

**CDBG Priority Task Force**  
**Meeting 7: Wednesday August 6, 2008**  
**7:00-9:00pm Council Chambers, 2<sup>nd</sup> Floor City Hall**

Attendance: Anna Priluck, Denis Lachman, Co-Chairs, Rhonda Juneau, Larry Gross, Frank Gallagher, Kyra Walker, Jeannemarie Celeantano. Shalom Odokara by phone.

Staff: T.J. Martzial, HNS Division Director, Amy Grommes Pulaski, HCD Program Manager.

Guests: Greg Mitchell, Eaton Peabody; Chris O'Neil, Portland Chamber of Commerce; Roger Bondeson, PROP; and Bill Glover, MaineHousing.

**Introduction**

Amy thanks everyone for coming and briefly introduces the guests. She says we have two additional guests, Roger Bondeson from PROP and Bill Glover from MaineHousing. We did invite Pat Finnigan, Assistant City Manager, but she is unable to attend. T.J. will fill in the blanks for us.

**Economic Development**

Amy presents the first handout, CDBG Economic Development Activities (on the reverse side is Housing, which Amy will discuss during the second part of today's meeting). HUD's overall interest for CDBG and economic development is to create jobs. There is "special economic development" where economic development can be conducted by a city or independent non-profit. The activity can be commercial or industrial improvements or job training. A second option is micro-enterprise development. Micro-enterprises are businesses that have five or less employees and one of the employees is the owner. The support can be financial assistance, technical assistance, training, credit or other general support. The third item is the Section 108 Loan Guarantee, which allows municipalities to leverage up to five times their CDBG allotment. TJ will talk about how we are using a Section 108 loan to revitalize Bayside. She turns the discussion over to Greg Mitchell from Eaton Peabody.

Greg works for Eaton Peabody the consulting group. He has 20 years of experience working in municipalities in Maine. He's worked 9 years for the City of Lewiston. He has a slideshow that includes highlights from four different projects and also a slide that highlights the major themes or take-aways.

The first project is the Bates Mill project, a one million square foot of mill complex located in downtown Lewiston. He thinks this is a good project because there may be similar projects here in Portland that can have a major impact on a neighborhood. You can see the results, so far 250,000 sq ft have been leased, 800 jobs, \$30 million of private investment. CDBG and other federal resources were used as operational investment.

Larry comments that this is about 40% of the Lewiston CDBG entitlement. Greg says yes, it was a big investment from the City over a 10 year period. He has added an additional slide that lists a number of other sources, private and public. He would recommend moving CDBGs to work with private sector investment.

A second project is Lewiston's Downtown, Southern Gateway Investment. This helped to revitalize a section of the city and transform this area and critical mass at Lewiston's entrance. We pulled from the CDBG source for a lot of investment along the corridors. We used CDBG

for landscaping, sidewalks, lighting etc. When Lewiston invested they looked at an entire municipal block. When he started working for Lewiston nine years earlier, the CDBG expenditures were spread out and so thin you couldn't see the investment. However, Lewiston decided that when they invested CDBG funds they wanted to make a noticeable difference. CDBG became an integral source in this project in overall public infrastructure investment in a small area, a municipal block. The difference is night and day.

The third example is a commercial revolving loan fund. Lewiston has three loan programs, this is only one. It is a great way to attract small businesses to target growth and development. It's great for combination as well. If you are going to redevelop a mill for retail or business, why not provide an incentive program to help businesses develop in that area.

The fourth program is the commercial building façade program. This is similar to the Portland façade program.

CDBG learnings or policy:

- 1) reuse the number of programs and projects to have a bigger impact
- 2) Create maximum leverage to match with private sector investment.
- 3) Invest in the level needed to support the project.
- 4) Invest in entire municipal blocks, connect the investment to have maximum impact.
- 5) Change the visible landscape the "windshield wow factor."

TJ asks if Lewiston spends any of their funds on social services. Greg says they do, but not very much. They had spent up to the cap for social services, when he started. But when they developed an economic development strategy they were interested in more longer term larger investments.

