

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