENTS

Project Completion Schedule

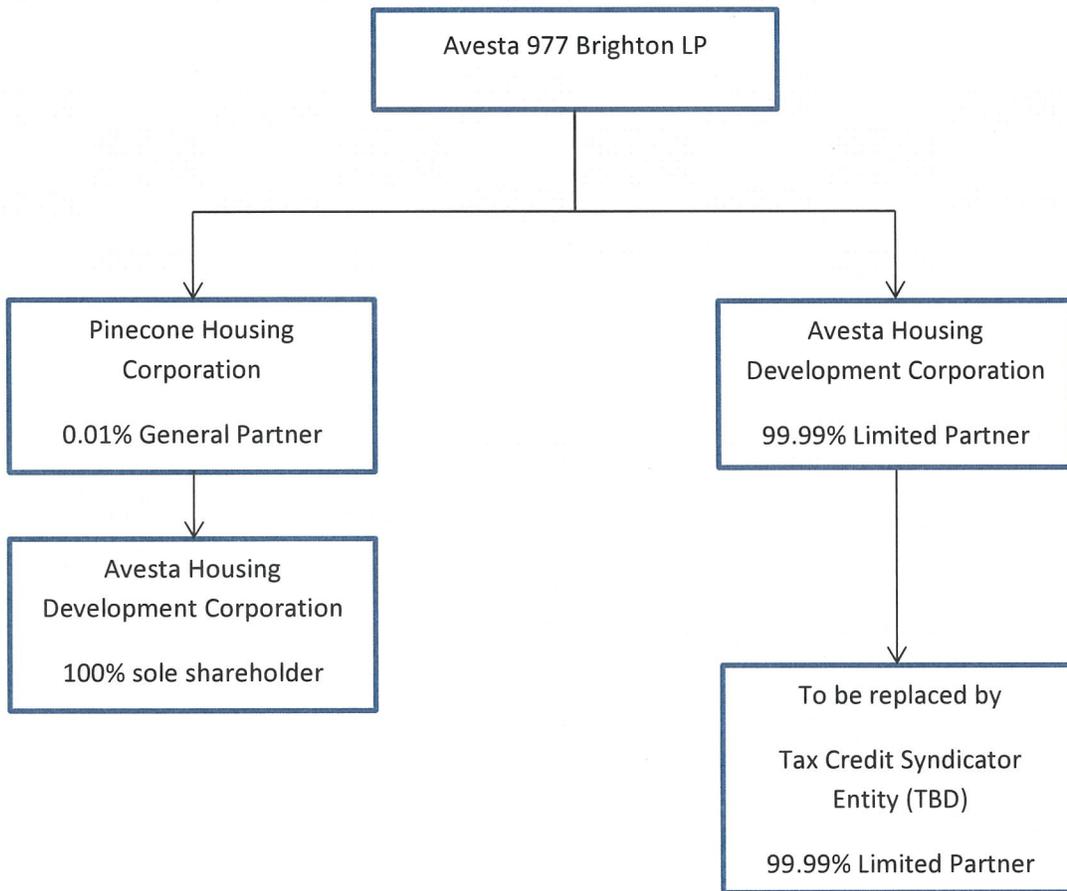
Activity	Actual/Scheduled Date Month/Year
A. SITE	
Option/Contract	07/13/15
Site Acquisition	10/06/15
Municipal Approval	07/24/18
B. FINANCING	
Construction Loan Commitment	09/01/18
Permanent Loan Commitment	09/01/18
Other Sources Committed	12/01/18
C. PLANS AND SPECIFICATIONS	
50%	02/01/19
90%	03/01/19
100%	04/01/19
D. CONSTRUCTION LOAN CLOSING	05/01/19
E. CONSTRUCTION START	05/01/19
F. SUBSTANTIAL COMPLETION	05/01/20
G. COMPLETION OF CONSTRUCTION	06/01/20
H. LEASE-UP	
Lease-up Begins	05/01/20
Sustained (95%) Occupancy	11/01/20

977 Brighton Avenue, Portland, Me.



977 Brighton Avenue Apartments – Ownership Structure/Chart

Organization Chart: Avesta 977 Brighton LP



DEVELOPMENT ASSUMPTIONS						
Total Units		40	Inflation Adjustments	Yr 1-5	Yr. 6-15	Yr. 16-30
# @ 50% AMI (PBVs)	20.0%	8	Rent	2.00%	2.50%	2.00%
# @ 50% AMI (LIHTC/High HOME)	40.0%	16	Operating Expense	3.00%	3.00%	3.00%
# @ 60% AMI (LIHTC/High HOME)	0.0%	0	Other Income	2.00%	2.50%	2.00%
# @ 60% AMI (LIHTC)	25.0%	10	Debt Coverage Ratio	0.00		
# @ Market	15.0%	6	Vacancy	5%		
Appraised Market Value			Market Value/Unit			

4,590,846

LIHTC Alloc.	638,000
Equity yield	0.830
Synd. %	99.99%
Equity Raise	5,294,870

Historic Credit FED	0
Equity yield	0.99
Synd. %	99.99%
Equity Raise	0

Number of Tax-payers	1
Historic Credit STATE	0
Equity yield	0
Synd. %	99.99%
Equity Raise	0

Total Equity:	5,294,870
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Gross Square Footage	0
Construction Cost/Sq ft.	\$0

#DIV/0!

PRO FORMA DEVELOPMENT BUDGET				
	Residential	Per Unit	Commercial	Total
Site Improvements	572,194	14,305		572,194
Construction	5,227,444	130,686		5,227,444
Solar	0	0		0
General Requirements	0	0		0
Builder Overhead	0	0		0
Builder Profit	0	0		0
Bond Premium	0	0		0
Construction Contingency	5% 289,982	7,250		289,982
Subtotal Construction Costs	6,089,620	152,240	0	6,089,620
Building Permits and Fees	81,936	2,048		81,936
Survey & Engineering	38,000	950		38,000
Architectural & Design	461,000	11,525		461,000
Legal	65,000	1,625		65,000
Title & Recording	5,885	147		5,885
Accounting	10,000	250		10,000
Construction Period Tax	12,000	300		12,000
Construction Period Insurance	12,000	300		12,000
Subtotal Soft Costs	685,821	17,146	0	685,821
Construction Loan Origination Fees	10,000	250		10,000
Construction Loan Interest	157,266	3,932		157,266
Letter of Credit Fee	3,630	91		3,630
Escrow Agent Fee	0	0		0
Perm Loan Commitment Fee	10,000	250		10,000
Construction Lender Legal	12,000	300		12,000
Subtotal Finance Costs	192,896	4,822	0	192,896
Market Survey	3,500	88		3,500
Appraisal	6,200	155		6,200
Environmental	12,700	318		12,700
LIHTC Fees	40,000	1,000		40,000
Soft Cost Contingency	25,000	625		25,000
3rd Party Consultants	18,000	450		18,000
FF&E	61,000	1,525		61,000
Subtotal Miscellaneous	166,400	4,160	0	166,400
Acquisition: Buildings	0	0		0
Acquisition: Land	280,000	7,000		280,000
Carrying Costs	0	0		0
Subtotal Acquisition	280,000	7,000	0	280,000
Operating Deficit Escrow	141,859	3,546		141,859
Pre-funded Replacements	52,274	1,307		52,274
Tax & Insurance Escrow	28,500	713		28,500
Developer Overhead	487,500	12,188		487,500
Developer Profit	0	0		0
Marketing & Rent-Up Reserve	40,000	1,000		40,000
Subtotal Fee and Reserves	750,133	18,753	0	750,133
Total Development Costs	8,164,870	204,122	0	8,164,870

Notes:

MAXIMUM DEVELOPER FEE AVAILABLE	650,000
ACTUAL DEVELOPER FEE	1,208,430
% OF MAXIMUM DEVELOPER FEE	185.9%
NET DEVELOPER FEE COLLECTED	1,208,430
% OF MAXIMUM DEVELOPER FEE	185.9%

7,983,011

199,575

< 175000 = 4PTS

FLOW OF FUNDS									
Sources	CLC	During Construction				PLC	Mar-21	Aug-21	Total
	May-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20			
Beginning Cash	0	0	0	0	0	0	0	0	0
Capital Contribution	1,058,974		1,058,974			2,956,922	170,000	50,000	5,294,870
Construction Loan	406,143	1,272,405	213,431	1,522,405	1,522,405				4,936,788
GP Bridge Loan									0
MSHA Subsidy									0
MSHA Amortizing Mortgage						0			0
AHP Grant	0	250,000	250,000						500,000
AHP Loan						2,070,000			2,070,000
City Housing Trust Fund	0	0				300,000			300,000
Solar Equity	0	0				0			0
Other: Sponsor Loan	0								0
Other									0
Development Fee Loan	0								0
TOTAL SOURCES	1,465,117	1,522,405	1,522,405	1,522,405	1,522,405	5,326,922	170,000	50,000	13,101,659
Uses									
Acquisition	280,000								280,000
Construction		1,522,405	1,522,405	1,522,405	1,522,405				6,089,620
Soft Costs	685,821								685,821
Financing Costs	192,896								192,896
Miscellaneous	166,400					40,000			206,400
Dev Fee	140,000					127,500	170,000	50,000	487,500
Reserves						222,633			222,633
TOTAL DEV. COSTS	1,465,117	1,522,405	1,522,405	1,522,405	1,522,405	390,133	170,000	50,000	8,164,870
Repay GP Bridge Loan						0			0
Repay Construction Loan						4,936,788			4,936,788
SUBTOTAL OTHER ITEMS	0	0	0	0	0	4,936,788	0	0	4,936,788
TOTAL USES OF FUNDS	1,465,117	1,522,405	1,522,405	1,522,405	1,522,405	5,326,922	170,000	50,000	13,101,658
Ending Cash	0	0	0	0	0	0	0	0	0

PROJECT FINANCING								
Source	Amount	Rate	Term	Lien	Annual D/S			
					Yr. 1-5	Yr. 6-15	Yr. 16-30	
Source 1:	MSHA Subsidy	0	0.00%	30		0	0	0
Source 2	MSHA Interest Only Mortgage	0	6.00%	30		0	0	0
Source 3	AHP Grant	500,000	0.00%	30	Co-First	0	0	0
Source 4	AHP Loan	2,070,000	3.60%	30	First	112,934	112,934	112,934
Source 5	City Housing Trust Fund	300,000	0.00%	30	Second		Grant	
Source 6	Solar Equity	0						
Source 7	Other: Sponsor Loan							
Source 8	Development Fee Loan	0					Cash Flow	
Source 9	Net Syndication	5,294,870	\$0.83					
	Capitalization Gap (Surplus)	(0)						
	Total	8,164,870						

\$0.0706

PROPOSED RENT SCHEDULE								
Type	AMI	# Units	Rents from Applicant	Program Max Rents	Gross Rent	Market Rent	Utility Allow.	Total Rent
Efficiency	50% PBVs	0		911	911	\$955	0	0
	50% LIHTC	0		718	718	\$955	0	0
	60% HOME						0	0
	60% LIHTC	0		862	862	\$955	0	0
0	Market							0
1BR	50% PBVs	8		1028	1,028	\$1,050		98,688
	50% LIHTC	16		770	770	\$1,050	0	147,840
	60% HOME					\$1,050		0
	60% LIHTC	10		924	924	\$1,050	0	110,880
40	Market	6			1,050	\$1,050		75,600
2BR	50% HOME						0	0
	50% LIHTC			923	923	\$1,250	0	0
	60% HOME						0	0
	60% LIHTC			1108	1,108	\$1,250	0	0
0	Market							0
3BR	50% HOME						0	0
	50% LIHTC						0	0
	60% HOME						0	0
	60% LIHTC						0	0
0	Market							0
4BR	50% HOME						0	0
	50% LIHTC						0	0
	60% HOME						0	0
	60% LIHTC						0	0
0	Market							0
Other:								0
								0
Subtotals		40						433,008
			Other Income		Laundry			3,156
			Vacancy Rate		5%			(21,808)
			Other Income		TIF	75%		35,498
			Effective Gross Income					449,853

#DIV/0!
current taxes 4,670

OPERATING EXPENSES			
Expense	Annual	Annual Per Unit	Monthly Per Unit
Administrative Expenses:			
Management Fees	24,672	617	51
Management Charges	24,672	617	51
Marketing Expenses	0	0	0
Legal Expenses	1,500	38	3
Auditing Expenses	5,000	125	10
Bad Debts	0	0	0
Other Administrative Expenses	6,000	150	13
Administrative Expenses	61,844	1,546	129
Operating Expenses:			
Janitorial Payroll	0	0	0
Janitorial Supplies and Equipment	0	0	0
Janitorial Contractual Services	6,600	165	14
Fuel and Gas	18,000	450	38
Electricity	34,000	850	71
Water and Sewer	16,000	400	33
Garbage and Trash Removal	4,000	100	8
Vehicle and Equipment Expenses	0	0	0
Other Operating Expenses	0	0	0
Operating Expenses	78,600	1,965	164
Maintenance Expenses:			
Grounds Maintenance Payroll	0	0	0
Grounds Tools and Supplies	0	0	0
Grounds Contractual Services	25,000	625	52
Miscellaneous Ground Maintenance	0	0	0
Tenant Damage Charges - Grounds	0	0	0
Building Maintenance Payroll	0	0	0
Building Tools and Supplies	5,000	125	10
Building Contractual Services	20,000	500	42
Building Systems Maintenance	25,000	625	52
Miscellaneous Building Maintenance	0	0	0
Tenant Damage Charges - Building	0	0	0
Maintenance Expenses	75,000	1,875	156
General Expenses:			
Property Taxes	52,000	1,300	108
Property and Liability Insurance	15,000	375	31
Tenant Computer Network Expense	0	0	0
Tenant Service Expenses	12,199	305	25
General Expenses	79,199	1,980	165
Replacement Reserve Funding	18,000	450	38
Commercial Expenses (if applicable)		0	0
Total	312,643	7,816	651

AFFORDABLE MORTGAGE CALCULATION	
Effective Gross Income	449,853
Annual Operating Expense	312,643
Stabilized NOI	137,210
DSC	
\$ Avail for D/S	
Other DS	112,934
Balance	1.21
Affordable Mortgage	

BREAKEVEN ANALYSIS:	RENT SENSITIVITY		OCCUPANCY	
		Total		Annual
Operating Expense	312,643		Gross Revenues	471,662
Debt Service	112,934			
Breakeven Rent	887		Breakeven Occupancy	90%

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT												
5 Months												
	7/24/20	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30
Effective Gross Income		187,439	449,853	458,850	468,027	477,388	486,936	499,109	511,587	524,376	537,486	550,923
Less Operating Expense		130,268	312,643	322,022	331,683	341,634	351,883	362,439	373,312	384,512	396,047	407,928
Net Operating Income		57,171	137,210	136,828	136,344	135,754	135,053	136,670	138,274	139,865	141,439	142,995
Less RLP Repay			0	0	0	0	0	0	0	0	0	0
Less Other Repay		47,056	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934
Cash Flow		10,115	24,276	23,894	23,410	22,820	22,119	23,736	25,341	26,931	28,505	30,061
Cash Flow per Unit		607	607	597	585	571	553	593	634	673	713	752
Debt Coverage Ratio(RLP)		1.21	1.21	1.21	1.21	1.20	1.20	1.21	1.22	1.24	1.25	1.27
Operating Reserve Balance	141,859	148,952	156,400	164,220	172,431	181,052	190,105	199,610	209,590	220,070	231,073	242,627

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT, continued												
Yr 15												
	1/1/32	12/31/32	12/31/33	12/31/34	1/1/36	12/31/36	12/31/37	12/31/38	1/1/40	12/31/40	12/31/41	
Effective Gross Income	564,696	578,814	593,284	608,116	623,319	635,785	648,501	661,471	674,700	688,194	701,958	
Less Operating Expense	420,166	432,771	445,754	459,127	472,901	487,088	501,701	516,752	532,254	548,222	564,668	
Net Operating Income	144,530	146,042	147,529	148,989	150,418	148,697	146,800	144,719	142,446	139,973	137,290	
Less RLP Repay	0	0	0	0	0	0	0	0	0	0	0	
Less Other Repay	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	
Cash Flow	31,596	33,108	34,596	36,055	37,484	35,763	33,866	31,785	29,512	27,039	24,356	
Cash Flow per Unit	790	828	865	901	937	894	847	795	738	676	609	
Debt Coverage Ratio(RLP)	1.28	1.29	1.31	1.32	1.33	1.32	1.30	1.28	1.26	1.24	1.22	
Operating Reserve Balance	242,627	254,758	267,496	280,871	294,915	309,660	325,143	341,401	358,471	376,394	395,214	414,975

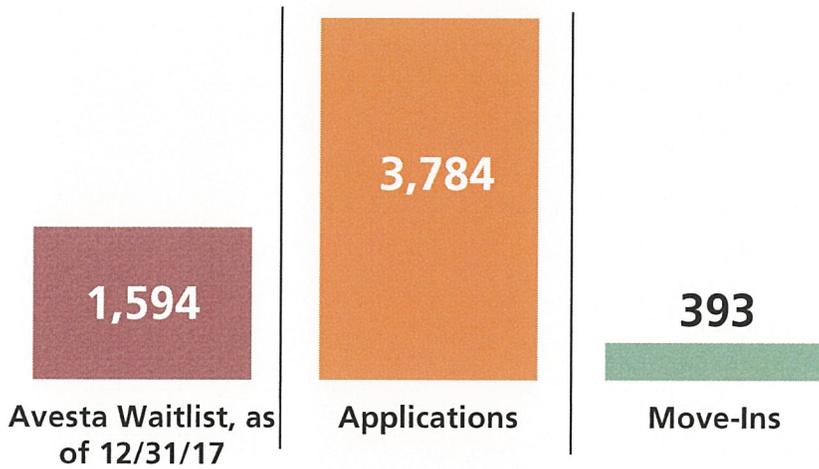
PROFORMA OPERATING INCOME AND EXPENSE STATEMENT, continued										
	12/31/42	1/1/44	12/31/44	12/31/45	12/31/46	1/1/48	12/31/48	12/31/49	7/30/50	
Effective Gross Income	715,997	730,317	744,924	759,822	775,019	790,519	806,329	822,456	489,361	
Less Operating Expense	581,608	599,057	617,028	635,539	654,605	674,244	694,471	715,305	429,779	
Net Operating Income	134,389	131,261	127,895	124,283	120,413	116,275	111,859	107,151	59,582	
Less RLP Repay	0	0	0	0	0	0	0	0	0	
Less Other Repay	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	112,934	
Cash Flow	21,455	18,327	14,961	11,349	7,479	3,342	(1,075)	(5,783)	(53,352)	
Cash Flow per Unit	536	458	374	284	187	84	(27)	(145)	(2,287)	
Debt Coverage Ratio(RLP)	1.19	1.16	1.13	1.10	1.07	1.03	0.99	0.95	0.53	
Operating Reserve Balance	414,975	435,723	457,510	480,385	504,404	529,624	556,106	582,836	606,194	583,153



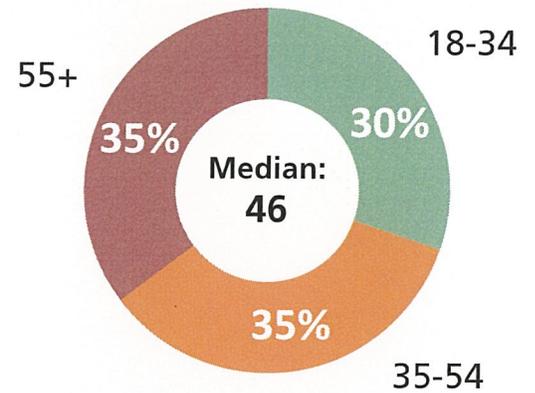
2017 Affordable Housing Activity Report

In 2017, a total of 3,784 households sought an affordable home from Avesta. However, due to scarce resources and limited turnover in our existing apartments, we were only able to assist 393 new households. 1,594 households remained on Avesta's waitlist.

