

Housing Committee Meeting
Wednesday May 6, 2008
5:30- 7:30pm City Hall Room 209

Attendance: Councilor Jill Duson, Chair, and Housing Committee Members Councilors Nick Mavodones and Kevin Donoghue. TJ Martzial, HNS Division Director, Amy Grommes Pulaski, HCD Program Manger (notetaker)

Councilor Duson

1. Meeting Minutes of April 1, 2008 (Beginning at 5:36pm)

Councilor Donoghue moves passage of the minutes, seconded by Councilor Mavodones. Voted approval unanimously.

2. Affordable Housing Proposal Danforth & Maple Street, request for HOME funds- The Szanton Co/ Maine Workforce Housing (5:40PM)

TJ introduces this topic. Two emails were added to the packet: 1) Nathan Szanton and 2) John Anton. On April 15 TJ, Pat Finnigan and Nathan Szanton met with senior staff members of Maine Housing. An email in the Committee packet from MaineHousing Deputy Director Adam Krea clearly summarized the YWCA 5-party agreement from MaineHousing's perspective. An additional gap of funding was identified by Nathan and MaineHousing will be helping to close that, but it will not minimize the request from Workforce Housing to the City.

TJ conducted underwriting of the project, and all numbers look good. He explains this budget is preliminary but many of the figures are based on other similar projects operated by Maine Workforce Housing therefore the projections should be considered relatively accurate. There have been some minor changes in the budget that TJ discusses and is discussed in the memo. Current estimated gap is an additional \$31,480. He continues to discuss the rules of HOME regulations, which states that if more than 5 units are HOME assisted then you have to make those units affordable to very low income units. In this case it is not required by HOME regulations to include a unit affordable to 50% AMI, however TJ recommends it to maximize benefit to low-income renters.

Another measure TJ recommends is providing a cash flow loan for this project. This allows the city to revisit the loan agreement between the developer and the City which will allow the city to recoup some of their HOME funds if the project is experiencing significant positive cash flows in the future. TJ states that cash flow loans are fairly common with tax credit projects, and would be a way to replenish the Housing Development Fund. He also points out that although replenishing the Housing Development Fund may sound attractive, cash flow loans typically do not generate much program income because cash flow in tax credit projects is always very tight.

Nathan explains that the major thing that has happened since he appeared before the Committee in April is that the Planning Board has recommended 5-0 to grant the

contract zone to the project. He would also like to respond to a few items in the memos.

- 1) One item is that if the HOME funds are awarded to this project there will be no more HOME funds that can be allocated to affordable rental housing development until July 1 2009. Nathan responds there will be 2009 HOME funds available, and they can be allocated "subject to" receiving HUD funding.
- 2) The Housing Replacement Fund can be satisfied in two ways 1) pay into the fund 2) replace the units. The \$900,000 was to satisfy a MaineHousing covenant and the City would receive the replacement units. Therefore the agreement and the money satisfies MaineHousing and City requirements.
- 3) He also wants to respond to Councilor Donoghue's comments about fair rents. \$1,036 is HUD's Portland Fair Market Rent two bedroom unit (all utilities included). Nathan's affordable two bedroom units are \$870.

Nathan continues to say that he has no problems with TJ's recommendations 2, 3, and 4 as stated in his memo dated May 2, 2008. He does have an issue with recommendations 1 and 5. Recommendation 1 is to lower the rent of one unit to be affordable to tenants at or below 50% AMI. This will reduce projected cash flow by \$1,538 per year, but the debt service is not reduced. This would require an additional \$18,000 of subsidy, which would have to come from the City. It puts the project in a bind and is not legally required by HOME regulations. For recommendation 5 the cash flow loan, he states that the city wants to be a partner in the upside when the project is going well, but not be a partner in bad years when the developer may have to put more money in the project. Nathan states that we as developers are risking our own funds to make the project work. Therefore we should be able to be rewarded for that risk, if there is any.

Councilor Duson also mentions that she will not be taking public comment on this issue.

Councilor Duson turns to TJ for additional comment. TJ states that 1) Nathan is correct, 2009 HOME funds will be available, but committing federal funds prior to when they are available would be necessary and he recommends against committing future HOME funds to projects before awarded by Congress. He feels this is bad budgeting policy. He further explains that in fact that is exactly what the Committee is being asked to do now. Technically we only have around \$40,000 in HOME funds available for the 53 Danforth project as of today, but we will have an additional \$300,000 on July 1, 2008. He feels that making such a commitment a month or two prior to receiving the HUD funds is not an issue, but he feels that several months or a year ahead is bad budgeting policy. 2) There have not been any additional formal requests for funding for affordable rental housing projects. However, there are likely other projects that may need these funds during the coming year, one being Florence House, which may realize a gap in funding. 3) Nathan's comment that to require one unit affordable to 50% AMI would create an additional \$18,000 needed by City subsidy is somewhat misleading. TJ wants to clarify that indeed it would require an additional \$18,000 is some subsidy, but that could come from any source; the City, MaineHousing, another lender, or the developer.

