

Order 142-13/14

Passage: 8-0 on 2/24/2014 (Leeman absent)

Effective 3/6/2014

MICHAEL F. BRENNAN, (MAYOR)
KEVIN J. DONOGHUE (1)
DAVID A. MARSHALL (2)
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CHERYL A. LEEMAN (4)

**CITY OF PORTLAND
IN THE CITY COUNCIL**

JOHN R. COYNE (5)
JILL C. DUSON (A/L)
JON HINCK (A/L)
NICHOLAS M. MAVODONES, JR (A/L).

**ORDER AMENDING PEARL PLACE AFFORDABLE HOUSING TAX
INCREMENT FINANCING DISTRICT**

ORDERED, that the Pearl Place Affordable Housing Tax Increment Financing District be amended, in substantially the same form as attached, providing that the City's share of new tax revenue from Pearl Place be allocated two-thirds to the City's Affordable Housing Development Revolving Loan and Investment Fund and one-third to Portland Public Schools for public school costs (kindergarten to grade 12).

ATTACHMENT 1

CITY OF PORTLAND
PEARL PLACE PHASE ONE AFFORDABLE HOUSING DEVELOPMENT DISTRICT
DEVELOPMENT PROGRAM

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Pearl Place Phase One Affordable Housing Development District Development Program

Article I. Introduction and Summary of Benefits.

A. Affordable Housing Development District. This Development Program provides for the creation of an Affordable Housing Development District located at Oxford Street between Pearl and Chestnut Streets in Portland. The area includes approximately 1.03 acres. By providing for the reinvestment of a portion of the new or incremental tax revenues in the District, the District will provide an impetus for affordable housing development within the District and the development of affordable, livable housing and the containment of the costs of unplanned growth in the City.

B. Benefits of the District.

1. Affordable Housing. This Development Program will provide for the development of affordable housing in the City and the containment of the costs of unplanned growth.

2. No City Bonds or Risks. The District will not involve any borrowings by or the issuance bonds of the City to pay for any of the costs of the Capital Program and will not affect existing tax revenues in any way.

3. Additional Tax Revenues. Creation of the District and development of the Capital Program will result in additional tax revenues for the City that will assist in funding certain projects.

4. Shelter of New Tax Base Growth. The captured assessed value of the District will be sheltered from the otherwise negative impacts of new development that result in increased county taxes and loss of State aid to education and revenue sharing when new development occurs without the creation of a Affordable Housing Tax Increment Financing District. The sheltered portion of the tax increment revenues will be used to pay costs of the project and will also be used to provide certain important Public Improvements.

Article II. Development Program Narrative and Designation of the District.

Section 2.01: Statement of Means and Objectives. The City of Portland (“the City”), like many other Maine municipalities, desires to provide affordable housing in the City and to contain costs of unplanned growth by providing the facilities described in this Development Program.

In order to fulfill these goals, certain property has been proposed as the Pearl Place Phase One Affordable Housing Development District (the “District”). The Development Program described herein will serve the purpose of administering the District as an Affordable Housing Development District pursuant to Chapter 206, subchapter 3 of Title 30-A of the Maine Revised Statutes, as amended (the “Development Program”). Upon approval by the City of Portland designating the District and adoption of this Development Program by the City, the designation of the District and adoption of the Development Program will become final immediately, subject only to approval by the Director of the Maine State Housing Authority. The Development Program provides for affordable housing similar in some respects to the economic development incentives called municipal tax increment financing (“TIF”) similar to that adopted by a number of other Maine municipalities including the City. An Affordable Housing Development District involves the creation of a geographically defined district in the City and the “capture” or reinvestment of some of the new increased or “incremental” tax revenues generated on the increased assessed value of property in the District to pay certain costs of the development.

The District is designed to stimulate development of affordable housing in the City by allocating certain tax revenues generated on the increased assessed value in the District to costs of the Development Program, consisting of: construction and development of the Capital Program described in Section 2.03 hereof by Avesta Pearl Street One, LP, its successors and assigns (the “Developer”). Under the Development Program, the City will make portions of the tax increment revenues as set forth in Section 3.04 hereof and under the Credit Enhancement Agreement attached hereto as Exhibit E hereto from the District available to the Developer pursuant to such Credit Enhancement Agreement (the “Credit Enhancement Agreement”). These revenues will be used either to pay or reimburse the Developer for the costs of the Capital Program directly or to pay debt service on funds borrowed privately by the Developer, its successors and assigns, to finance the cost of the Capital Program. The costs so financed will represent only a portion of the total costs of the Capital Program to be financed by Developer, its successors and assigns. All additional costs of the Capital Program will be the responsibility of the Developer, its successors or assigns. The Development Program also consists of the Public Improvements described in Section 2.04 hereof to the extent approved by the City and the Director of the Maine State Housing Authority, the costs of which will be paid by the City out of a portion of the tax revenues increment from the District that are not payable to the Developer under the Credit Enhancement Agreement. All tax increment revenues following expiration of the term of the Credit Enhancement Agreement will go directly into the City's general fund.