Waitlist, Applications, Move-Ins



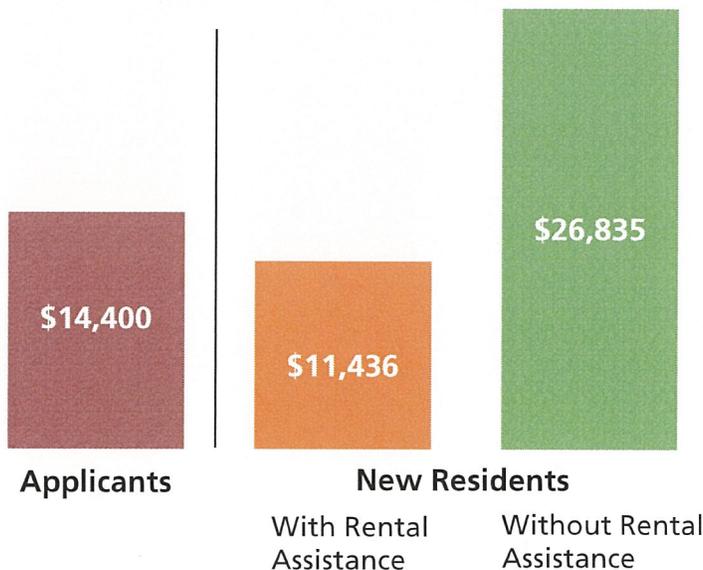
Applicants by Age of Head-of-Household



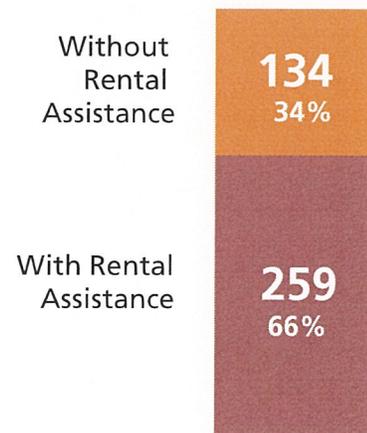
Avg. applicant household size: **1.74 people**

Of the 393 new households in 2017, 66% (259 households) required rental assistance in order to afford their housing, and their median household income was \$11,436. Accordingly, 34% (134 households) were able to afford their housing without the benefit of rental assistance, and their median income was \$26,835. The median annual income of all applicants in 2017 was \$14,400.

Median Household Income



New Residents





To: Mary Davis, City of Portland
From: Anne Boynton, Urban Ventures, Inc.
Re: 977 Brighton Ave, proposed by Avesta
Date: June 12, 2018

Executive Summary

Avesta requests \$300,000 in HOME funding and a 75% TIF to support their development of a 40 unit new construction senior apartment complex at 977 Brighton Ave. Avesta purchased the site proposed for this development in 2015. The lots currently contain a house and a garage, which will both be demolished. Though the area is suburban, the site is a short walk from the Pine Tree Shopping Center, providing access to a pharmacy and other shopping and dining options, and is less than 1/10th of a mile from a bus stop.

Sources and Uses

AHP loan	\$2,070,000	Construction (incl. site & contingency)	\$6,089,620
AHP grant	\$500,000	Soft costs (incl financing & contingency)	\$1,045,117
LIHTC Equity	\$5,294,870	Acquisition	\$280,000
City of Portland HOME	\$300,000	Pre funded Reserves	\$262,633
		Developer Fee	<u>\$487,500</u>
Total Sources:	\$8,164,870	Total Uses:	\$8,164,870

Avesta has received a commitment of funds for the AHP loan and \$500,000 grant. Bangor Savings has issued a term sheet for both construction and permanent first mortgages. Avesta plans to submit an application for 9% LIHTCs in the upcoming round opening in September. Avesta seeks the \$300,000 HOME and 75% TIF to support the application for LIHTCs.

For analysis of "Uses," see Development Budget.

Development Budget

Construction Costs:

Construction costs are based on a letter of estimate from CWS Architects. This is a very broad brush estimate, without even a break out of demolition, site improvements, and anticipated cost per square foot for improvements provided in the architect's letter. However, based on Avesta's break out of site work, the estimated \$170/sq foot for improvements should be more than sufficient for a pretty straightforward design and should accommodate some price inflation prior to construction start.

Soft Costs:

Soft costs are in the range of normal, with a few exceptions. Architectural seems high for a straightforward design, and the relatively small number of units drives the per unit architectural expense up to over \$11,000 per unit. This does include \$45,000 for owner's representative construction management, which is typically a good investment in quality construction and smooth construction

process, with minimal change orders. FF&E is also high at \$61,000, which is \$1,525 per unit. This is \$25,000 for security cameras, \$6,000 for custodial equipment, and \$30,000 for common area and exterior furnishings. Since the “common area” is a single office and one interior lobby, plus exterior space, that seems quite high.

Contingency:

Contingency is budgeted at standard 5% for construction and a minimalist \$25,000 for soft costs. These are insufficient given the stage of development. However, the construction figure seems high enough to cover a range of unanticipated price increases, and from a practical perspective, I consider much of the FF&E item to be contingency.

Acquisition:

Avesta proposes to sell the sites to the LLC for \$280,000. Their acquisition price was \$283,000. The assessed value is \$291,100. While this seems a fair price, an appraisal supporting that price is a condition of any recommendation.

Operating Budget & 20 Year Cashflow Projection

Project Income:

Avesta plans a mixed income building, with 24 units for households below 50% AMI (\$770 LIHTC, \$1,028 w Project Based Vouchers), 10 units for households below 60% AMI (\$924/mo), and 6 market rate units (\$1,050/mo). Avesta has a commitment for 8 project based vouchers from the Housing Authority to provide a deeper subsidy for 8 of the 24 households at 50% AMI. Consistent with Portland policy, 4 units must house homeless seniors.

Operating Expense

The budgeted per unit operating cost appears high at \$8,122, however, factoring out the TIF shows operating expenses of \$6,918 per unit, which is in the middle range for affordable housing. Supportive services are budgeted consistent with Maine Housings requirements at \$12,199. Utilities are generously budgeted at \$1,700 per unit per year for 600 sq foot units of new construction meeting green standards. Maintenance also seems high at \$2,140 for newly constructed, small, senior units, including \$25,000 for grounds. They will be able to operate a bit leaner than these costs suggest.

20 Year Cashflow & Debt Service Coverage Ratio (DSCR)

Cashflow starts out at a comfortable 1.22 DSCR in year one with a 5% vacancy. However, with industry standard inflators of 2% for income and 3% for expenses, the cashflow gradually erodes. By year 20, DSCR is down to 1.05. Avestas projections show positive cashflow for 20 years by using a 2.5% income inflator for years 6-15. Creating positive cashflow by using more aggressive income inflators puts project success in the hands of one variable the developer does NOT control – increases in market price of rent. If, on the other hand, Avesta can find a way to trim maintenance from \$2,140 to \$2,015 per unit per year (for instance, trim grounds expense from \$25,000 to \$20,000), the year 1 DSCR is 1.26 and is 1.13 in year 20. There are ways the developer can control both the operating expenses and the rent revenue (out performing the budgeted 5% vacancy rate) which will support positive cashflow which don't require aggressive assumptions regarding income inflation.

Developer Financials

Avesta is in good, and improving, financial condition. Avesta has provided audits for 2014, 2015, 2016, and internal financial statements for 2017. Prior year audits have been received by Avesta in late May or early June, so while not ideal to review unaudited financials for 2017, it is not out of line with the timing of audit finalization in prior years.

Current assets in 2016 of \$9.6 million (audited) rise to \$11.8 million in 2017 (unaudited), while current liabilities in 2016 of \$4.9 million (audited) rise to \$6.1 million 2017 (unaudited). The resulting Current Ratios (current assets divided by current liabilities) are healthy for their scale of operations -- 1.97 (2016 audited) and 1.93 (2017 unaudited). Net assets were \$123 million in 2016 (audited) and \$132 million in 2017 (unaudited). There has been significant sustained growth in net assets – which have more than doubled in the 5 years since 2012, when net assets were \$66 million. In 2017, revenue continued to grow and exceed budget while operating expenses were held under budget. Depreciation resulted in a paper loss of \$2,973,841, which is typical for a company with this financial structure, but this paper loss was more than outweighed by the growth in real estate equity.

This developer has the financial capacity to intervene in a development facing unexpected set backs and or cost over-runs to keep the development process moving forward. Their financial strength as an organization mitigates the risk of the thin soft cost contingency and the possibility of leaner than projected operating surpluses.

Recommendations

Subject to availability of funding, I recommend a loan in the amount of \$300,000, zero percent interest, payment deferred for 30 years, and a 75% TIF, with the following conditions prior to loan closing:

1. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.
2. Satisfactory review of relocation budget.
3. Satisfactory appraisal

Development Budget with Permanent Sources

Date 6/7/2018
 Project Name 977 Brighton
 Project Address 977 Brighton
 Developer/Sponsor Avesta

Total Units 40
 Total Square Feet 30,736

	<u>Total</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>
Sources of Funds			
Permanent Financing - AHP Loan	\$2,070,000	\$51,750	\$67
AHP Grant	\$500,000	\$12,500	\$16
Equity (net LIHTC proceeds)	\$5,294,870	\$132,372	\$172
Deferred development fee	\$0	\$0	\$0
City of Portland HOME	\$300,000	\$7,500	\$10
Other		\$0	\$0
Total Sources of Funds	\$8,164,870	\$204,122	\$266

Uses of Funds

Hard Costs			
Site Improvements	\$572,194	\$14,305	\$19
Rehabilitation		\$0	\$0
New Construction	\$5,227,444	\$130,686	\$170
Contractor's Profit, Overhead, & Gen. Requirements	0.0%	\$0	\$0
Hazardous Materials abatement (if contracted separately)		\$0	\$0
Demolition Cost (if contracted separately)		\$0	\$0
Bond Premium		\$0	\$0
Other		\$0	\$0
Hard Cost Contingency (% of hard costs)	5.0%	\$289,982	\$7,250
Total Hard Costs	\$6,089,620	\$152,241	\$198

Soft Costs			
Building Permit & Fees	\$81,936	\$2,048	\$3
Survey & Engineering	\$38,000	\$950	\$1
Design & Permitting (% of const exp)	8.6%	\$461,000	\$11,525
Borrower Legal (all closings, excluding syndication legal)	\$65,000	\$1,625	\$2
Title & Recording	\$5,885	\$147	\$0
Accounting	\$10,000	\$250	\$0
Construction Period Taxes	\$12,000	\$300	\$0
Construction Period Insurance	\$12,000	\$300	\$0
Other: FF&E, Security	\$61,000	\$1,525	\$2
Other		\$0	\$0
Total Soft Costs	\$746,821	\$18,671	\$24

Financing Costs			
Construction Loan Origination Fees	\$10,000	\$250	\$0
Construction Period Interest	\$157,266	\$3,932	\$5
Lender Inspection Fees	\$3,630	\$91	\$0

Letter of Credit Fee		\$0	\$0
Permanent Loan Fee	\$10,000	\$250	\$0
Construction Lender Legal	\$12,000	\$300	\$0
Other	\$0	\$0	\$0
Total Financing Costs	\$192,896	\$4,822	\$6

Miscellaneous			
Market Survey	\$3,500	\$88	\$0
Appraisal	\$6,200	\$155	\$0
Environmental Study	\$12,700	\$318	\$0
LIHTC Fees -- prepaid monitoring	\$40,000	\$1,000	\$1
Other: Commissioning		\$0	\$0
Relocation Costs	\$0	\$0	\$0
Other -- 3rd Party Consultants	\$18,000	\$450	\$1
Soft Cost Contingency (% of soft costs excl Dev Fee)	1.43%	\$25,000	\$625
Total Miscellaneous:	\$105,400	\$2,635	\$10

Acquisition			
Acquisition: Buildings	\$0	\$0	\$0
Acquisition: Land	\$280,000	\$7,000	\$9
Acquisition: Legal	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Acquisition	\$280,000	\$7,000	\$9

Reserves and Developer Fee			
Operating Deficit Escrow	\$141,859	\$3,546	\$5
Prefunded Replacement Reserve	\$52,274	\$1,307	\$2
Taxes & Insurance Escrow	\$28,500	\$713	\$1
Developer Overhead	\$487,500	\$12,188	\$16
Developer Profit		\$0	\$0
Rent Up Reserve & Marketing	\$40,000	\$1,000	\$1
Other	\$0	\$0	\$0
Total Reserves and Developer Fee	\$750,133	\$18,753	\$24

Total Uses of Funds	\$8,164,870	\$204,122	\$272
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Developer Fee Analysis: Total Fees: \$487,500
Percent of TDC: 6.54% (excluding reserves & developer fee)

Project Operating Pro Forma

Date	June 12, 2018
Project Name	977 Brighton
Project Address	977 Brighton
Developer/Sponsor	Avesta

Rental Income

Unit Type	Number of Units	Per Unit Sq Ft	Total Sq Ft	Restriction on % Median Inc.	Per Unit Monthly Gross Rent	Utility Deductions	Rent Subsidy	Per Unit Monthly Net Rent	Per Unit Net Rent Per Sq Ft	Total Monthly Net Income	Total Annual Net Rent
1 BR	8		0	50%	\$1,028	\$0		\$1,028	#DIV/0!	\$8,224	\$98,688
1 BR	16		0	50%	\$770	\$0		\$770	#DIV/0!	\$12,320	\$147,840
1 BR	10		0	60%	\$924	\$0		\$924	#DIV/0!	\$9,240	\$110,880
1 BR	6		0	market	\$1,050	\$0		\$1,050	#DIV/0!	\$6,300	\$75,600
2 BR			0	50%				\$0	#DIV/0!	\$0	\$0
2 BR			0	60%				\$0	#DIV/0!	\$0	\$0
3 BR			0	50%				\$0	#DIV/0!	\$0	\$0
3 BR			0	60%				\$0	#DIV/0!	\$0	\$0
4 BR			0	50%				\$0	#DIV/0!	\$0	\$0
4 BR			0	60%				\$0	#DIV/0!	\$0	\$0
Other			0	50%				\$0	#DIV/0!	\$0	\$0
Other			0	60%				\$0	#DIV/0!	\$0	\$0
Total:	40		0							\$36,084	\$433,008

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

Note: Year 1 is the first full year of stabilized operations

	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Income												
Sch. Gross Income - Residential	\$433,008	\$10,825	\$441,668	\$450,502	\$459,512	\$468,702	\$478,076	\$487,637	\$497,390	\$507,338	\$517,485	
Vacancy Loss	5.0%	(\$21,650)	(\$541)	(\$22,083)	(\$22,525)	(\$22,976)	(\$23,435)	(\$23,904)	(\$24,382)	(\$24,870)	(\$25,367)	(\$25,874)
Other income (laundry)	\$2,998	\$75	\$3,058	\$3,119	\$3,182	\$3,245	\$3,310	\$3,376	\$3,444	\$3,513	\$3,583	
TIF -- 75% requested	\$48,171	\$1,204	\$49,616	\$51,105	\$52,638	\$54,217	\$55,843	\$57,519	\$59,244	\$61,022	\$62,852	
Effective Gross Income	\$462,527	\$11,563	\$472,259	\$482,200	\$492,355	\$502,729	\$513,326	\$524,151	\$535,209	\$546,505	\$558,046	