Councilor Donoghue discusses the status of Florence House vs. the status of the 53 Danforth Project. Dana Totman and Nathan Szanton explain the process of conceptual drawings from 50% construction drawings to 90% construction drawings. The Florence House project, although delayed by legal proceedings is currently further along in the development process than 53 Danforth St.

Councilor Donoghue asks TJ what the FY2009 HOME funds will be. TJ explains that we will be discussing the HOME Consortium with the County later today. However we can expect to receive at least as much and possibly more. \$654,000 is the HOME allocation the City will receive July 1, 2008.

Councilor Mavodones has a question about the May 2 memo number 5. He asks about the Housing Development Fund. TJ explains that the Housing Development Fund accumulates based upon how loans are repaid to the City. In 2003 or 2004 a large amount had accumulated in the fund, of which the funds were distributed to various successful affordable rental housing construction projects throughout the City, mostly on the peninsula. The majority of those funds were distributed and the balance is currently low. However none of these grants were structured as amortizing loans. Councilor Mavodones states that he believes TJ's comment in the May 2 memo that refers to the City "giving away" HOME funds is misleading, the City received affordable housing in return for that investment.

Councilor Mavodones would like to discuss the cash flow loan as a policy discussion, but is not in favor of it in this case at this time. He has one further question, if another project requests funds, the FY2009 will be at least as much as this year and funds could be used for new rental construction. In the past has Portland committed money into the future? Aaron Shapiro states that it is not unusual, but there never was a point in the 8 years that he worked for the City where someone needed funds and the City did not have the funds, the current situation is historically unusual. The Housing Development Fund was always plentiful during his employment in Housing & Neighborhood Services.

Nathan states that 1) there is an efficient use of subsidy in this project. He is requesting \$325,000 for 30 affordable units. That is \$10,833/unit. 2) the HOME funding the City provides is typically structured to be paid back after 30 years.

Councilor Duson asks if there is a motion. Councilor Donoghue makes a motion to fund the project at \$325,000 minus the \$31,480. Seconded by Councilor Mavodones. Clarification causes both councilors to retract their motions.

Councilor Donoghue moves for award for \$325,000, which is seconded by Councilor Duson.

Councilor Donoghue has reservations in supporting this project. He thinks Mr. Szanton's description of the 5-party agreement is accurate. He continues to state that if it was required by the city to create these units based on the Housing Replacement Fund, it shouldn't be dependent on the city to also fund this project to do so. He feels the city should not be paying for an obligation to the city. He will not be voting in favor of providing a HOME subsidy to this project.

Councilor Mavodones states that he will be voting in favor of this project because it meets our housing plan. He likes the mix of market and affordable units together. He has some concern over committing all of the HOME funds for this year prior to July 1.

Councilor Duson discloses that Nathan Szanton is a personal friend, her son's soccer coach, and a supporter of her political campaign. She states that the agreement with the Y was an effort to rescue a bankrupt social service project. She would like to separate the repayment of the housing replacement funds and the application for HOME funds. She is not in favor of inserting the cash flow loan into this process or application, but thinks that it may be good policy for the future. She feels that it is fair and transparent.

Councilor Mavodones assumes that recommendations 2, 3, and 4 will be included. Councilor Donoghue moves to amend his motion so that recommendations 2, 3, and 4 be included in the motion.

Councilor Duson moves to pass the original motion. Councilor Duson and Mavodones vote in favor, Councilor Donoghue votes against. Motion passes 2-1.

Councilor Duson continues to say she has an email from Councilor Anton that says he does not believe he has a conflict of interest in the 53 Danforth project. However, she states that she believes that supporters of Florence House are conducting a quiet campaign against awarding funding for Danforth St. in fear of those funds not being available in the future, and Councilor Anton has disclosed he has a conflict in the Florence House project. Even though Councilor Anton discusses his current lack of conflict for the 53 Danforth project in his email, she feels that if the Florence House "quiet campaign" continues, that will create a conflict for Councilor Anton relative to 53 Danforth.

3. Update on HOME Consortium with Cumberland County (6:30PM)

Councilor Duson greets Aaron Shapiro. Aaron states that he and former staff used the Housing Development Fund to fund affordable rental housing projects as sound community development, not only subsidy for developers.

Aaron hands out a flyer of a revision of TJ's last page. TJ introduces the HOME Consortium basic concept which is to work with the County to get additional HUD funds for housing activities. This came to the committee in February and some concerns were voiced. An agreement was drafted and each of those concerns were addressed. TJ reviews each of the Committee's concerns and where in the draft Agreement they have been addressed.

Councilor Mavodones asks if the Agreement will have to be approved by Portland City Council and participating County local governments. Aaron Shapiro answers yes, and states there are two remaining issues. 1) Portland's hold harmless amount. 2) The additional funds Portland could access as part of the consortium, Aaron refers to

it as “the bump,” and would be estimated at 10%. TJ recommends an additional set-aside of funds up to 15%. TJ explains that he discussed this with Joe Gray and Joe would like the City’s bump to be 15% also.

Portland is designated the “lead entity” and will also do the administration. Our Principal Financial Officer states it is easier to budget if the “bump” is an annual set amount. Councilor Mavodones is concerned that other communities will not buy in. Aaron Shapiro explains that pending approval, this will go to HUD on June 30. .