Denis asks about the CDBG investment with the private investment. He asks if there were some philosophical themes the city set, or did it follow the private sector. Greg says there was some overarching ideas- like clean up a specific area. But the city led these investments. They negotiated proactively with certain companies for recruitment and retention. The city definitely led this group. Larry comments, "like the city is doing in Bayside?" Greg says yes.

Anna asks about the commercial loan program, is it type restricted? He says there is not type restrictions for CDBG loans; it's more restricted by zoning. They did not go to the point of saying they would not lend to A, B, C or D type uses. There was match lending and maximum loan amounts of \$50,000. Larry asks if you can encourage certain type of development, like retail. Greg says yes you can guide the investment. Anna follows up with questioning the success rate of the loans. Greg says it was very successful- something close to 4% default. Anna also asks what percentage of the businesses were first time loans, or minority or women businesses. Greg responds that it was a mix. Larry comments, that you could set aside a portion for first time businesses. Greg does not recommend getting too tight with restrictions. You can have a geographic focus and overall planning, but you want to give yourself some wiggle room. Public money comes with strings attached and it has restrictions. They looked at the project that was important to the city and combined the sources to meet the needs of the project. HUD requirements are strict and can "contaminate" the whole project if you are not careful.

Larry asks how you limit your investment, say by years. Greg says the approach that was taken was that we are investing in a city block and when it's done, they city will not invest any more in that area. If we don't do it this way then it's too watered down results.

Denis says since the money is limited, was there a discussion of the importance of people vs. place. Was there a discussion that decided that it was better to invest in place vs. people? Greg says yes. There was strong mayoral and council leadership. They decided that what we have been doing historically has not been effective so we are going to try to change it. So they decided to try it this way. The result forced more collaboration. Denis asks if the theory is if the place is more improved, then the people's lives would be improved as well. Greg says that from public safety and tax payments from one small area of the city, we have to better the place. We brought in an educational institution, people were convinced, and the impact was noticeable.

Amy introduces TJ to discuss CDBG funded economic development at the City of Portland. TJ says the City of Portland has not spent much CDBG funds on economic development. The one thing that he wanted to emphasize is that the short description of economic development for CDBG is creating jobs. If you create jobs, you can fund some of it with CDBG. You have to create one job for each \$50,000 of CDBG investment. The special economic development is that right now we have a commercial façade program. The first façade program was 8-10 years ago and it fizzled out. In 2007 there the façade program was allotted approximately \$87,000 that is almost ready to begin. The city has done nothing with micro-enterprise development with CDBG funds.

The city will use a CDBG Section 108 Loan Guarantee to create a parking garage and relocate the two metal recycling scrap yards to help catalyze development in Bayside. The loan allows the city to borrow five times their entitlement, so they are borrowing \$10.2 million in Section 108 loan and \$1.8million from Brownfield's Economic Development Initiative. We are partnering with MaineHealth to buy a parcel and build a parking garage. Whole Foods was originally part of this Section 108 loan. We needed to create 240 jobs. Whole Foods has also done a lot of investment in the area, such as sidewalks, lighting. Things are starting to pick up in Bayside. It has been fun to see that start to happen.

Frank comments, in looking forward, why are the future needs that CDBG funds can be used in Bayside. TJ responds that right now we have our hands full. He also says we are going to use HOME funds to invest in residential development. Frank is also interested in having Bayside as a walkable community. Shalom comments that she is on the Planning Board and that it has been a priority in Bayside. There is a Bayside vision and the Bayside trail, both promoting walk-ability.

Anna asks about micro-enterprise in Lewiston as a way to combat crime. Would that be something we could do in Portland? TJ says that we can get into that further, CDBG currently funds Community Policing.

Amy introduces Chris O'Neil representing the Chamber of Commerce.

Chris explains that he doesn't work for the Chamber, but rather for Drummond and Woodsom. They are moving 400 jobs over to Bayside from Commercial Street. While there is some trepidation as to moving to Bayside, because its being done in a comprehensive manner it will be great.