Administrative											
Management Fee	\$24,672	\$617	\$25,412	\$26,175	\$26,960	\$27,769	\$28,602	\$29,460	\$30,343	\$31,254	\$32,191
Management Charges	\$24,672	\$617	\$25,412	\$26,175	\$26,960	\$27,769	\$28,602	\$29,460	\$30,343	\$31,254	\$32,191
Marketing Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal	\$1,500	\$38	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739	\$1,791	\$1,845	\$1,900	\$1,957
Audit & Accounting	\$5,000	\$125	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
Admin Other	\$6,000	\$150	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	\$7,164	\$7,379	\$7,601	\$7,829
Total Administrative	\$61,844	\$1,546	\$63,699	\$65,610	\$67,579	\$69,606	\$71,694	\$73,845	\$76,060	\$78,342	\$80,692

Supportive Services	\$12,199	\$305	\$12,565	\$12,942	\$13,330	\$13,730	\$14,142	\$14,566	\$15,003	\$15,453	\$15,917
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Utilities											
Fuel Oil	\$18,000	\$450	\$18,540	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Natural Gas		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electric	\$34,000	\$850	\$35,020	\$36,071	\$37,153	\$38,267	\$39,415	\$40,598	\$41,816	\$43,070	\$44,362
Water / Sewer	\$16,000	\$400	\$16,480	\$16,974	\$17,484	\$18,008	\$18,548	\$19,105	\$19,678	\$20,268	\$20,876
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$68,000	\$1,700	\$70,040	\$72,141	\$74,305	\$76,535	\$78,831	\$81,196	\$83,631	\$86,140	\$88,725

Maintenance	Year 1	Year 1/Unit	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Grounds	\$25,000	\$625	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619
Janitorial	\$6,600	\$165	\$6,798	\$7,002	\$7,212	\$7,428	\$7,651	\$7,881	\$8,117	\$8,361	\$8,612
Trash Removal	\$4,000	\$100	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219
Security		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment & Supplies	\$5,000	\$125	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
Maintenance	\$25,000	\$625	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619
Maintenance contracts (HVAC, e	\$20,000	\$500	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	\$23,881	\$24,597	\$25,335	\$26,095
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Maintenance	\$85,600	\$2,140	\$88,168	\$90,813	\$93,537	\$96,344	\$99,234	\$102,211	\$105,277	\$108,436	\$111,689

Taxes & Insurance											
Real Estate Taxes or PILOT	\$64,229	\$1,606	\$66,156	\$68,141	\$70,185	\$72,290	\$74,459	\$76,693	\$78,994	\$81,363	\$83,804
Payroll Taxes / Fidelity Bond / Workers Comp / Health Ins.		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance (property, liability)	\$15,000	\$375	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Taxes & Insurance	\$79,229	\$1,981	\$81,606	\$84,054	\$86,576	\$89,173	\$91,848	\$94,604	\$97,442	\$100,365	\$103,376

Replacement Reserves	\$18,000	\$450	\$18,540	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Expenses	\$324,872	\$8,122	\$334,618	\$344,657	\$354,996	\$365,646	\$376,616	\$387,914	\$399,552	\$411,538	\$423,884
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Net Operating Income	\$137,655	\$3,441	\$137,641	\$137,544	\$137,359	\$137,083	\$136,710	\$136,236	\$135,657	\$134,967	\$134,161
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Debt Service											
First Lien	\$112,934	\$2,823	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934
Second Lien		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service (Must Pay)	\$112,934	\$2,823	\$112,934								

Cash Flow (after Must Pay Debt)	\$24,721	\$618	\$24,707	\$24,610	\$24,425	\$24,149	\$23,776	\$23,302	\$22,723	\$22,033	\$21,227
Debt Service Coverage Ratio	1.22		1.22	1.22	1.22	1.21	1.21	1.21	1.20	1.20	1.19

Cash Flow Debt Payments											
City of Portland	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Developer Fee Loan	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow Retained by Project		\$24,721	\$618	\$24,707	\$24,610	\$24,425	\$24,149	\$23,776	\$23,302	\$22,723	\$21,227

Retained Cash Flow % 8%

Operating Expenses

Rent Increase Rate	2.0%
Expenses Increase Rate	3.0%

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Income										
Sch. Gross Income - Residential	\$527,834	\$538,391	\$549,159	\$560,142	\$571,345	\$582,772	\$594,427	\$606,316	\$618,442	\$630,811
<u>Vacancy Loss</u> 5.0%	(\$26,392)	(\$26,920)	(\$27,458)	(\$28,007)	(\$28,567)	(\$29,139)	(\$29,721)	(\$30,316)	(\$30,922)	(\$31,541)
Other income (laundry)	\$3,655	\$3,728	\$3,802	\$3,878	\$3,956	\$4,035	\$4,116	\$4,198	\$4,282	\$4,368
TIF -- 75% requested	\$64,738	\$66,680	\$68,680	\$70,741	\$72,863	\$75,049	\$77,300	\$79,619	\$82,008	\$84,468
Effective Gross Income	\$569,835	\$581,879	\$594,184	\$606,754	\$619,597	\$632,717	\$646,122	\$659,817	\$673,810	\$688,106

Administrative										
Advertising	\$33,157	\$34,152	\$35,176	\$36,232	\$37,319	\$38,438	\$39,591	\$40,779	\$42,002	\$43,263
Office Payroll & Benefits	\$33,157	\$34,152	\$35,176	\$36,232	\$37,319	\$38,438	\$39,591	\$40,779	\$42,002	\$43,263
Office Supplies, Phone, Misc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mngr or Super Rent Free Unit	\$2,016	\$2,076	\$2,139	\$2,203	\$2,269	\$2,337	\$2,407	\$2,479	\$2,554	\$2,630
Audit & Accounting	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
Admin Other	\$8,063	\$8,305	\$8,555	\$8,811	\$9,076	\$9,348	\$9,628	\$9,917	\$10,215	\$10,521
Total Administrative	\$83,113	\$85,607	\$88,175	\$90,820	\$93,545	\$96,351	\$99,241	\$102,219	\$105,285	\$108,444

Supportive Services	\$16,394	\$16,886	\$17,393	\$17,915	\$18,452	\$19,006	\$19,576	\$20,163	\$20,768	\$21,391
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Utilities										
Fuel Oil	\$24,190	\$24,916	\$25,664	\$26,434	\$27,227	\$28,043	\$28,885	\$29,751	\$30,644	\$31,563
Electric	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas	\$45,693	\$47,064	\$48,476	\$49,930	\$51,428	\$52,971	\$54,560	\$56,197	\$57,883	\$59,619
Water / Sewer	\$21,503	\$22,148	\$22,812	\$23,497	\$24,201	\$24,927	\$25,675	\$26,446	\$27,239	\$28,056
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Utilities	\$91,386	\$94,128	\$96,952	\$99,860	\$102,856	\$105,942	\$109,120	\$112,394	\$115,765	\$119,238

Maintenance	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Janitorial	\$33,598	\$34,606	\$35,644	\$36,713	\$37,815	\$38,949	\$40,118	\$41,321	\$42,561	\$43,838
Exterminating	\$8,870	\$9,136	\$9,410	\$9,692	\$9,983	\$10,283	\$10,591	\$10,909	\$11,236	\$11,573
Trash Removal	\$5,376	\$5,537	\$5,703	\$5,874	\$6,050	\$6,232	\$6,419	\$6,611	\$6,810	\$7,014
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grounds	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
Maintenance	\$33,598	\$34,606	\$35,644	\$36,713	\$37,815	\$38,949	\$40,118	\$41,321	\$42,561	\$43,838
Elevator, HVAC, pool contracts	\$26,878	\$27,685	\$28,515	\$29,371	\$30,252	\$31,159	\$32,094	\$33,057	\$34,049	\$35,070
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Maintenance	\$115,039	\$118,490	\$122,045	\$125,706	\$129,478	\$133,362	\$137,363	\$141,484	\$145,728	\$150,100

Taxes & Insurance										
Real Estate Taxes or PILOT	\$86,318	\$88,908	\$91,575	\$94,322	\$97,152	\$100,067	\$103,069	\$106,161	\$109,346	\$112,626
Payroll Taxes / Fidelity Bond / Workers Comp / Health Ins.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance (property, liability)	\$20,159	\$20,764	\$21,386	\$22,028	\$22,689	\$23,370	\$24,071	\$24,793	\$25,536	\$26,303
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Taxes & Insurance	\$106,477	\$109,671	\$112,962	\$116,350	\$119,841	\$123,436	\$127,139	\$130,953	\$134,882	\$138,929

Replacement Reserves	\$24,190	\$24,916	\$25,664	\$26,434	\$27,227	\$28,043	\$28,885	\$29,751	\$30,644	\$31,563
Operating Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Expenses	\$436,601	\$449,699	\$463,190	\$477,085	\$491,398	\$506,140	\$521,324	\$536,964	\$553,073	\$569,665
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Net Operating Income	\$133,234	\$132,180	\$130,994	\$129,669	\$128,199	\$126,577	\$124,798	\$122,854	\$120,737	\$118,441
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Debt Service										
First Lien	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934	\$112,934
Second Lien	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service (Must Pay)	\$112,934									

Cash Flow (after Must Pay Debt)	\$20,300	\$19,246	\$18,060	\$16,735	\$15,265	\$13,643	\$11,864	\$9,920	\$7,803	\$5,507
Debt Service Coverage Ratio	1.18	1.17	1.16	1.15	1.14	1.12	1.11	1.09	1.07	1.05

Cash Flow Debt Payments										
DHCD	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Developer Fee Loan	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow Retained by Project		\$20,300	\$19,246	\$18,060	\$16,735	\$15,265	\$13,643	\$11,864	\$9,920	\$5,507

Retained Cash Flow % 8%

Maine Workforce Housing, LLC
482 Congress Street, Suite 203
Portland, ME 04101

Project Summary

Maine Workforce Housing is applying for \$370,000 from the City of Portland Housing Trust Fund in this application, to fill a gap for a project at 178 Kennebec Street.

Project Team

The principals and staff of Maine Workforce Housing have successfully developed nine (9) mixed-income housing projects in Maine and New Hampshire over the last fourteen (14) years. These properties, the oldest of which has been open since 2004, have never had a single year of operating deficits. All of them are 100% leased with long waiting lists.

We are working with Ross Furman to develop 178 Kennebec Street. It includes ground-level artist studio space with 51 units of housing on the upper floors. The housing will be rental; (46) 1-bedroom units and (5) efficiency units, set aside for households whose head of household is aged 55+. We've included a concept floor-plan of Phase 1.

The site has some unique advantages for residential development:

- The City has identified the Bayside neighborhood as a priority for redevelopment. Kennebec Street is a prominent street in Bayside, and street-level retail will dovetail well with surrounding buildings.
- A mixed-use residential/retail building will bring new residents to live, work, and shop in Bayside, reinforcing the urban fabric and adding new vitality to the core of the City.
- The site is within walking distance of a variety of services and destinations for daily living (e.g., banks, library, schools, etc.) as well as employers and public transportation.
- The site is within steps of a major park (Deering Oaks Park). Yet, it is also just a minute from an entrance to and exit from I-295, a highway that takes residents throughout Maine.

The income mix targeted for this development will be 22% market rate, and 78% affordable (aimed at those at or below 60% of the area median income), creating economic diversity both in the building and in the neighborhood

The residents will be a mix of people, incomes, and occupations in Portland. We expect the tenants in income-restricted units will include retired people on social security and also those with jobs at the lower end of the wage scale. The market-rate units are likely to also include retired people, and also professionals who are downsizing from larger homes.

This project, like all of our projects to date, will be completely non-smoking. Smoking will be prohibited both inside units and in the interior and exterior common areas of the project. This will be outlined both as an addendum to each lease, and also stated in the House Rules. Our Resident Services Coordinator will have materials on tobacco cessation programs available to residents.

The project incorporates smart growth, affordable housing, green building design, brownfield redevelopment, downtown revitalization, urban outdoor recreation, and alternative transportation.

Amenities

We propose to provide our residents with the following amenities:

- Heat and hot water included in rent
- Community room with kitchen
- Coin-operated laundry facility
- Indoor bicycle storage
- Wireless internet throughout the building at no extra charge;
- Resident Services Coordinator on staff;
- Telemedicine room

Resident Services Coordination

Our RSC's mission is to foster an environment in which elderly persons and people with disabilities can live independently and remain in their communities. As this project is proposed to be elderly, and with the Portland Shelter set-aside requirement, we are proposing to increase the number of hours an RSC is on the property. The Low Income Housing Tax Credit Program, as administered by MaineHousing, requires one (1) hour per week for every five (5) low-income units, or eight (8) hours in this case. We would schedule an RSC for sixteen (16) hours – double what is required. Our experience in other properties with a Homeless Preference has given us an appreciation for the staff levels needed onsite. This is reflected in our operating budget which is part of this application.

Transportation

The site is wonderfully located for service by public transportation. The METRO bus system, with scheduled service all over downtown Portland and connections to the neighboring cities, stops 2/10 of a mile from our site.

We have hired a consultant and commissioned a Traffic Demand Management Plan, which will be implemented as part of the project. The goal of this plan is to incentivize multi-modal transportation (walk, bike, carshare, or carpool) instead of dependence on car ownership.

Photos and Renderings

We urge you to look at the set of photos of the site and “before” and “after” renderings, found immediately after this Executive Summary. They convey information about the project which simply cannot be expressed in narrative form. Thank you.