Aaron explains Portland’s current 2008 allocation is \$654,808. Brunswick, Westbrook and Cumberland County would add \$670,174. The HOME administration allowance is 10% of current the grant; \$65,481. Additional admin funds created by the consortium would be \$67,017, totaling \$132,498. Portland would receive all administration funds and use these funds to hire one new staff person to administer the HOME Consortium. The 10% project “bump” would be an additional \$60,315 in programming funds reserved for Portland.

Councilor Donoghue questions whether you have to expend all admin money for administration. Aaron states no.

Councilor Duson asks why the county would be interested in upping the bump to 15%. Aaron explains that currently the county receives no HOME funding. She also asks if the entities would discuss criteria and goals. TJ answers yes and explains that the Consortium will be required to submit a separate Consolidated Action Plan just as Portland currently does. This plan will define exactly what activities the HOME Consortium funds will be used for. All Members of the Consortium will have to accept the Plan, including the Portland City Council. This will happen in late fall 2008. if the HOME Consortium is approved by HUD, the first program year will begin July 1, 2009.

Councilor Donoghue asks if the Portland has any say to how HOME funds would be spent throughout the county. Aaron says not under the current plan, the County, Brunswick and Westbrook will have autonomy in defining their proposed activities. Portland as the lead entity will of course be responsible for ensuring those activities are in compliance with HOME regulations. He does state some of the surrounding communities are creating affordable homeownership housing with state HOME funds. Councilor Donoghue also asks who decides how these funds are distributed outside of Portland? Aaron states it is the County’s Municipal Oversight Committee. Councilor Donoghue also asks if developers would like to build affordable housing outside of Portland, if they could. Aaron answers yes. Aaron continues to say unlike Portland CDBG funds and State CDBG funds, HOME funds can be combined with the State HOME funds.

Councilor Donoghue likes it. He likes to be involved in the discussion of part of the county affordable housing plan, regional planning is good. He also likes Portland receiving additional admin money and project money. He is comfortable with the 10% bump. The money goes to the people who need it and not everyone needs to live in Portland.

Councilor Mavodones now understands the money a little more. He supports the 15% bump. Due to the time frame, he is also concerned with corporation counsel reviewing this agreement, along with the other communities. TJ answers the draft agreement it will go to Corporate Counsel tomorrow. Final authorization to submit the Agreement to HUD will come to the Council probably second meeting in June

Councilor Donoghue retracts his previous statement and thinks we should try to get the biggest bump we can.

The councilors leave it to staff to negotiate the 15%, but will be satisfied with 10%.

Councilor Donoghue moves to go forward with haste for this agreement. Seconded by Councilor Mavodones. Voted unanimously approved.

4. Update on the Community Land Trust

Amy introduces the CLT memo and discusses the meeting with our Technical assistance grant from HUD. The first section of the technical assistance was funded, but the second portion of the technical assistance has not been approved. HUD is currently negotiating with the technical assistance provider to define a slightly less comprehensive scope of work.

Councilor Donoghue explores the idea of funds from other sources.

Councilor Duson states that based on this discussion she thinks it would be beneficial to combine the land preservation for land for open space with the preservation of land for housing.

Councilor Donoghue would like staff to explore this possibility.

5. Public Comment

Christian McNeil of Winter Street: He sent an email two weeks ago concerning the requirement of two parking spaces per unit. It is out of sync with the typical house hold, affordable housing, etc. The Bike/Ped committee would like to amend the zoning to change this and reduce this requirement. Mr. McNeil states the average parking space costs about \$20,000. He included in the email the line in the codes. Currently our zoning requires as much housing for cars as people. He would like a resolution tonight and asks the committee if they are willing.

Councilor Duson states that we have discussed this before. Typically when they have reduced parking in developments they have used it as a negotiating point to get something. Eliminating this requirement gives us no negotiating power. She also would like to hear recommendations from Planning.

Councilor Mavodones states that they cannot go to a resolution at this point. It would have to go on the committees agenda so that others could come and comment. He is in favor of lowering the parking requirements.

Councilor Duson also states there is also no sense in holding it up in this committee, if it is going to be reviewed at the Planning Board. There are varying opinions about this topic.

Councilor Donoghue recommends examining residential parking requirements in R6 and maybe R7, the urban residential zone. We can separate out the other more controversial zones like R5 and below. He also states that we could set a precedent for the zip car concept.

Councilor Mavodones does not think we can refer anything without noticing the public, by putting it on our agenda.

Councilor Donoghue asks if we can put this on the Transportation Committee agenda to notice the public.

Councilor Duson feels it is a housing issue, and thinks it should be discussed at Housing Committee. What is the issue and concern?

Christian agrees that it should be referred by both Housing and Transportation. Councilor Duson states that we put it on both the Transportation agenda in two weeks and the Housing Committee agenda in four weeks.

6. Committee Discussion

Councilor Duson summarizes the meeting.

7. Next Meeting Tuesday June 3, 2008 at 5:30 in room 209