Chris describes his background as a consultant with the Chamber and in Augusta. He had not been familiar with CDBG until last week, and there were several members from the Chamber that were not familiar with CDBG as well. He provided the Chamber members with an overview of CDBG and he received feedback from several members. Their responses shows 1) their

sophistication and 2) their unawareness about the program. He wants to point out the role CDBG can have to partner and fuel growth. Some of the comments he received are;

- “I’ve seen CDBG offered for economic development funds and were turned down by the companies.”
- “The federal government is reducing CDBG funds.”
- “Consult with the businesses community as to where they are investing.”
- “There is an effort in collaboration, Portland Pirates, etc. to redevelop a section of the city. He says that this project has many eligible activities.”
- “As a side crime and safety is an issue, the past 6 years, far more street crime and break ins. We have had to increase security. The chamber is highly concerned with less cops and more crime.”
- “Portland is the social service center of Maine. The charge to move social services to economic development is a political. The City is unwilling to pay for a good economic development director. Portland is high in taxes and social services.”

He also provides a few specifics:

- There are a number of business attraction, recruitment and retainment entities. The Chamber is looking to combine and get these people together. How do you raise the revenue and share it throughout southern Maine. If a business moves to Scarborough-how does it help Portland.
- Make your gateways more inviting.
- Corridor to from Thompsons Point to the East End Beach is under drastic change and pressures. It needs collaborated effort. The Chamber supports development, with purpose. They are looking to make the waterfront an epicenter, cultural etc. The pier owners can’t use the piers for marine purposes because of the silt. Dredging would assist this.
- Franklin Street corridor redevelopment, many people are looking at this.
- The Peninsula Transit study is very much about economic development.
- One suggestion would be universal transit pass for small businesses to move to Portland.
- Tourism Promotion video, say on the Cat or shown in other venues.
- Try to work with USM. Maybe have a contest where the business students create an economic development plan. Seed it with CDBG and match it with private funds.
- The broken window syndrome. Put people who don’t need retail storefront.

Anna thanks both Greg and Chris for coming and says that even if this Task Force doesn’t make this an immediate priority, we have started the conversation, which hasn’t happened before. This is a step forward. It’s nice that the Chamber is now familiar with the CDBG program.

Denis asks about the business plan contest. Chris responds that business plan contests would be done with an academic institution, and there’s grant money to come up with a business plan. Shalom says the business plan model is already happening. There would be a clause that if they won the project would be need to be created in Portland.

Anna had a discussion with a professor from USM, former state economist, who would be willing to talk to the committee.

## **Housing**

Amy says there's a number of things you can do with CDBG for housing. Portland has a housing rehabilitation program and first time home-buyer program, somewhat funded through CDBG but mostly with the federal HOME program. We also fund new construction with HOME. We also have a Lead Hazard Reduction grant that is used to remove lead hazards from homes. Amy explained you cannot use CDBG for new housing construction, but can get around it if you have community based organization or more rehabilitation oriented. Amy says also administrative costs are a part of the way CDBG can be used. Staff has begun exploring the idea of creating a Community Land Trust to have more homeownership opportunities, but that is still a ways off.

Amy introduces our housing speakers. TJ will give us the idea of how CDBG funds have been used for housing here and in Bangor. Roger Bondeson works for PROP, which services a lot around the county and the state. Bill Glover is our representative from MaineHousing, he can give us the big picture perspective from around the state.

TJ introduces CDBG in Portland. The City spends about \$106,000 administering the housing programs. Only \$50,000 has gone to the housing rehab program. That amounts to **7%** of our allocation. Nationwide, other entitlements spend an average of **70%** on housing programs.

Most of the housing programs in Portland are funded through our HOME grant. We get about \$650,000 to fund owner occupied rehab, homeownership, and new construction. This year we have added a critical part of our rehab program. We have added an energy audit to help direct our housing rehab program toward energy efficiency. We are now providing free energy audits funded through CDBG in partnership with our rehab loans.