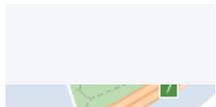


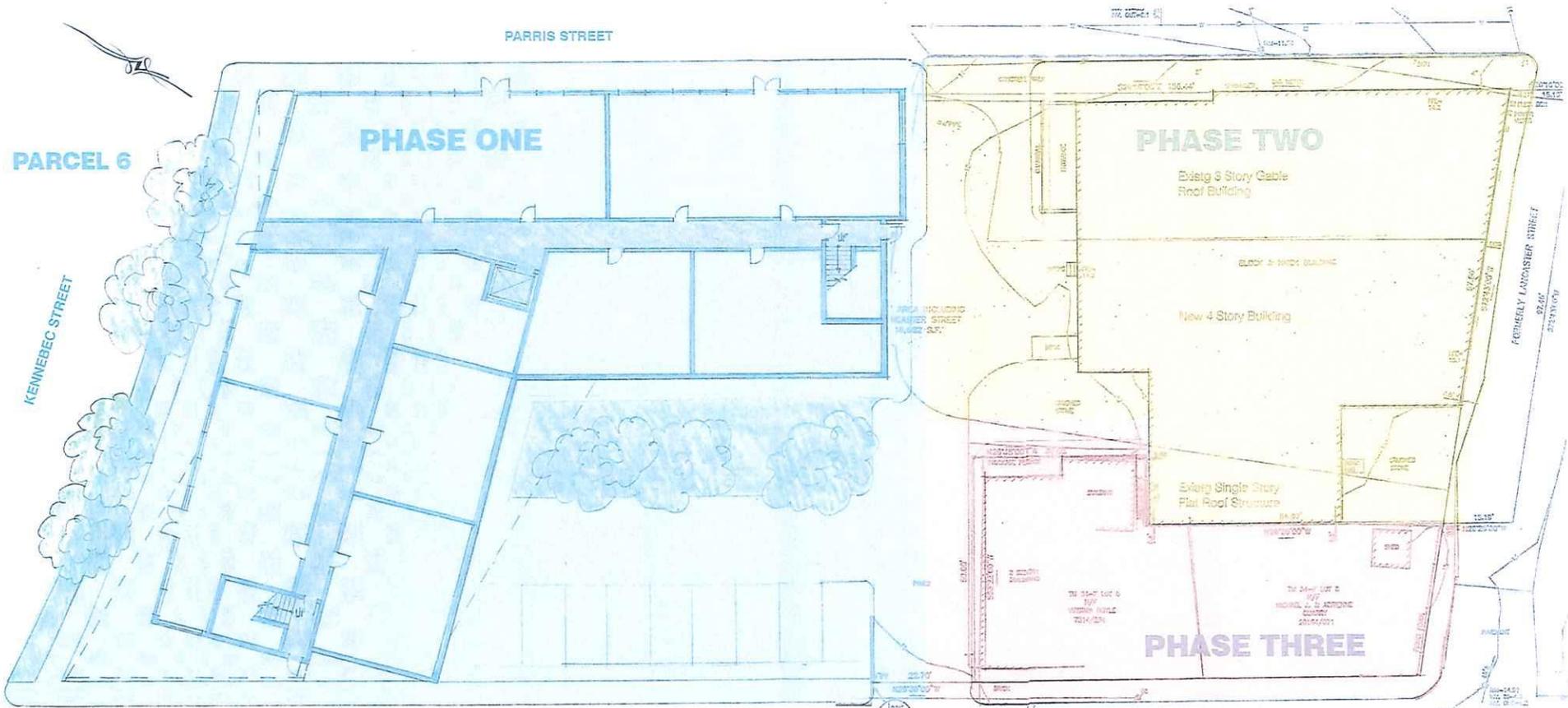
Image capture: Aug 2017 © 2018 Google

Portland, Maine



Street View - Aug 2017





PARCEL 6

PARRIS STREET

PHASE ONE

PHASE TWO

Existg 3 Story Cable Roof Building

New 4 Story Building

Existg Single Story Flat Roof Structure

PHASE THREE

KENNEBEC STREET

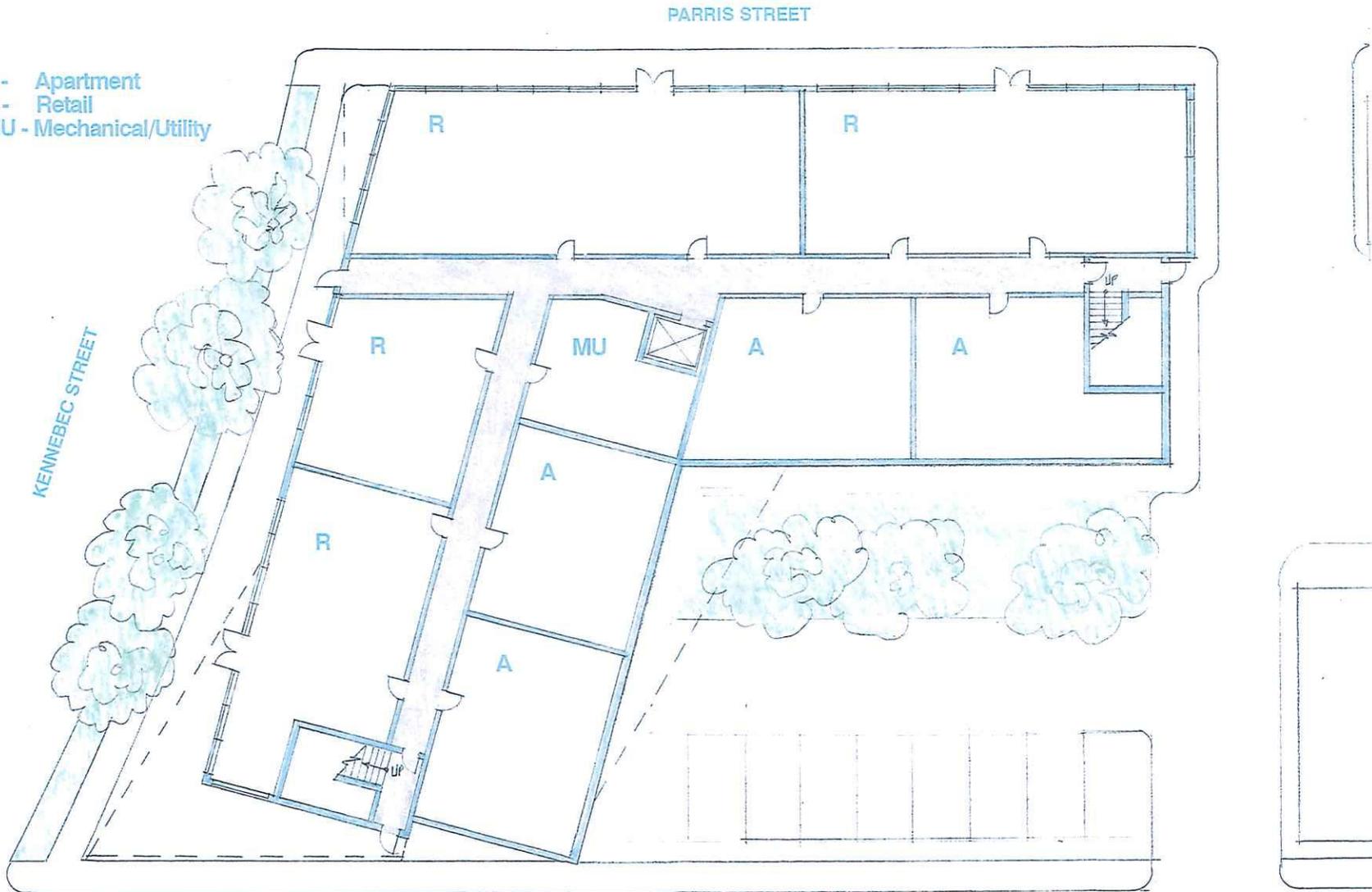
BRATTLE STREET

FORMERLY LANCASTER STREET

BRATTLE/KENNEBEC/PARRIS STREET DEVELOPMENT
PHASED DEVELOPMENT SITE PLAN - APPROX: 42,120 GSF

ARCADIA
 06-2017 *designworks*

A - Apartment
R - Retail
MU - Mechanical/Utility

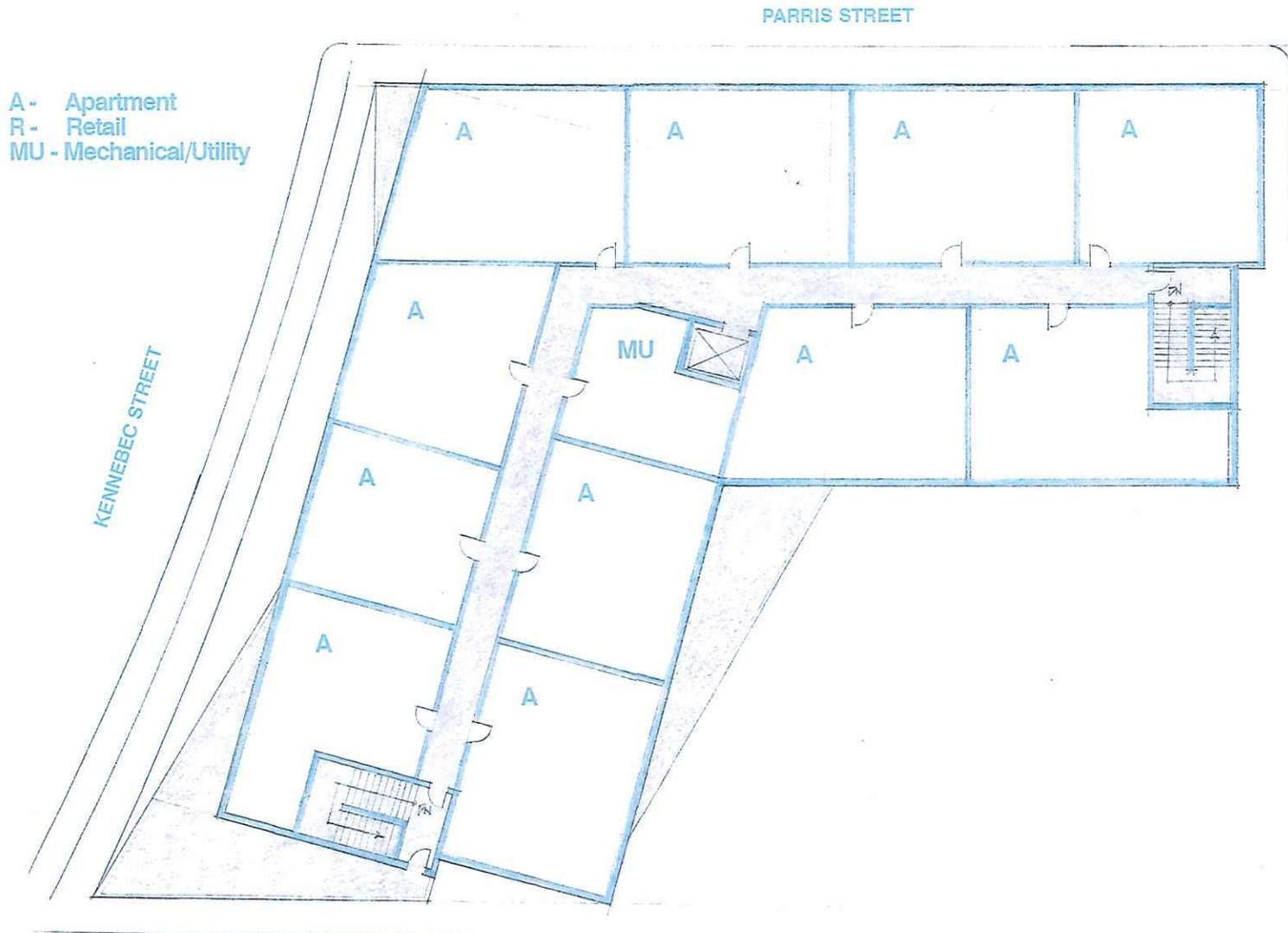


furman place on kennebec

BRATTLE/KENNEBEC/PARRIS STREET DEVELOPMENT

BUILDING CONCEPT - GROUND LEVEL PLAN 13,088 GSF

ARCADIA
06-2017 designworks



furman place on kennebec

BRATTLE/KENNEBEC/PARRIS STREET DEVELOPMENT
BUILDING CONCEPT - UPPER LEVEL PLAN

13,088 GSF

ARCADIA
 06-2017 designworks

178 Kennebec Timeline

April 2018 – August 2018

- Full Site Plan and Subdivision Approval
- City Housing Trust Fund Application
- City Tax Increment Financing Application
- Market study

September 2018

- Submit Affordable Housing Tax Credit Application to MaineHousing

November 2018 – May 2019 (if successful on MaineHousing Application):

- Full design
- Finalize investor agreement
- Finalize construction loan

June 2019:

- Close and begin construction

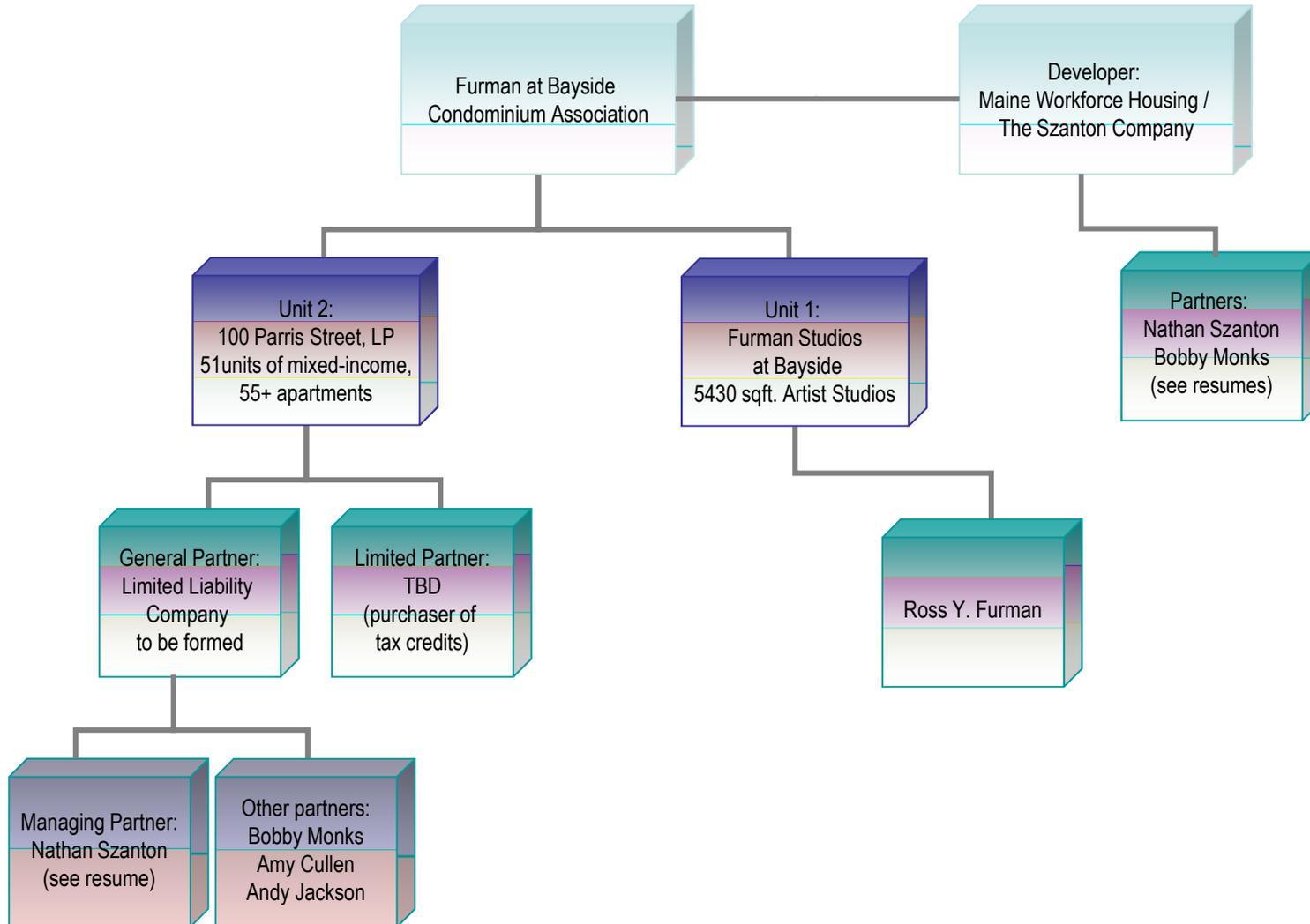
Summer 2020:

- Open for occupancy

Map showing location of site:



Furman at Bayside



178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton and Robert C.S. Monks, Principals)

06/29/18

51 Resident Units
40 Low-Income Units
11 Market-Rate Units
6 Residential Stories

DEVELOPMENT BUDGET - SOURCES OF FUNDS

Sources of Funds

Equity Raise from Sale of LIHTC	6,480,000	57%						
MaineHousing Mortgage - Interest Only	0	0%	6.00%	Interest Only	30 years			
MaineHousing Mortgage -Amortizing	2,660,739	24%	6.00%	Amortizing	30 years			
MaineHousing Deferred Debt	501,603	4%		0% int., principal and interest deferred until sale or transfer.		12,540 per unit.	1,200,000 per project cap.	
Deferred Developer Fee	437,500	4%		Net Fee =	562,500	\$0	562,500	
City HOME	370,000	3%		30-year deferred loan, in 2nd position				
Furman LLL Buyout of Commercial Space at PLC	835,005	7%						
GAP (EXCESS)	<u>0</u>							
TOTAL	11,284,847	100%						

-20080
135000
270000

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton and Robert C.S. Monks, Principals)

51 Resident Units

40 Affordable

11 Market-Rate

Constr. cost/sq. ft. - finished space (not counting demolition, sitework, and contingency)

46,669 Number of square feet of space in building

41,215 Number of square feet of space - finished residential

5,454 Number of square feet of space - vanilla box commercial

Residential square footage, buildout at \$ 175.00 psf

Commercial at

\$ 130.00 psf

7,921,645 Total Construction Cost (not including construction contingency)

\$141,424 per residential unit of construction cost

DEVELOPMENT BUDGET - USES OF FUNDS

	Total Funds	Retail Unit Costs	Notes			
Land Acquisition	215,000		4,216 per unit	30% 2 points	Need to be less than	3,500 to get 3 points
Parking requirement buy-out	12,400		Assuming a need for 0.41 space per unit (21), less the 11 we have onsite (Housing only) & 8 space credit for car share			
Demolition	0		Existing building, landscaping, etc.			
Site Preparation	0		Included in Construction Cost			
Off-Site Improvements (paid by Owner)	18,800	1,683	Portland Maine Tree Fund			
Construction of finished space	7,921,645	709,020	Includes utility hook-ups and all construction except demolition & site work. See note above re assumed cost per sq. ft.			
Construction Contingency	396,082	35,451	5.0% of finished construction cost.			
Utility Back-Charges	40,000	3,580				
Furnishings, Fixtures & Equipment	85,000		Common area furnishings, laundry equipment, signage, wi-fi equipment, surveillance cameras, wall hangings, etc.			
Architectural and Engineering	331,500	29,671	6,500 per unit 4.18%			
Civil Engineering	45,000	4,028	Not included in architect's contract			
Landscape Architecture	0	0	Included in Civil Eng. Contract			
Geoengineering	10,000	895	Not included in architect's contract. Includes test borings, test pits, soil test processing and report preparations.			
Testing and Special Inspections	21,000	1,880				
Legal and Title, Non-TC Related	82,000	7,339	Negotiated fee: land use and title opinions; services in connection with land acquisition; etc. Additional \$15K for condo documentation			
Legal, TC Syndication-Related	33,000		Negotiated fee: creation of all documents, provision of due diligence, and conducting closings of LIHTC-related matters			
Title Insurance	20,000		Based on our negotiated rate with TICOR title insurance agency for simultaneous owner's and lender's coverage.			
Cost Certification/Audit	6,500		Budgeting \$1,000 for Carryover Allocation certification and \$5,500 for final cost certification			
Appraisal	7,500					
Surveyor	5,600	501	To establish boundaries			
Market Study	6,500		To substantiate demand and determine proper rent levels.			
Environmental Testing & Remediation	8,000	716				
City and State Permits and Fees	120,000	10,740				
MSHA Financing Application Fee	4,500					
MSHA Financing Commitment Fee	2,000		Non-refundable, due at execution of commitment			15000
MSHA Financing Fee	53,215		2% of tax-exempt debt amount, due at construction loan close.		2,660,739	
MSHA Review Fee	2,500					
Tax Credit Monitoring Fee	40,000		\$1,000 per tax credit unit paid before issuance of an 8609.			
Tax Credit Allocation Fee	60,000		7.5% annual allocation of 800,000 798,887			
Soft Cost Contingency	50,000	4,475	For unforeseen and/or underbudgeted soft costs			
Developer Overhead and Fee (Gross)	1,000,000		MSHA Net Fee formula: \$17,500 for first 20 units, & \$15,000 each unit thereafter		Net: 562500	
Tax and Insurance Reserve Pre-Funding	57,375		Six months of property taxes and insurance premium expense.		64393	1530117
Rent-up Deficit Reserve	50,000		MSHA Max = \$1,000 per unit NTE \$50,000			
Operating Reserve	213,000		MSHA requirement. 6 months of operating and residential debt service		212,994	
Pre-Funding of Replacement Reserve	72,126		1% of cost of construction			
City of Portland Legal Fees	15,000		TIF / CEA documents			
Construction Loan Orig. Fee	16,000	1,432	0.2% of construction loan but not less than 16,000 6,369,002			
Construction Loan Interest	163,403	14,625	Based on loan of \$6.370 million at 4% for 14 months (12 month construction)			
Letter of Credit Fee for Performance Guaranty	5,000	448	Based on LOC value of \$500,000 at 1%			
Constr. Lender, Equity Provider Legal Fees	27,000	2,417				
Constr. Lender Plan Review, Inspection	9,200	823	\$600/inspection for 12 inspections plus \$2000 for plans review			
Construction Period Insurance	55,000	4,923	Builder's Risk and General Liability Insurance			
Construction Period Taxes	4,000	358	15 months of pre-construction assessment			
TOTALS	11,284,847	835,005				

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton and Robert C.S. Monks, Principals)

50%	31.4%	5
60%	47.1%	46
market	<u>21.6%</u>	
	100%	

OPERATING INCOME SCHEDULE

Income From Units

Unit Type	# of Units	Square Footage	Gross Rent	Less Utility Allowance	Net Rent	Gross Potential Monthly Revenue From These Units
0-BR LIHTC unit at/below 50% of AMI	3	500	788	-45	743	2,229
1-BR LIHTC unit at/below 50% of AMI	13	650	845	-52	793	10,309
0-BR LIHTC unit at/below 60% of AMI	2	500	946	-45	901	1,802
1-BR LIHTC unit at/below 60% of AMI	22	650	1,014	-52	962	21,164
0-BR Market Rate unit (avg. market rate rent for all 1-BR units within the bldg)	0	500			925	-
1-BR Market Rate unit (avg. market rate rent for all 1-BR units within the bldg)	11	650			1195	13,145
Total Units	51	32,400				48,649

(note that total number of units may not appear to equal the sum of the unit types due to formula rounding)

Gross Annual Revenue from Unit Rents x 12 months = **583,788**

Laundry Income

Based on experience at 53 Danforth at \$15 per unit per month **9,180**

Parking Income

11 spaces, charging \$150 per month per space **19,800**

SUMMARY OF INCOME

15

Gross Potential Annual Unit Rental Income	583,788		
Gross Potential Annual Laundry Income	9,180		
Gross Potential Annual Parking Income	19,800		
Total Gross Potential Annual Income	612,768		
Less Vacancy & Collection Loss at 5% LIHTC; 7% Market	-32,344		
Property Taxes Returned from The City (TIF)	65,760	75%	CEA
Net Annual Revenue	646,184		

178 Kennebec Street

Portland, Maine

Developer: Maine Workforce Housing, LLC (Nathan S. Szanton
and Robert C.S. Monks, Principals)**51 Resident Units**

41,215 sq. ft. of finished space

OPERATING EXPENSE SCHEDULE**Administrative Expenses**

Management Fee	45,770	8.30%	of gross receipts
Marketing	1,122	\$22	per unit per year.
Legal	5,100	\$100	per unit per year One eviction costs \$650-\$800. Appeals are more.
Management Software Fees	2,142	\$3.5	per unit per month
Audit	6,600	For annual audit of the project in MSHA format and tax return in format required by tax credit investor.	
Telemedicine Room	1,800	For dedicated phone service and upgraded internet for the Telemedicine Room	
Resident Services Coordination	32,120	Based on	16 hours per week \$35 /hr to the project, 52 weeks per year. Plus \$250/mo for supplies.
Portland Fire Inspection Fee	1,785	\$35	per unit per year **additional RSC hours due to homeless set-aside coordination with cas

Utilities

Fuel	38,250	\$750	per unit per year
Common Area Electricity	17,850	\$350	pupy. Elevator, laundries, corridor & garage lights.
Water and Sewer	17,850	\$350	per unit per year
Stormwater Service Charges	800	\$6	per month for every 1,200 of impervious area
On-site phone and internet	8,000	Phone service for elevator/office/alarm and internet access for office	

Maintenance Expenses

Elevator Maintenance	6,000		
Contract Maintenance	17,850	\$350	per unit per year. Includes pest control, electrical, plumbing & HVAC repair.
Common Area Cleaning	17,850	\$350	per unit per year 1488 per month
Trash Removal	12,750	\$250	per unit per year 1063 per month
Snow Removal	5,000		
Work Orders/Turnovers	28,050	\$550	per unit per year
Parking Lease	21,600	\$150	per unit per month for 12 spaces
Maintenance Supplies	7,650	\$150	per unit per year

Taxes, Insurance, Other

Taxes	91,800		
Insurance - Property and Liability & Umbrella	15,300	\$300	pupy.
LIHTC Monitoring Fee		Prepaid as a development expense.	
Replacement Reserve	22,950	\$450	pupy.

Real Estate Expenses w/o Debt Service 425,989

Annual Debt Service - Amortizing Loan	191,430	2,660,739	Amortizing	6.0%	30 years	\$15,952	per month.
Annual Debt Service - Interest Only Loan	0	0	Interest Only	6.00%	30 years	\$0	per month.

TOTAL REAL ESTATE EXPENSES 425,989**TOTAL ANNUAL REAL ESTATE INCOME 646,184**

Annual Cash Flow from Real Estate	220,195	Cash flow of 500 PUPY minimum is required by MSHA					
MH Debt Service Coverage Ratio	1.150	Debt Service Coverage Ratio of 1.15 is required by MSHA.					
Annual Real Estate Operating Cost Per Unit	7,903	Not including debt service and replacement reserve, but includes resident services coordination.					
Monthly Real Estate Operating Cost Per Unit	659	Not including debt service and replacement reserve, but includes resident services coordination.					

178 Kennebec Street
 Portland, Maine
 Developer: Maine Workforce Housing, LLC, a joint venture of Nathan S. Szanton and Robert C.S. Monks

17 YEAR PROFORMA CASH FLOW STATEMENT

	Assumed Inflation Rate	Months of Operation in 2020: 6																				
		Operating 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
INCOME																						
Gross Rental Income	2.00%	306,384	625,023	637,524	650,274	663,280	676,545	690,076	703,878	717,955	732,314	746,961	761,900	777,138	792,681	808,534	824,705	841,199	858,023	875,184	892,687	910,541
Lease-Up Deficit Reserve		50,000																				
Vacancy/Collection Loss at Proceeds from TIF	-5%	-15,319	-31,251	-31,876	-32,514	-33,164	-33,827	-34,504	-35,194	-35,898	-36,616	-37,348	-38,095	-38,857	-39,634	-40,427	-41,235	-42,060	-42,901	-43,759	-44,634	-45,527
	3.00%	65,760	67,733	69,765	71,858	74,014	76,234	78,521	80,877	83,303	85,802	88,376	91,027	93,758	96,571	99,468	102,452	105,526	108,691	111,952	115,311	118,770
Effective Gross Income		406,825	661,505	675,413	689,618	704,129	718,952	734,093	749,561	765,361	781,501	797,989	814,832	832,039	849,618	867,576	885,922	904,665	923,813	943,377	963,364	983,784
OPERATING EXPENSES																						
Management Fee		17,666	49,283	50,269	51,274	52,300	53,346	54,413	55,501	56,611	57,743	58,898	60,076	61,277	62,503	63,753	65,028	66,329	67,655	69,008	70,388	71,796
Marketing	3.0%	50,000	1,156	1,190	1,226	1,263	1,301	1,340	1,380	1,421	1,464	1,508	1,553	1,600	1,648	1,697	1,748	1,800	1,854	1,910	1,967	2,026
Legal	3.0%	2,550	5,253	5,411	5,573	5,740	5,912	6,090	6,272	6,461	6,654	6,854	7,060	7,271	7,490	7,714	7,946	8,184	8,430	8,682	8,943	9,211
Management Software Fees	3.0%	1,071	2,206	2,272	2,341	2,411	2,483	2,558	2,634	2,713	2,795	2,879	2,965	3,054	3,146	3,240	3,337	3,437	3,540	3,647	3,756	3,869
Accounting/Audit	3.0%	6,600	6,798	7,002	7,212	7,428	7,651	7,881	8,117	8,361	8,612	8,870	9,136	9,410	9,692	9,983	10,283	10,591	10,909	11,236	11,573	11,920
Telemedicine Room	3.0%	900	1,854	1,910	1,967	2,026	2,087	2,149	2,214	2,280	2,349	2,419	2,492	2,566	2,643	2,723	2,804	2,888	2,975	3,064	3,156	3,251
Resident Svcs. Coordination	3.0%	16,060	33,084	34,076	35,098	36,151	37,236	38,353	39,504	40,689	41,909	43,167	44,462	45,795	47,169	48,584	50,042	51,543	53,089	54,682	56,323	58,012
Portland Fire Inspection Fees	3.0%	1,785	1,839	1,894	1,951	2,009	2,069	2,131	2,195	2,261	2,329	2,399	2,471	2,545	2,621	2,700	2,781	2,864	2,950	3,039	3,130	3,224
Fuel	3.0%	19,125	39,398	40,579	41,797	43,051	44,342	45,673	47,043	48,454	49,908	51,405	52,947	54,535	56,171	57,857	59,592	61,380	63,221	65,118	67,072	69,084
Common Area Electricity	3.0%	8,925	18,386	18,937	19,505	20,090	20,693	21,314	21,953	22,612	23,290	23,989	24,709	25,450	26,213	27,000	27,810	28,644	29,503	30,388	31,300	32,239
Water and Sewer	3.0%	8,925	18,386	18,937	19,505	20,090	20,693	21,314	21,953	22,612	23,290	23,989	24,709	25,450	26,213	27,000	27,810	28,644	29,503	30,388	31,300	32,239
Internet/Wi-fi Service	3.0%	4,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	11,406	11,748	12,101	12,464	12,838	13,223	13,619	14,028	14,449
Elevator Maintenance	3.0%	3,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829	8,063	8,305	8,555	8,811	9,076	9,348	9,628	9,917	10,215	10,521	10,837
Contract Maintenance	3.0%	8,925	18,386	18,937	19,505	20,090	20,693	21,314	21,953	22,612	23,290	23,989	24,709	25,450	26,213	27,000	27,810	28,644	29,503	30,388	31,300	32,239
Common Area Cleaning	3.0%	8,925	18,386	18,937	19,505	20,090	20,693	21,314	21,953	22,612	23,290	23,989	24,709	25,450	26,213	27,000	27,810	28,644	29,503	30,388	31,300	32,239
Trash Removal	3.0%	6,375	13,133	13,526	13,932	14,350	14,781	15,224	15,681	16,151	16,636	17,135	17,649	18,178	18,724	19,286	19,864	20,460	21,074	21,706	22,357	23,028
Snow Removal	3.0%	2,500	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264	8,512	8,768	9,031
Work Orders	3.0%	7,013	28,892	29,758	30,651	31,571	32,518	33,493	34,498	35,533	36,599	37,697	38,828	39,993	41,192	42,428	43,701	45,012	46,362	47,753	49,186	50,661
Parking Lease	3.0%	10,800	22,248	22,915	23,603	24,311	25,044	25,792	26,565	27,362	28,183	29,029	29,899	30,796	31,720	32,672	33,652	34,662	35,702	36,773	37,876	39,012
Maintenance Supplies	3.0%	3,825	7,880	8,116	8,359	8,610	8,868	9,135	9,409	9,691	9,982	10,281	10,589	10,907	11,234	11,571	11,918	12,276	12,644	13,024	13,414	13,817
Property Taxes	3.0%	91,800	94,554	97,391	100,312	103,322	106,421	109,614	112,902	116,289	119,778	123,372	127,073	130,885	134,811	138,856	143,021	147,312	151,731	156,283	160,972	165,801
Insurance, Property & Liability	3.0%	7,650	15,759	16,232	16,719	17,220	17,737	18,269	18,817	19,382	19,963	20,562	21,179	21,814	22,469	23,143	23,837	24,552	25,289	26,047	26,829	27,634
Replacement Reserve	3.0%	11,475	23,639	24,348	25,078	25,830	26,605	27,404	28,226	29,072	29,945	30,843	31,768	32,721	33,703	34,714	35,755	36,828	37,933	39,071	40,243	41,450
Total Ann. Operating Exp's		299,894	440,085	452,794	465,876	479,339	493,196	507,459	522,138	537,247	552,799	568,805	585,280	602,238	619,692	637,658	656,150	675,185	694,777	714,944	735,702	757,069
NET OPERATING INCOME		106,931	221,420	222,618	223,743	224,790	225,756	226,635	227,422	228,113	228,702	229,184	229,552	229,801	229,925	229,917	229,771	229,480	229,036	228,433	227,662	226,715
MaineHousing Mortgage - Interest Only		63,810	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430	191,430
Net Annual Cash Flow		43,121	29,991	31,189	32,313	33,361	34,326	35,205	35,993	36,683	37,272	37,754	38,122	38,372	38,496	38,488	38,342	38,051	37,607	37,003	36,232	35,285
Debt Coverage Ratio		1.68	1.16	1.16	1.17	1.17	1.18	1.18	1.19	1.19	1.19	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.19	1.19	1.18
REPLACEMENT RESERVE																						
Beginning Balance		72,126	83,601	107,658	132,544	158,285	182,286	210,601	239,880	220,152	251,197	283,296	316,480	260,784	295,791	331,984	368,846	286,903	325,792	365,949	287,412	287,412
Contribution		11,475	23,639	24,348	25,078	25,830	26,605	27,404	28,226	29,072	29,945	30,843	31,768	32,721	33,703	34,714	35,755	36,828	37,933	39,071	40,243	41,450
Investment Income	1%		418	538	663	791	911	1,053	1,199	1,351	1,509	1,681	1,868	2,071	2,291	2,528	2,783	3,056	3,348	3,660	3,993	4,347
Disbursements		0	0	0	0	30,000	0	0	50,000	0	0	0	90,000	0	0	0	120,000	0	0	120,000	0	120,000
Ending Balance		83,601	107,658	132,544	158,285	182,286	210,601	239,880	220,152	251,197	283,296	316,480	260,784	295,791	331,984	368,846	286,903	325,792	365,949	287,412	287,412	287,412
OPERATING RESERVE																						
Beginning Balance		213,000	213,355	214,422	215,494	216,571	217,654	218,742	219,836	220,935	222,040	223,150	224,266	225,387	226,514	227,647	228,785	229,928	306,098	307,120	344,376	380,810
Contribution (Withdrawal)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	2	-	1	2
Investment Income	1%	355	1,067	1,072	1,077	1,083	1,088	1,094	1,099	1,105	1,110	1,116	1,121	1,127	1,133	1,138	763	892	1,020	1,024	1,148	1,269
Ending Balance		213,355	214,422	215,494	216,571	217,654	218,742	219,836	220,935	222,040	223,150	224,266	225,387	226,514	227,647	228,785	229,928	268,491	307,120	308,144	345,525	382,082

178 Kennebec Street

Financial Capacity

The total project budget is approximately \$10,847,000. Financing sources are projected as follows:

After Occupancy

Amount	Source	Description / Notes
\$6,480,000	Low-Income Housing Tax Credit (LIHTC) Equity	<p>To be allocated by MaineHousing following their competitive process. Applications are due in September 2018 and notifications are expected in October 2018.</p> <p>MaineHousing allocates the right to take these tax credits, which are spaced out over ten years. These tax credits are sold to investors and the proceeds are used as equity to pay for the construction and other costs of the development.</p> <p>Maine Workforce Housing (MWH) has 15-years' experience applying for and obtaining Low Income Housing Tax Credits. Since 2003, MWH has applied for eight (8) projects, and succeeded in winning tax credits on the first application seven (7) times; on one project, we were awarded tax credits on our second attempt.</p> <p>Maine Workforce Housing uses the staff of The Szanton Company for development operations. Those working on the project would include: Nathan Szanton, owner and project executive; Amy Cullen, project management; Andy Jackson, project management; Gretchen Roy, project assistance; and Tiffany Tarbox, staff accountant.</p> <p>Please see the information at B.11 regarding our team and examples of previous work.</p>
\$502,000	Low-Income Housing Subsidy	Subsidy from MaineHousing that is tied to the allocation of LIHTCs.
\$2,661,000	MaineHousing debt	An interest-bearing mortgage on the property and improvements from MaineHousing.
\$370,000	City HOME Funding	Deferred loan from the City of Portland – this application.

835,000	Ross Furman	Unit 1 (first floor commercial space) will be owned and financed by Ross Furman.
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During Construction

Note: total amount needed during construction is approximately \$10,130,000, which does not include approximately \$1,780,000 that is paid at permanent loan closing, including a portion of developer fees; tax/insurance reserves; operating reserves; rent-up reserves; capital replacement reserves; and tax credit monitoring fees.

Amount	Source	Description / Notes
\$6,370,000	Construction Loan from Bank	Construction loan for the duration of construction and lease-up, typically 12-14 months.
\$3,240,000	Low-Income Housing Tax Credit Equity	A portion of the tax credit equity is contributed during construction, per IRS rules.
\$250,800	MaineHousing Subsidy	50% of their total award is available for construction financing.
\$185,000	City HOME Funding	We will ask for the City to provide 50% of their award for construction financing.