When TJ was in Bangor, one of the initiatives was to invest in downtown revitalization. Bangor spent the majority of CDBG funds in economic development and housing, not in social services. They started investing in the vacant upper floors in downtown buildings. They created around 500 units in downtown Bangor over the last 10 years. They tried to bring businesses to downtown Bangor, and it was difficult. But they continued to bring the people there through residential rehabilitation which attracted businesses. 51% of the rehabbed units have to be affordable to low-mod income tenants. So, for example of 9 units, 5 would have to be affordable, and the remaining 4 market rate rentals created additional cash flow from the property to service the debt. This could be another direction the housing rehab program could go in. There is an example of ways to use CDBG for rehab beyond single family homes.

Larry goes back to TJ's Bangor idea of rehabbing upper story buildings. There are a number of high end condos that are being built downtown, we would need more work-force housing.

Roger Bondeson explains MaineHousing used to provide a program called New Neighbors, which was a very successful program here in Portland. It took off and was eventually ran out of money, but it was a great program because it acquired and rehabbed owner occupied 2-4 unit buildings.

Roger introduces what PROP does. He provides a handout.

- 1) Weatherization. They do weatherization, both for low income and for fee for above income. Weatherization is a \$230 million program. LIHEAP is a \$2.2 billion. Low Income Heat Assistance Program- where low income people get funds for fuel. Many homes, especially older homes, have a great deal of air leakage.
- 2) Central Heating Improvement Program. When low income people own homes, they can't afford to maintain or upgrade their heating systems. They repair or replace heating systems.
- 3) Home Repair/Replacement. There is a number of funding sources to help pay for repair. Each funding source has its own rules and regulations which are difficult.
- 4) Maine American Dream Initiative. Helping to create first time homebuyers.
- 5) Housing Counseling. First time homebuyer programs. They have a small grant to council people in foreclosure. The estimate is one in ten households will foreclose.
- 6) Fuel Assistance will increase dramatically this year. We started taking applications and we get 100 calls a day. Many of which are new clients that we haven't heard from before.
- 7) Municipal Fuel Assistance. South Portland has created a fuel assistance program for people who are over LIHEAP income but still below CDBG guidelines. WE now have additional funds to buy fuel in these communities. IF not in this winter, next.
- 8) Housing Development- we own 91 affordable housing units- a 20 unit elderly housing units in Smith Street is the most recent. PROP may step down from affordable housing development due to the number of affordable housing developers.

Critical Housing Needs Short Term:

- Weatherization
- Fuel Assistance
- Heating System Repair/ Replacement
- Housing Counseling (Foreclosures, rent evictions, how to prepare/manage a budget) – Financial Literacy is HUGE.

Critical Housing Needs Long Term:

- Weatherization
- Elderly Rental Housing- we are the oldest state in the union
- Special Needs/ Accessible Housing. Both at the State we did a lot of work with Alpha One, we did a lot of work to make units more accessible
- Repair/ replacement of substandard housing. The need for substantial repair or mobile home replacement is huge. Mobile homes are affordable, but they do not last very long.
- Conversion of heating systems away from oil.
- Housing Counseling.

Frank asks if they are doing conversions from oil to other systems now. Roger says they are trying to get approval for that. There are some rules for some programs, like the CHIP program, which requires that when you replace the heating system you have to keep the same fuel. The problem with wood pellet etc system there are some drawbacks, like leaving the house for a week. We want to get into this. With home repair you can. TJ clarifies that with CDBG you can

replace a heating system to another fuel if it needs to be replaced, but you cannot change the system if it's still working.

Anna asks about where you draw the line for housing rehab? TJ says that you can't replace it if it's not broke. Anna says the economic development or micro-enterprise development can support businesses that do energy audits etc.

Roger says many of these systems do not operate efficiently because they are not cleaned or maintained properly.

Amy introduces Bill Glover from Maine Housing.