To: Mary Davis, City of Portland
From: Anne Boynton, Urban Ventures, Inc.
Re: 178 Kennebec St (51 unit version)
Maine Workforce Housing, LLC (Szanlon & Monk)
Date: 7/15/18

Executive Summary (Revised Proposal)

178 Kennebec is a proposed new construction project which was underwritten in early June with 46 units. The developer has recently changed the project description to 51 units, adding 5 senior efficiency units to the prior proposed 46 one bedroom senior apartments. This memo highlights the **changes** to the project description, budgets, and underwriting since the memo dated 6/3/18, and should be read in conjunction with that memo.

The developer reduced the requested HOME funds to \$370,000 (from \$400,000). The developer continues to request a 75% TIF. The unit mix continues to be 78% affordable units and 22% market. The new proposed AMI distribution is 16 units below 50% AMI, 24 units below 60% AMI, including 5 units reserved for homeless households – and 11 market rate units.

Comparing the July project budgets to the May budgets illustrates the following major shifts:

- Total development cost has dropped \$623,500 (14%). The primary cost savings are projected in:
 - Construction interest (dropped 30%);
 - Parking requirement buy-out (dropped 85%);
 - Operating deficit escrow (prefunded reserve) (dropped 26%);
 - Developer Fee (dropped 35%);
- Sources have shifted significantly, with LIHTC Equity up \$288,000 (5%), while Maine Housing Deferred Debt has dropped more than 50%;
- Net residential leasable square footage is up 2,500 sq feet (8%);
- Projected real estate tax liability (and value of TIF) is up 25%.

Revised Sources and Uses

Maine Housing 1 st	\$2,660,739	Acquisition:	\$227,400
Maine Housing Deferred Debt	\$ 500,000	Hard Construction:	\$8,336,527
LIHTC Equity	\$6,480,000	Soft & Misc Costs:	\$997,600
Sale of Commercial Unit	\$835,085	Financing Costs:	\$331,716
City of Portland HOME	\$370,000	Prefunded Reserves:	\$392,501
Deferred Developer Fee:	\$437,500	Developer Fee:	<u>\$1,000,000</u>
Gap:	<u>\$2,420</u>		
Total Sources:	\$11,285,744	Total Uses:	\$11,285,744

Letters of interest, intent, or commitment are not available for the sources. This is very early in project development.

The projected LIHTC Equity estimated proceeds have increased despite a 14% drop in Total Development Cost and slight decrease in construction costs. This is not a typical outcome and needs explanation.

The developer lowered the developer fee from the upper edge of acceptable range at 15.4% to 10.6% of Total Development Costs excluding reserves and developer fee. The developer commits to defer 44% of the developer fee. By lowering both the total developer fee and the percentage of the fee they will defer, they bring their deferred developer fee closer to an amount the project could repay over 15 years and therefore be acceptable to an investor. The revised cashflow projects suggest the developer fee loan could be repaid by year 15 if 95% of cashflow is devoted to developer fee loan retirement. (This is still quite an aggressive projection which leaves very little cashflow in the project and no cashflow to retire City of Portland HOME funds.)

Revised Development Budget

Revised Construction Costs:

Despite adding 8% more leasable residential square footage and 5 additional units (with bathrooms and kitchen facilities), the revised construction cost has dropped slightly (by \$10,908). This is not a typical result of adding units and needs explanation. It is a reminder that these budget figures are preliminary and very broad stroke. The original construction costs were based on an estimated square footage cost provided by Wright-Ryan. Based on the Wright-Ryan price per square foot estimate, the construction cost would have been expected to rise \$430,000. That understates the anticipated price increase from the addition of 5 efficiencies. Efficiencies typically have a higher per square foot cost than one bedrooms because bath & kitchenette are relatively expensive to build and occupy a higher percentage of an efficiency unit than in a 1 bedroom.

An explanation is needed for how 2,500 more leasable square footage (8%) can be built on this tightly constrained site.

Revised Soft Costs:

The significant soft cost savings in construction interest needs explanation.

The savings in prefunded operating reserve, set by MHFA formula, is not the typical outcome of increasing units (which increases operating expense and debt service, and drives UP the prefunded reserve requirement). This needs further explanation, as the prefunded reserve appears to be under budgeted by roughly \$100,000.

Revised Acquisition:

The revised total acquisition cost has dropped due to a \$68,200 drop in "Parking Requirement Buy Out." An explanation of the shifting parking strategy is needed.

Revised Operating Budget & 20 Year Cashflow Projection

Revised TIF

The developer continues to request a 75% TIF, but the anticipated tax liability (and therefore also the anticipated taxes returned) have increased by 25%. The Property Tax expense has been increased to

\$91,800 (a 25% increase from the prior estimate of \$73,600). It is not clear why the 8% additional leasable floor space (generating a 9% increase in rental income) would result in a 25% increase in taxable value.

Revised Project Income:

The new efficiency units are projected to rent for \$743 (for 50% AMI) and \$901 (for 60% AMI). There is no market study yet to confirm the appropriateness of the projected rents. This is a discount of \$57 & \$68 compared to the one bedroom units (at 50% & 60% AMI, respectively). Adding the efficiency units at 50% and 60% AMI allows the developer to shift a 1 bedroom to market rate while maintaining the same overall ratio of affordable to market rate units.

Revised Operating Expense

Revised operating costs per unit (net of projected TIF) are down slightly to \$7,063, which is still on the high end of operating costs for affordable unit nationally, but an improvement over the prior budgets of \$7,166.

The new operating projections includes a new line items: parking rental income of \$19,800 (annotated as 11 spaces at \$150/month) which mostly offsets a parking lease expense of \$21,600. More explanation is needed to clarify how the parking needs of the residents will be met.

Revised 20 Year Cashflow & Debt Service Coverage Ratio (DSCR)

Adding units, adding parking income, and trimming operating expense has strengthened the revised cashflow, which is now 1.15 DSCR in year one, rising to gradually to 1.20 over 10 years where it remains till year 20.

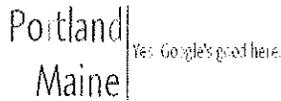
Revised Recommendations

Subject to the availability of funds, I recommend a loan in the amount of \$370,000, zero percent interest, with payment deferred, and with the following conditions prior to loan closing:

1. All standard construction loan conditions, including satisfactory review of final contract with GC consistent with budgeted estimates, and total contractor overhead, profit and general conditions of not to exceed 14% of net construction costs.
2. Commitment of all sources on terms and conditions acceptable to City of Portland, including cashflow waterfall, LIHTC raise rate, evidence of purchaser for commercial space, and a cashflow projection which shows retirement of developer fee loan;
3. Clean Phase I, or Phase II if appropriate, and incorporation of all needed environmental remediation into the project budget;
4. written agreements documenting how parking requirements will be met consistent with the budget;
5. satisfactory market study which supports the projected unit mix and rent rates;
6. explanation of "Other Current Assets;" and evidence of satisfactory working capital and margin in case of cost over runs. This might come in the form of personal guarantees or prefunding a project specific development account.

Prior to issuing a commitment, I recommend requiring satisfactory explanation of:

1. increase in LIHTC equity;
2. increase in projected TIF (ie increase in projected real estate tax expense);
3. decrease in construction interest, prefunded operating reserve, & parking requirement buy out;
4. how 5 additional units can be added to the floor plan and to the pre-existing construction estimate;
5. sales price of the site as it changes hands through the development process; and
6. Parking requirements and the strategy for meeting the parking requirements.



Neighbor comment: please allow housing in "Franklin Reserve"

1 message

Christian MilNeil <c.neal.milneil@gmail.com>

Mon, Jun 25, 2018 at 12:36 PM

To: Jill Duson <jduson@portlandmaine.gov>, Pious Ali <pali@portlandmaine.gov>, Kim Cook <kcook@portlandmaine.gov>, "Cynthia L. Cochran" <ccochran@maine.rr.com>, Jeff Levine <jlevine@portlandmaine.gov>, vvolent@portlandmaine.gov, EBNO Members <info@eastbayside.org>, Markos Miller <markosmiller@hotmail.com>

To the members of the housing committee,

I live at 45 Smith Street and often walk through the "Franklin Reserve" property, which lies two blocks away from my home. I'd like to express my strong support for using part of the lot abutting Cumberland Avenue for family housing.

Our city talks a lot about being a welcoming place to live, but we're clearly not doing enough to make room for all the families who want to call Portland home – and all too often, that leaves our poorest, most vulnerable households out in the cold.

The upper part of the "Franklin Reserve" site, abutting Cumberland Avenue, could house dozens of families within easy walking distance of jobs, schools, social services and adult education classes.

There are few sites in the city better-suited to housing. And indeed, the recent history of Franklin Street proves this: Franklin Reserve was once a thriving neighborhood of immigrant families. But in the 1960s, a nativist city government declared the neighborhood a "slum," which sent property values plummeting. Suddenly, because of the City of Portland's designation, banks were no longer willing to finance mortgages in the area, which destroyed millions of dollars' worth of residents' savings.

City Hall's devastating "urban renewal" against the neighborhoods along Franklin Street reverberate to this day, and Franklin Reserve is its most visible scar. Returning a small part of this land for the benefit of affordable housing – giving new immigrant families a chance to live where others were harshly exiled four decades ago – would be a small step towards healing that wound.

"Open space" considerations

"The presence of buildings around a park is important in design. They enclose it. They make a definite shape out of the space, so that it appears as an important event in the city scene, a positive feature, rather than a no-account leftover." – Jane Jacobs

Cultivating Community's "Boyd Street Farm" is an important neighborhood resource, but a large portion of the "Franklin Reserve" property – the steep hillside lawn abutting Cumberland Avenue – is not and has never been occupied by the farm.

Furthermore, the current Boyd Street Farm is not "part of" the neighborhood – it's at the edge, part of the Franklin Street no-man's-land. This quality is evident in the farm's struggles to deal with homeless encampments and needle disposal.

Giving 50 or 60 low-income families new homes right above the gardens would literally "cultivate community," and give the farm a chance to reach more people. Making room for new neighbors could also help address some of the problems with homeless camping and drug use that the farm experiences today. A new building along Cumberland Avenue could even make room for a ground-floor bodega and other storefronts leased at reduced rates to public housing families, in order to cultivate minority-owned small businesses that serve the growing neighborhood.

I understand that the city will get some pushback about trading "open space" for new housing. But the Council is going to get pushback about any affordable housing proposal, and our city – and most especially our city's hundreds of homeless families – need new housing much more than we need this lawn. This should be an easy "both/and" solution for the Council: there's plenty of room for housing AND the gardens between Boyd and Franklin Streets.

Thanks for your attention,

6/25/2018

City of Portland Mail - Neighbor comment: please allow housing in "Franklin Reserve"

Christian MilNeil

double u double u double u dot christianmilneil dot com

Short Term Rental (STR)

1 message

Jill Duson <jduson@portlandmaine.gov>

Wed, Jul 18, 2018 at 10:55 AM

To: Karen Snyder <karsny@yahoo.com>

Cc: Pious Ali <pali@portlandmaine.gov>, Kim Cook <kcook@portlandmaine.gov>, Jon Jennings <jpj@portlandmaine.gov>,
Belinda Ray <bsr@portlandmaine.gov>

Bcc: mpd@portlandmaine.gov

Thank you for your note.

By copy of this response to staff, I am requesting that your note be included in the Committee record.

The six month program review of the STR ordinance is on the Housing Committee agenda for our July 31st meeting. The packet for that meeting will include staff memoranda reporting initial program implementation data.

On Tue, Jul 17, 2018, 10:36 AM Karen Snyder <karsny@yahoo.com> wrote:

Greetings Belinda and Jill,

The Portland STR policy enacted in January 2018 by Portland City Council has done a disservice to property owners that live by an abutting property that is partially or completely a STR (short term rental) building. It is basically like living next to hotel in a residential neighborhood. It also has been a disservice to tenants that want to live in Portland but can not due to rental unit shortages as well as skyrocketing rents.

Let us be clear, owner occupied unit for short term rental is perfectly acceptable but clearing out entire buildings or partially to do short term rental like Airbnb should be banned. Property owners not doing STR have to now tolerate crowded parking, random unruly behavior and noise all hours of the day, and strangers mistakenly entering private property thinking it is the short term rental property (this has happened to me twice now within the last month).

In addition, the current Portland STR policy is also basically rigging the supply-demand rental market model to pull out so much affordable housing out of the rental market. By reducing supply and driving up demand, it causes the rental prices to increase dramatically. A classic economic theory manipulation used by real estate business and developers. This benefits some property mgmt. companies/property owners who have forgone living in a neighborhood to run a hotel/investment property but not the property owners that want to live in a real neighborhood. This type of predatory real estate/property management activities must be stopped in residential neighborhoods.

The last 4 month sampling of just Airbnb site along indicated there were on average **131 entire apartment units on Munjoy Hill that have been taken off the market for short term rental.** This figure does **NOT** include the other rental sites such as: HomeAway, VRBO, Zillow, and all the private rental efforts that we are not aware of.

Below is an example of the sampling that I did.

 Inline image

Additionally, there is further evidence by many news articles that have come up with the same conclusion, only owner occupied unit should be used for short term rental and also explains what Airbnb is doing to the rental housing market in various cities. Below are just some of the articles:

<https://mcgill.ca/newsroom/channels/news/airbnbs-impact-canadian-housing-markets-269333>

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<https://www.cNBC.com/2018/01/31/airbnbn-pushing-up-new-york-rent-study-claims.html>

https://www.bostonmagazine.com/news/2018/04/18/airbnb-michelle-wu/?utm_campaign=Top%20Reads&utm_source=hs_email&utm_medium=email&utm_content=62274069&hsenc=p2ANqtz--ZEEFkO5FJtP47QE0V3LQpnZ-aaw639iS-JGx1yB-Vu3U0XaxvG4a3FJT0d6BzrGeEm889iqMni9QoQsf5kzjtxN6SA&hsmi=622740

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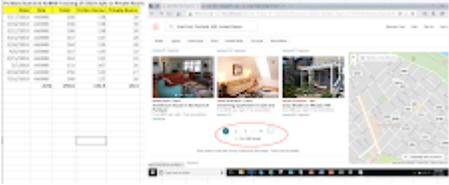
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Many of us truly wish that we could just live in our properties on Munjoy Hill without being so disturbed by the policy changes that have happened in the last 3 years from Waterfront concerts to R6 Zone change which caused big box ugly luxury condos sucking all the space on a Munjoy Hill lots, to weekly short term rental disturbances.

These above policies voted in by the Portland City Councilors have really gone against keeping neighborhoods intact especially Munjoy Hill but more like supporting the profiteering by the minority in dismantling neighborhoods at the expense of us property owners that purchased a long time ago and just want to live in a neighborhood in peace. It is just not possible to live in peace in our property without some kind of disturbance these days.

In conclusion, I am requesting the Portland STR policy be reviewed this year and be modified to the recommendations above. In my opinion, the Portland STR policy is just as destructive to affordable housing and dismantling neighborhoods as the R6 zoning change caused in 2015.

Regards,
Karen Snyder
Munjoy Hill Property Owner
1 attachment



1531837782714blob.jpg
561K

Short Term Rental (STR)

1 message

Jill Duson <jduson@portlandmaine.gov>
To: martica douglas <tica1529@gmail.com>
Bcc: mpd@portlandmaine.gov

Wed, Jul 18, 2018 at 11:27 AM

Thank you for your note.

The six month program review of the STR ordinance is on the Housing Committee agenda for our July 31st meeting. The packet for that meeting will include staff memoranda reporting initial program implementation data.

On Tue, Jul 17, 2018, 10:59 AM martica douglas <tica1529@gmail.com> wrote:
Totally concur- thanks Karen. Nice work.

On Tue, Jul 17, 2018 at 10:36 AM Karen Snyder <karsny@yahoo.com> wrote:
Greetings Belinda and Jill,

The Portland STR policy enacted in January 2018 by Portland City Council has done a disservice to property owners that live by an abutting property that is partially or completely a STR (short term rental) building. It is basically like living next to hotel in a residential neighborhood. It also has been a disservice to tenants that want to live in Portland but can not due to rental unit shortages as well as skyrocketing rents.

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Below is an example of the sampling that I did.

Portland East End AirBNB Tracking of Entire Apts vs Private Room:				
Date	Site	Total	Entire Home	Private Room
3/17/2018	AirBNB	168	138	30
3/18/2018	AirBNB	168	138	30
3/21/2018	AirBNB	168	138	30
3/24/2018	AirBNB	167	147	20
3/30/2018	AirBNB	164	134	30
4/6/2018	AirBNB	167	135	32
4/15/2018	AirBNB	163	131	32
5/12/2018	AirBNB	133	107	26
6/18/2018	AirBNB	150	123	27
7/16/2018	AirBNB	148	122	26
	AVG	159.6	131.3	28.3

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Karen Snyder
Munjoy Hill Property Owner
1 attachment

Short Term Rental (STR)

1 message

Jill Duson <jduson@portlandmaine.gov>
To: Mary Casale <dirtgirl1@aol.com>
Bcc: mpd@portlandmaine.gov

Wed, Jul 18, 2018 at 11:28 AM

Thank you for your note.

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Regards,
Karen Snyder
Munjoy Hill Property Owner
1 attachment

<1531773369008blob.jpg>

<1531837782714blob.jpg>

Fwd: Response #3: The Problem with Portland's Short Term Rental (STR) Policy

1 message

Jon Jennings <jpj@portlandmaine.gov>

Wed, Jul 18, 2018 at 5:06 PM

To: Michael Russell <mar@portlandmaine.gov>, Mary Davis <mpd@portlandmaine.gov>, Jeff Levine <jlevine@portlandmaine.gov>

----- Forwarded message -----

From: **Karen Snyder** <karsny@yahoo.com>

Date: Wed, Jul 18, 2018 at 11:43 AM

Subject: Response #3: The Problem with Portland's Short Term Rental (STR) Policy

To: Jon Jennings <jpj@portlandmaine.gov>, Pious Ali <pali@portlandmaine.gov>, Kim Cook <kcook@portlandmaine.gov>

FYI.. Ensuring that you have visibility to the residents various responses to the original email that I sent to Belinda and Jill.

Regards,
Karen Snyder

----- Forwarded Message -----

From: Maggy W <mawnola@gmail.com>

To: Mary Casale <dirtgirl1@aol.com>

Cc: Karine S <karsny@yahoo.com>; Belinda Ray <bsr@portlandmaine.gov>; jduson <jduson@portlandmaine.gov>; Paula Agopian <pagopian1@yahoo.com>; tica <tica1529@gmail.com>; Randy W. Billings <rbillings@pressherald.com>; enoch wenstrom <enebw@gmail.com>; EJ Koch <ejkoch@gmail.com>; Jayne Hurley <jayneportland1@gmail.com>; Francis Flisiuk <francis@portlandphoenix.me>; The Bollard <editor@thebollard.com>; "editor@theforecaster.net" <editor@theforecaster.net>; sue yandell <sueyandell@gmail.com>; peter murray <pmurray@gwi.net>

Sent: Tuesday, July 17, 2018 07:33:15 PM EDT

Subject: Re: The Problem with Portland's Short Term Rental (STR) Policy

I also agree with Karen that Airbnb, as currently allowed in Portland, threatens neighborhoods. Primarily Airbnb operators are allowed to circumvent zoning laws; 10 years ago, if property owners wanted to open regular B&Bs on every block of a residential neighborhood, there would have been all kinds of zoning protection against it. If some of them somehow obtained zoning waivers, then there would have been health inspections, safety inspections, accessibility requirements, etc, not to mention neighborhood protests. Airbnb snuck in through the back door before anybody had a chance to object, and then suddenly too many voters became invested in this model and are now a lobby group protecting their investment, but this is a serious problem for the housing supply in the city.

I had already suspected this was a problem over the past four winters as side street residences were increasingly dark and quiet, but I confirmed this suspicion this past March as I walked from house to house to chat with neighbors about the Munjoy Hill overlay district. Apartments which looked furnished had no names on the mailboxes; doorbells went unanswered, no cars were parked in driveways, no tracks in the snow led to unshoveled doorsteps: No signs of life.

Other cities are also waking up to realize this STR phenomenon is a big issue, as Karen points out, and are taking a variety of approaches to stem the tide. For example, in order to let residents rent out their houses while they are away on vacation, some cities allow a limited number of nights per year maximum for "whole home" rentals. (this model was adopted in my previous city of New Orleans so I know that Airbnb can support it) In Portland, the rental season is relatively short, so the number would have to be low enough, perhaps 20-30 nights per year, to have an impact That would give owner/residents supplemental income but stop investors from purchasing a unit for the sole purpose of flipping it to Short Term Rental. It would put an end to depleting the housing stock and to the invasion of residential neighborhoods by the stealth hospitality industry.

I know there are many pressing issues in the city, but this one relates directly to the housing shortage, so should be pretty high on the list.

Sincerely,
Maggy Wolf
28 Saint Lawrence

On Tue, Jul 17, 2018 at 12:57 PM Mary Casale <dirtgirl1@aol.com> wrote:

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Below is an example of the sampling that I did.

<1531837782714blob.jpg>

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<https://mcgill.ca/newsroom/channels/news/airbnbs-impact-canadian-housing-markets-269333>

<https://www.msn.com/en-us/money/realestate/what-airbnb-did-to-new-york-city/ar-BBJTyeN?li=AA4Zjn&ocid=spartandhp>

<https://www.cnn.com/2018/01/31/airbnbn-pushing-up-new-york-rent-study-claims.html>

https://www.bostonmagazine.com/news/2018/04/18/airbnb-michelle-wu/?utm_campaign=Top%20Reads&utm_source=hs_email&utm_medium=email&utm_content=62274069&_hsenc=p2ANqtz--ZEEFkO5FJtP47QE0V3LQpnZ-aaw639iS-JGx1yB-Vu3U0XaxvG4a3FJTt0d6BzrGeEm889iqMNI9QoQsf5kzjtxN6SA&_hsmi=622740

<https://www.pressherald.com/2018/01/29/short-term-rentals-through-airbnb-surge-in-maine-as-communities-pass-new-rules/>

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As such, there is too much mounting evidence that the STR policy, needs to be revised to be short and sweet. It is recommended that only owner occupied unit (1 unit) should have STR capability. Portland shouldn't spend any more money beefing up the Housing Safety Office to monitor short term rentals. Why should us taxpayers subsidize this? After 1 warning, there should just be an alarmingly hefty fine for having unauthorized short term rental if caught, a possible fine could be \$5,000 to \$10,000

Many of us truly wish that we could just live in our properties on Munjoy Hill without being so disturbed by the policy changes that have happened in the last 3 years from Waterfront concerts to R6 Zone change which caused big box ugly luxury condos sucking all the space on a Munjoy Hill lots, to weekly short term rental disturbances.

These above policies voted in by the Portland City Councilors have really gone against keeping neighborhoods intact especially Munjoy Hill but more like supporting the profiteering by the minority in dismantling neighborhoods at the expense of us property owners that purchased a long time ago and just want to live in a neighborhood in peace. It is just not possible to live in peace in our property without some kind of disturbance these days.

In conclusion, I am requesting the Portland STR policy be reviewed this year and be modified to the recommendations above. In my opinion, the Portland STR policy is just as destructive to affordable housing and dismantling neighborhoods as the R6 zoning change caused in 2015.

Regards,
Karen Snyder
Munjoy Hill Property Owner
1 attachment

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<1531837782714blob.jpg>

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Jon P. Jennings
City Manager
[City of Portland](#)
[389 Congress Street](#)
Portland, ME 04101
(207) 874-8689 Office
(207) 874-8669 Fax
jjp@portlandmaine.gov
www.portlandmaine.gov
[@portlandmanager](#)

Fwd: Response #4: The Problem with Portland's Short Term Rental (STR) Policy

1 message

Jon Jennings <jpj@portlandmaine.gov>

Wed, Jul 18, 2018 at 5:14 PM

To: Jeff Levine <jlevine@portlandmaine.gov>, Mary Davis <mpd@portlandmaine.gov>, Michael Russell <mar@portlandmaine.gov>, Michael Sauschuck <mjs@portlandmaine.gov>

----- Forwarded message -----

From: **Karen Snyder** <karsny@yahoo.com>

Date: Wed, Jul 18, 2018 at 11:47 AM

Subject: Response #4: The Problem with Portland's Short Term Rental (STR) Policy

To: Jon Jennings <jpj@portlandmaine.gov>, Pious Ali <pali@portlandmaine.gov>, Kim Cook <kcook@portlandmaine.gov>

FYI.. Ensuring that you have visibility to the residents various responses to the original email that I sent to Belinda and Jill.

Regards,
Karen Snyder

----- Forwarded Message -----

From: Peter Murray <pmurray@zwi.net>

To: Karen Snyder <karsny@yahoo.com>

Cc: Murray Peter L. <pmurray@zwi.net>

Sent: Tuesday, July 17, 2018 10:57:36 AM EDT

Subject: Re: The Problem with Portland's Short Term Rental (STR) Policy

Karen - Thanks for including me on the list to receive this communication. I agree with the position that you so cogently set forth. STR should be limited to structures in which the owner is also living. The loss in affordable housing and even market housing to STR is significant.

Keep it up.

PLM

Peter L. Murray
104 North Street
Portland, ME 04101
pmurray@zwi.net

----- Forwarded Message -----

From: Karen Snyder <karsny@yahoo.com>

To: Belinda Ray <bsr@portlandmaine.gov>; Jill Duson <jduson@portlandmaine.gov>

Cc: Mary Casale <dirtgirl1@aol.com>; Pa Ag <pagopian1@yahoo.com>; Maggy Wolf <mswnola@gmail.com>; Douglas Martica <tica1529@gmail.com>; Randy W. Billings <rbillings@pressherald.com>; Enoch Wenstrom <eenebw@gmail.com>; EJ Koch <ejkoch@gmail.com>; Jayne Hurley <jayneportland1@gmail.com>; Francis Flisiuk <francis@portlandphoenix.me>; The Bollard <editor@thebollard.com>; editor@theforecaster.net <editor@theforecaster.net>; Susan Yandell <sueyandell@gmail.com>; Peter Murray <pmurray@zwi.net>

Sent: Tuesday, July 17, 2018 10:35:57 AM EDT

Subject: The Problem with Portland's Short Term Rental (STR) Policy

Greetings Belinda and Jill,

The Portland STR policy enacted in January 2018 by Portland City Council has done a disservice to property owners that live by an abutting property that is partially or completely a STR (short term rental) building. It is basically like living next to hotel in a residential neighborhood. It also has been a disservice to tenants that want to live in Portland but can not due to rental unit shortages as well as skyrocketing rents.

Let us be clear, owner occupied unit for short term rental is perfectly acceptable but clearing out entire buildings or partially to do short term rental like Airbnb should be banned. Property owners not doing STR have to now tolerate crowded parking, random unruly behavior and noise all hours of the day, and strangers mistakenly entering private property thinking it is the short term rental property (this has happened to me twice now within the last month).

In addition, the current Portland STR policy is also basically rigging the supply-demand rental market model to pull out so much affordable housing out of the rental market. By reducing supply and driving up demand, it causes the rental prices to increase dramatically. A classic economic theory manipulation used by real estate business and developers. This benefits some property mgmt. companies/property owners who have forgone living in a neighborhood to run a hotel/investment property but not the property owners that want to live in a real neighborhood. This type of predatory real estate/property management activities must be stopped in residential neighborhoods.

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Below is an example of the sampling that I did.

Portland East End AirBNB Tracking of Entire Apts vs Private Rooms				
Date	Site	Total	Entire Home	Private Room
3/17/2018	AirBNB	168	138	30
3/18/2018	AirBNB	168	138	30
3/21/2018	AirBNB	168	138	30
3/24/2018	AirBNB	167	147	20
3/30/2018	AirBNB	164	134	30
4/6/2018	AirBNB	167	135	32
4/15/2018	AirBNB	163	131	32
5/12/2018	AirBNB	133	107	26
6/18/2018	AirBNB	150	123	27
7/16/2018	AirBNB	148	122	26
	AVG	159.6	131.3	28.3

Additionally, there is further evidence by many news articles that have come up with the same conclusion, only owner occupied unit should be used for short term rental and also explains what Airbnb is doing to the rental housing market in various cities. Below are just some of the articles:

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<https://www.msn.com/en-us/money/realstate/what-airbnb-did-to-new-york-city/ar-BBJTyeN?li=AA4Zjn&ocid=spartandhp>

<https://www.cNBC.com/2018/01/31/airbnbn-pushing-up-new-york-rent-study-claims.html>

https://www.bostonmagazine.com/news/2018/04/18/airbnb-michelle-wu/?utm_campaign=Top%20Reads&utm_source=hs_email&utm_medium=email&utm_content=62274069&hsenc=p2ANqtz--ZEEFkO5FJtP47QE0V3LQpnZ-aaw639iS-JGx1yB-Vu3U0XaxvG4a3FJTt0d6BzrGeEm889iqMni9QoQsf5kzjtxN6SA&_hsmi=622740

<https://www.pressherald.com/2018/01/29/short-term-rentals-through-airbnb-surge-in-maine-as-communities-pass-new-rules/>

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In conclusion, I am requesting the Portland STR policy be reviewed this year and be modified to the recommendations above. In my opinion, the Portland STR policy is just as destructive to affordable housing and dismantling neighborhoods as the R6 zoning change caused in 2015.

Regards,
Karen Snyder
Munjoy Hill Property Owner
1 attachment

--

Jon P. Jennings
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Accessory Dwelling Units

The City is reviewing existing standards for accessory dwelling units (ADU's) with the goal of establishing a more uniform definition and set of requirements across Portland's various zoning districts. The effort to standardize ADU terms and standards is a vital component of the ReCode process.

What is an Accessory Dwelling Unit (ADU)?

An ADU is an additional living quarter that is independent of and wholly contained within a principal building or attached/detached accessory structure (such as a garage) on property where a single-family dwelling-unit or multi-family dwelling-unit is the principal use. ADU's are equipped with kitchen and bathroom facilities and are typically subject to standards related to location of the ADU within a site, interface of entrances and ADU size. An ADU within a single family home is distinguished from a duplex, for example, because the ADU is intended to be clearly subordinate in scale and placement in relation to the primary residence.

Why do Accessory Dwelling Units Matter?

ADU's have the potential to increase the city's supply of affordable housing (both for rental and home ownership), augment the diversity of housing options available to Portland's residents, provide flexibility for property owners, address shifting demographic trends towards smaller households, allow more possibilities for aging in place, and allow for the more efficient use of existing housing stock and infrastructure. ADUs can be utilized to provide living quarters for family members, such as aging parents or college students, as well as offering greater flexibility and independence to retirees by potentially allowing them to remain in their home and age in place. In short, ADUs are one important element of Portland's approach to creating a well-rounded housing supply and an organic way to allow neighborhoods to retain their character as they grow.

How does Portland currently REGULATE Accessory Dwelling Units?

At present, some form of accessory dwelling unit is permitted within most of Portland's residential zoning districts, with some exceptions. The terms used for this land use tool vary, and may be listed as either an accessory dwelling unit, such as in the R-1, R-2, R-3 and several island zones, or as an additional dwelling unit, such as in the R-5 zone. All zones consider this a Conditional Use, and standards, dimensions, and requirements vary. For example, the R-1, R-2 and R-3 permit ADU's so long as the total floor area of the ADU does not exceed 30% of the total gross floor area of the property, whereas in the IR-1 and IR-2, ADU's are limited to 35% of the total gross floor area. In all cases, as Conditional Uses, they are subject to additional standards and increased oversight by the Zoning Board of Appeals (ZBA).

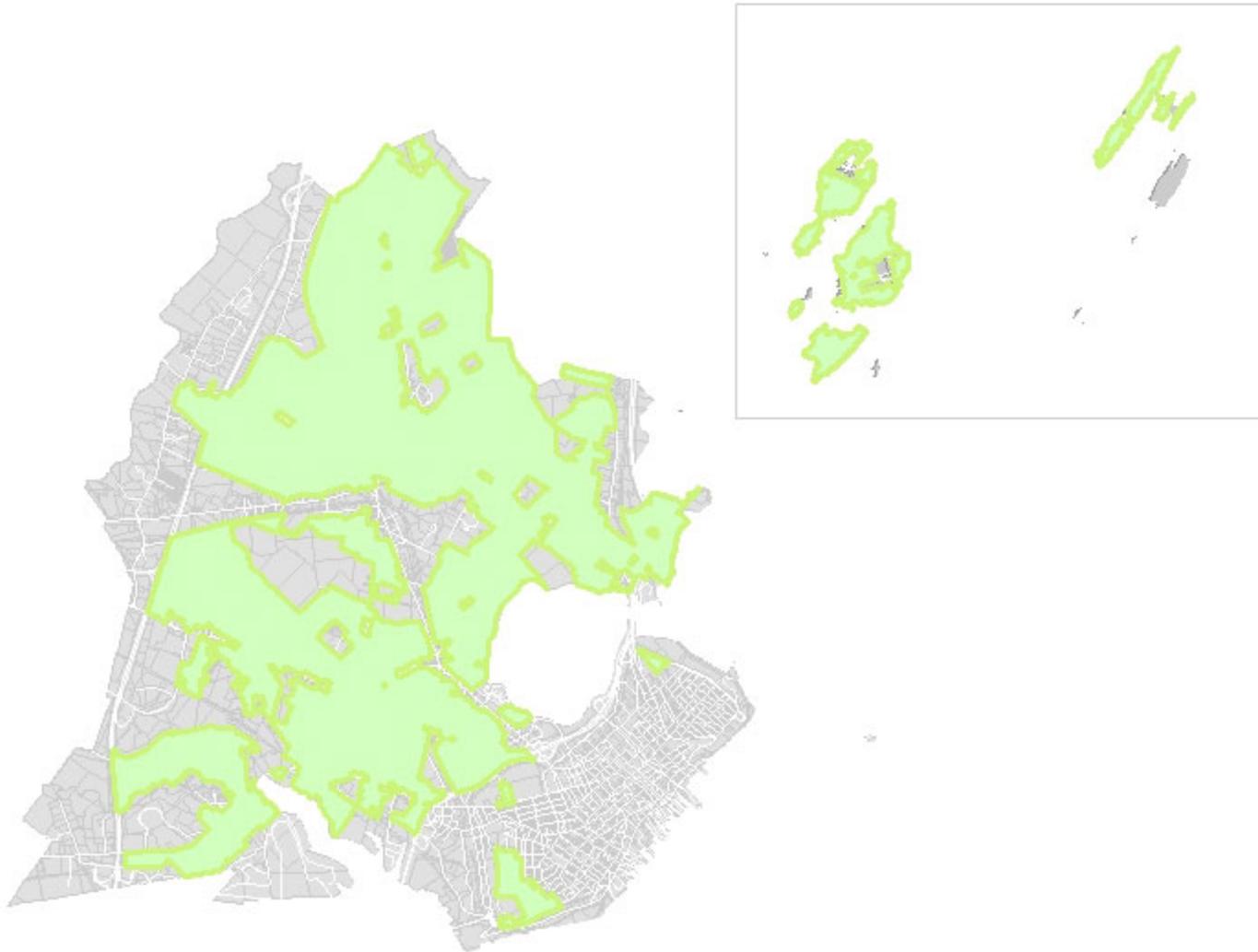
What are the next steps?