Bill is a loan officer at MaineHousing. Much of the goal is creating or rehabbing existing buildings to create new housing. The challenge is finding the money to do it. There are local funds, state HOME and federal HOME funds, CDBG funds and others. It is becoming harder to support rent restricted housing because there is a fixed revenue stream, municipal taxes are going up, fuel and other costs are going up and it's harder for landlords to stay afloat. It becomes challenging to create rental housing. He does want to stress that housing development is also economic development. Almost every dollar invested in housing goes back into the economy through rent payments to the landlord, property managers, buying goods and services in the community etc. Investing in housing is investing in the local economy.

One of their new initiatives is investing development downtown. This can be challenging because many buildings have retail or business support. Our funding sources are limited to housing. If there is a building with retail on the first floor, business on floors 2 & 3 and residential below, there needs to be a number of revenue streams.

MaineHousing has invested to create over 500 units over the past 3-4 years in Portland. It's a place where people want to live. It's can be difficult and expensive for low and moderate income people to live in Portland, so they move to Lewiston and Biddeford. He encourages more money to go into housing.

Larry asks if it is the low income with deeper subsidy levels where the most need is. Bill agrees. It's difficult to get the subsidy at that level. Section 8 helps to address the needs of the very lowest incomes. This helps to increase the quality of housing.

Bill has been working in this capacity for about 15 years or so and the need for affordable housing is just as great as it was when he started. It's frustrating, but at the same time it's a reflection of the economy, the funding, and the need. Resources are scarce. The real estate transfer tax, the federal HOME program has received flat funding over the last several years. There's also competition within MaineHousing to get certain programs funded.

Denis asks Bill where CDBG funds could have the biggest impact. Bill responds that as a municipality you need to pick one or two projects and focus your attention on doing those. If you spread your funding too thin, nobody wins. If you want to create workforce housing, focus there. Denis says that if there were thoughtful policy ideas, you could have the investment trickle down. Roger comments on the new green building standards and tight building requirements in new MaineHousing projects. Bill says they are also working towards smoke free and alternative fuel sources.

Larry asks if either of these were familiar with the idea of stabilizing neighborhoods by moving renters to owners by using CDBG or other funds. He thinks Westbrook is doing this with

Section 8. Roger comments that the New Neighbors Program did this. He also mentions that PROP did this in Westbrook. PROP is also looking to buy foreclosure homes, rehab them and resell them to low income people. There are reasons to be apprehensive of the rental business due to the reasons stated previously. They are thinking of moving to homeownership, but there are issues with that as well. Because you are putting people in ownership situations who may not be ready to own- heating systems, property taxes, general maintenance etc. Renting is becoming less expensive than owning.

Amy thanks both Roger and Bill for coming and presenting. She then turns the discussion to housekeeping items. She explains the change of dates and times, moving the time on Thursday August 14 from 5:00 to 7:30am to 9:00am. The group agrees. She also asks if they would mind moving the meeting Tuesday morning August 12 to Tuesday evening August 19 from 5-7. All agree. Amy then asks the Social Service Sub-group members, Rhonda and Jeannemarie if they would update the group on their progress.

Rhonda says that the Social Service Sub-group (SSS) decided to focus on project efforts, rather than groups of people. Rather than focus on children, we are focusing on impacts. They chose four topics to organize the focus group meetings around. These topics would be used for organization of the meetings in presenting it to the community.

Jeannemarie says the next meeting will be fleshing out the details and questions of the focus groups. They are trying to create a uniform structure to take to each of the focus groups. One of the debates that was discussed is how to hear from all size organizations, larger organizations tend to dominate these discussions. So we may break out the focus groups in several ways, so that everyone gets heard. She also adds that these four categories was based on United Way, but separated into concrete topics. It is also echoing our initial priorities.

Anna moves to approve the meetings from Meeting 6, seconded by Larry. Jeannemarie's name was misspelled.

Anna says that although it is important to separate into sub groups, it is still important to come to the larger group meetings to reach consensus on big picture ideas. There was a presentation meeting and overall planning meeting for social services. We may want to do that again for the Other Improvement Category. Please keep attending the general meetings. Thank you.