Portland allows accessory dwellings in many areas of the city, but there's not yet a unified approach to them, and the current requirements may be more restrictive than they should be. This is a perfect opportunity to gather community input, conduct research on ADU best practices and comprehensively revisit this topic, with the goal of broadening opportunities for implementation, reducing unwanted regulatory constraints and employing consistent terminology. Watch this space for updates later this summer.

Contact

Please send questions or comments about existing ADU standards or upcoming changes to recodeportland@portlandmaine.gov.

Areas Where Accessory Dwelling Units or Equivalent are Currently Permitted



Click to enlarge

ReCode Portland
389 Congress Street,
Portland, ME, 04101,

[207874800](tel:207874800) recodeportland@portlandmaine.gov



TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Victoria Volent, Housing Program Manager

DATED: June 15, 2018

SUBJECT: Communication Item: Site Walk 622 Auburn Street

Introduction

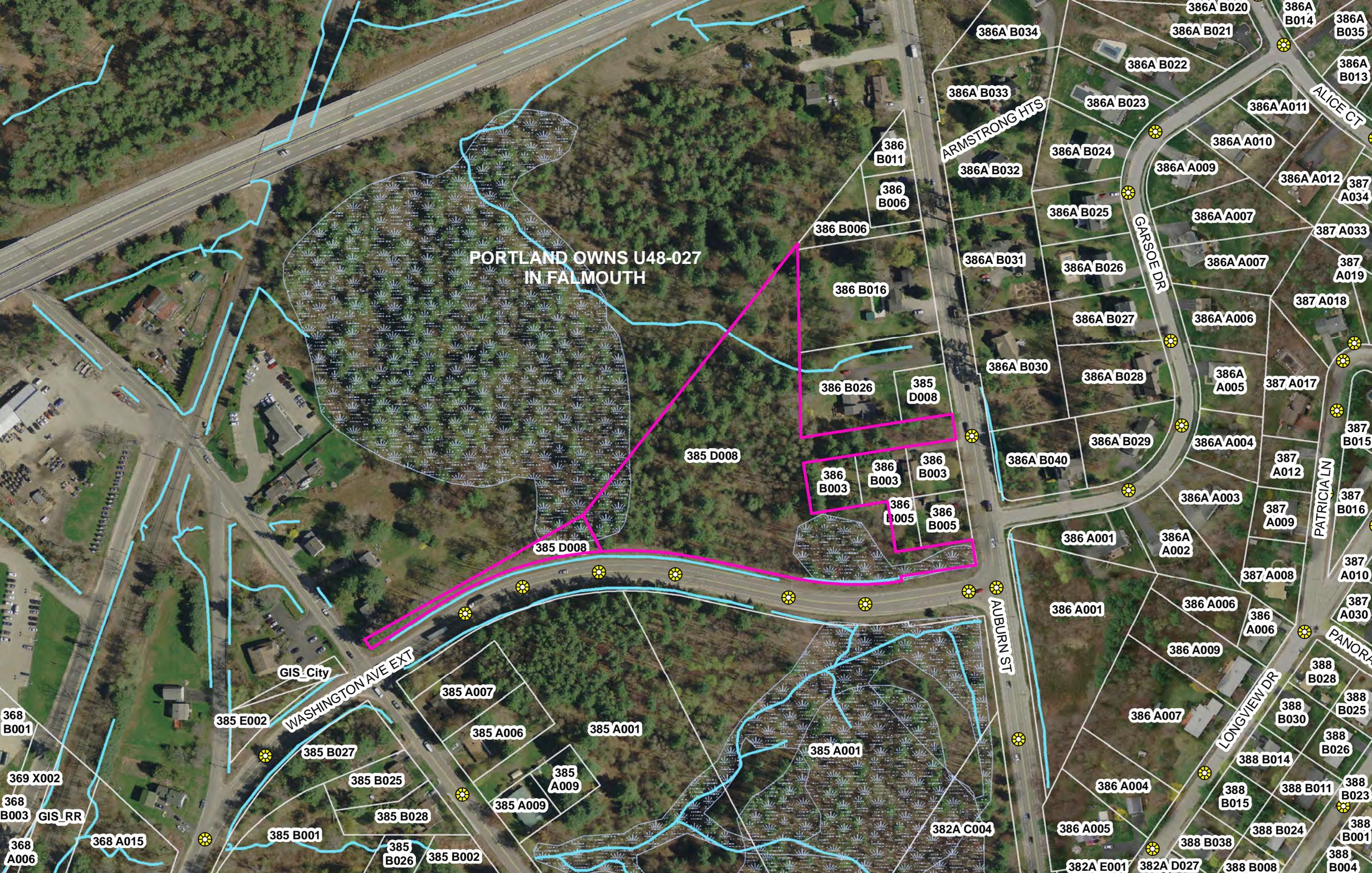
On July 20, staff conducted a site walk with members of the City's Public Works Department to review city-owned property located at 622 Auburn Street and 0 Gray Street in Falmouth.

Staff would like to conduct a city-wide review of the property in Falmouth which is more promising for potential housing development than 622 Auburn Street. The Auburn Street parcel has wetlands identified by the National Wetlands Inventory and a consulting wetland soil scientist using aerial photography.

Attached is a map depicting the Gray Street parcel also known as U48-027.

Staff will return with an update for the Housing Committee after completion of the city-wide review.

PORTLAND OWNS U48-027
IN FALMOUTH



GIS_City

WASHINGTON AVE EXT

ARMSTRONG HTS

GARSOE DR

PATRICIA LN

PANORA

AUBURN ST

368 B001

369 X002

368 B003 GIS_RR

368 A006

368 A015

385 E002

385 B027

385 B025

385 B028

385 B001

385 B026

385 B002

385 A007

385 A006

385 A001

385 A009

385 A009

385 D008

385 D008

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388 B015

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387 A034

387 A033

387 A019

387 A018

387 A017

387 A012

387 A009

387 A010

387 A010

387 A030

388 B028

388 B030

388 B004

ALICE CT

PATRICIA LN

PANORA

388 B001



TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Victoria Volent, Housing Program Manager

DATED: July 27, 2018

SUBJECT: Communication Item: City-Owned Property Map

Introduction

At the June 27 meeting of the Housing Committee, staff was directed to prepare a map and annotated browser depicting all City-Owned property. Staff is working with the City's IT Department to provide the requested map and browser. A map and browser depicting City-Owned Property has been completed. However, the annotated portion will require additional time by IT as well as the feature that will allow the user to hover over parcels on the browser to quickly determine more information regarding the parcel.

Browser

The browser of City-Owned property may be found at:

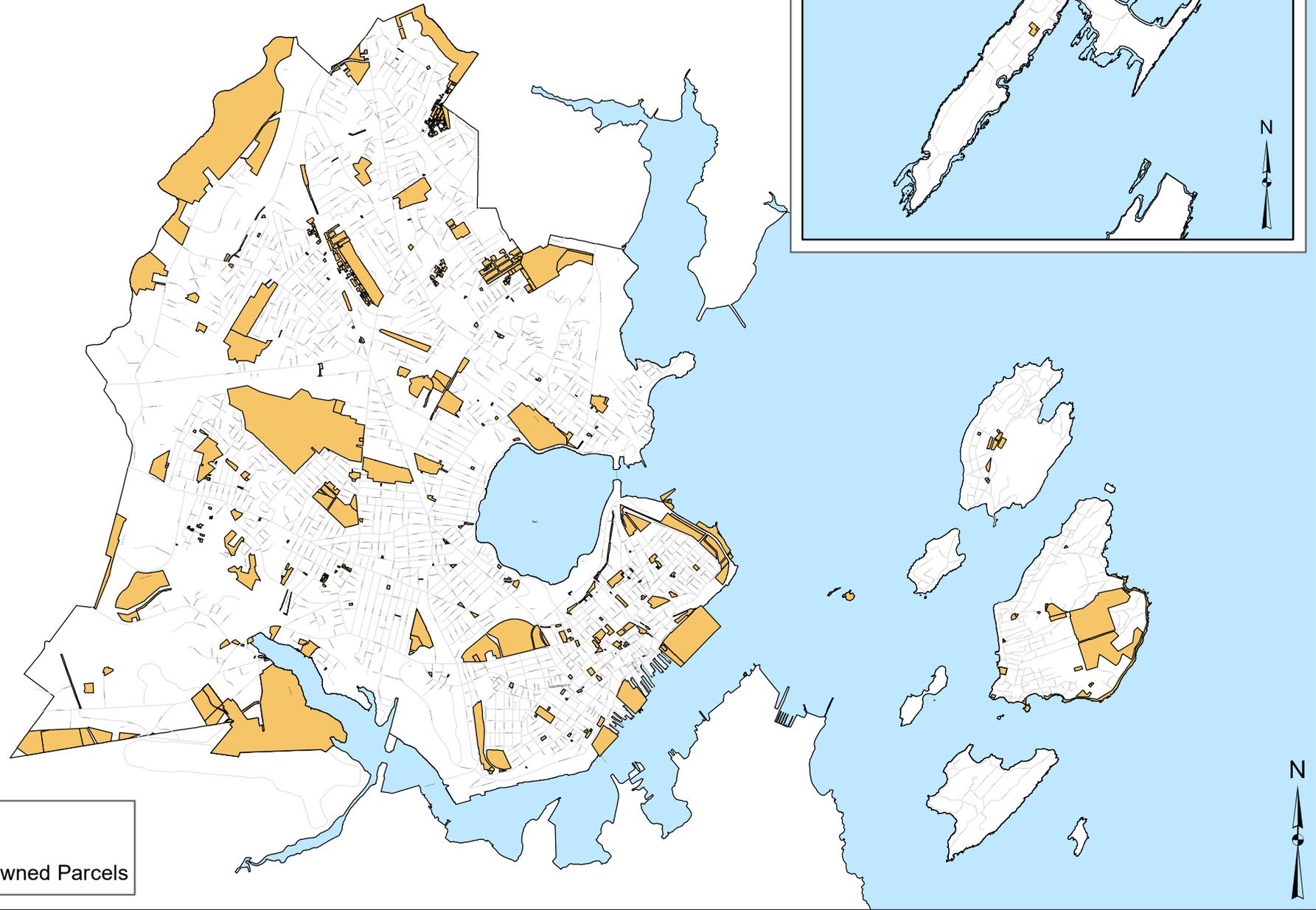
<http://portlandme.maps.arcgis.com/home/webmap/viewer.html?webmap=689431edcd9244dd9721edfccbc53257>

Attached is the static City-Owned Property map.

Summary

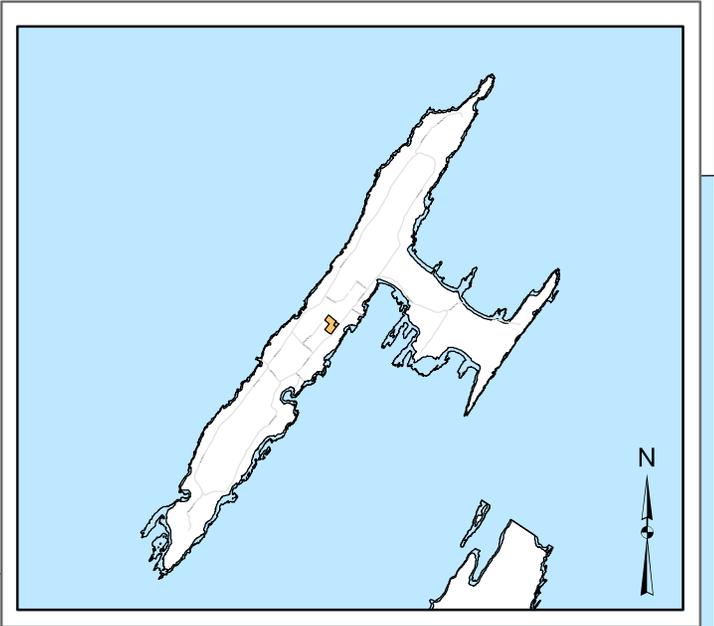
City's IT Department does require additional time to complete the annotated browser map. The timeframe for completion is unknown but IT is aware the next Housing Committee meeting is on September 6, 2018.

City Owned Property



Legend

 City Owned Parcels



DRAFT

2018 Housing Committee Work Plan

July 27, 2018

July 31, 2018

1. Rental Housing Safety & Inspection Program - Implementation and Financial Report
2. Short Term Rental Registration Program – Implementation, Financial Report and possible Ordinance revisions
3. Initial Discussion of Order 225-17/18 Referring an Increase in Short Term Rental Registration Fees to the Housing Committee
4. (Action Item) Reconsideration of the Committee’s HOME Funding Recommendations
5. (Action Item) Review and Recommendation to the City Council Housing Trust Fund Allocation(s)
6. Public Comment Received since the last meeting: topics include allow housing in “Franklin Reserve” and the City’s short term rental policy
7. Communication Item: Accessory Dwelling Units
8. Communication Item: Site Walk 622 Auburn Street
9. Communication Item: Map of City Owned Property
10. 2018 Work Plan Discussion

August 22, 2018 - canceled

September 6, 2018

1. (Action Item) Review and Recommendation re: Order 225-17/18 Referring an Increase in Short Term Rental Registration Fees to the Housing Committee
2. Review and Discussion of possible changes to the Condo Conversion Ordinance

September 26, 2018

1. (Action Item) Review and Recommendation to City Council/Planning Board Amendments to Condo Conversion Ordinance
2. Communication Item: FY18 HUD Consolidated Annual Performance Report
3. Review and Discussion of City-Owned Property re: housing development potential
4. 2018 Work Plan Discussion

October 11, 2018

October 24, 2018

1. Presentation of Key Updates to the 2017 Housing Report
2. Presentation and Discussion of Community Land Trust model
3. 2018 Work Plan Discussion

November 28, 2018

1. Review of 2018 Annual Committee Report
2. 2018 and 2019 Work Plan Discussion

December 26, 2018 – canceled

COMPLETED WORK

January 24, 2018

1. Review 2017 Housing Policy Proposals.
2. Review 2017 Housing Committee Report; Goals, Work Plan, and Accomplishments.
3. Review Summary of Feedback of Housing Policy Proposals.
4. First Review of Developer Feedback on the Inclusionary Zoning Ordinance.
5. Update on 2018 Short Term Rental registration process.
6. 2018 Work Plan Discussion

February 12, 2018

1. Review Housing Policy Proposals
2. Review Public Feedback on Housing Policy Proposals
3. 2018 Work Plan Discussion

February 28, 2018

1. Housing Program Budget - Review and Recommendation to the City Council
2. Overview of the Housing and Community Development Division
3. Overview of the Housing Trust Fund
4. Communication Items: Community Land Trust Information; City-owned property information; Text Analysis of Housing Report Survey
5. 2018 Work Plan Discussion

March 28, 2018

1. 14-403
2. HomeStart
3. Affordable Housing Development HOME Fund Application - Review and Approval to Issue by the Committee
4. Franklin Reserve Massing Study/GPCOG overview of Brownfields Planning Grant
5. 2018 Work Plan Discussion – including a discussion of the Council’s goal setting session

April 25, 2018

1. Rental Market Survey results presentation
2. Review and Vote to Recommend to the City Council Amendments to Chapter 6 re: Disorderly House Ordinance.
3. Housing Trust Fund Annual Plan
4. Tax Acquired and City-Owned Property – Westbrook Street
5. 2018 Work Plan Discussion

Communication Items:

Portland Water District water efficiency and repair services program

Inclusionary Zoning Workflow Update

May 23, 2018

1. Review Funding Requests Received from the Affordable Housing Development HOME Fund Application
2. (Action Item) Review and Recommendation to the City Council of the 2018 Housing Trust Fund Annual Plan
3. Review of Amendments to Ordinance: Section 6-225 of the Tenant Housing Rights Ordinance. (Housing Advisory Board) (Public Comment)
4. Communication Item: HUD FY18/19 Funding Update
5. 2018 Work Plan Discussion

June 5, 2018

1. (Action Item) 5:30 pm to 6:30 pm - Joint meeting with the Economic Development Committee to Review and Recommend to the City Council Affordable Housing TIF Requests
2. (Action Item) Review and Recommendation to the City Council – Funding Requests Received from the Affordable Housing Development HOME Fund Application
3. (Action Item) Review and Recommendation to City Council of Amendments to Ordinance: Section 6-225 of the Tenant Housing Rights Ordinance. (Housing Advisory Board)
4. Hotel Linkage Fee Discussion
5. 2018 Work Plan Discussion

June 27, 2018

1. Presentation of City-Owned Property Map - housing development potential
2. (Action Item) Review and Recommendation to the City Council – HOME Affordable Housing Development Funding Requests Received from the Affordable Housing Development HOME Fund Application
3. (Action Item) Review and Recommendation to the Planning Board - Hotel Linkage Fee
4. 2018 Amended Housing Committee Schedule
5. Communication Item: FY19 HUD Annual Allocation Plan
6. Communication Item: Accessory Dwelling Units – site page review
7. 2018 Work Plan Discussion