The District will result in significant new tax revenues for the City.

The Development Program thus will provide significant public benefit to the City by providing for the development of affordable housing in the City and for new tax revenues. The means and objectives of the Development Program thus are to provide financial assistance to the Capital Program and to the development of affordable housing in the City and to provide financing for important Public Improvements and other eligible project costs.

The City, by adopting this Development Program finds that the Development Program described herein, including the Capital Program and the Public Improvements, will provide substantial affordable housing in the City, thereby accomplishing an important public purpose.

Section 2.02: Brief Discussion of Financial Plan. The following is a brief summary of the Financial Plan. The Financial Plan is set forth in greater detail in Article III of this Development Program. As described in Section 3.04 hereof and Exhibit A hereof, the property taxes assessed by the City upon the Increased Assessed Value of property in the District (the “Tax Increment”) resulting from the investments by the Developer will be captured or used by the City under the Development Program to pay costs of the Capital Program described in Section 2.03 hereof and the Public Improvements described in Section 2.04 hereof. The development costs and sources and uses of funds associated with the Capital Program within the District are described in Article III. The cost of the Capital Program and any continuing investment by Developer will be financed by Developer through equity of the Developer, its successors or assigns, various borrowings by Developer, its successors or assigns and the tax increment revenues from the District. As part of the Development Program, the City and Developer will enter into a Credit Enhancement Agreement pursuant to which the City will pay to Developer the percentage of all municipal Tax Increment Revenues from all property taxes with respect to property in the District, described herein as the Tax Increment Revenues (Developer’s Share) for the term of the District to pay costs of the Capital Program or borrowings (including interest thereon) related thereto. All tax revenues from the District not payable to Developer under the Credit Enhancement Agreement will be used for the Public Improvements. Any tax revenues presently generated on existing property in the District will continue to be paid to the General Fund of the City. The Development Program costs will be paid only

from the Tax Increment on assessed value produced by new development in the District occurring after the tax year ending on the March 31st prior to adoption of this Development Program.

Section 2.03: Project Costs Descriptions. A. General Description. The project costs to be financed by the Development Program may include any of the following (collectively the “Capital Program”): The Pearl Place Phase One project involves the redevelopment of approximately 1.03 acres at Oxford and Pearl Streets, Portland, into an affordable housing neighborhood. The objective of the project is that over 33% of the units in the neighborhood will be affordable housing, meaning a decent, safe and sanitary dwelling, apartment or other living accommodation for a household whose income does not exceed 120% of the median income for the area as defined by the United States Department of Housing and Urban Development. Since the first phase of Pearl Place is 60 units of low income housing tax credit apartments, the targeting for those units will be 60% of the units at 50% Area Median Income and 40% of the units at 60% Area Median Income. The zoning for the project assures that this number of units and this affordability objective will be met.

The project includes the new construction of 60 apartments in two elevator buildings: Building 1 along Oxford between Pearl Street and the parking garage; and Building 2 on Pearl Street at the corner with Oxford Street. There will be 20 one-bedroom apartments, 25 two-bedroom apartments and 15 three-bedroom apartments.

The overall Pearl Place development is a 2-3 phase development of approximately 120 units of mixed income rental and owner-occupied housing to be developed over several years. Avesta Housing plans to develop townhouses and low-rise apartments for rent as well as mid-rise condominiums for sale in a moderate market range.

The population of the new Pearl Place Phase One neighborhood is estimated to be approximately 151 residents at full occupancy. This includes approximately 45 school aged children. These estimates are based upon the market study of the project conducted by Planning Insights in August, 2005.

The Pearl Place Phase One project is projected to have a total local assessed valuation at buildout of approximately \$3,795,300 based upon current real estate values and City assessment practices. Based upon the estimated tax rate upon completion, the first phase will pay approximately \$52,392 in property taxes to the City in year 1. A portion of this new revenue would be offset by increased county taxes and reduced state revenue sharing and education funding resulting from the increased state valuation, were it not included in a Development District.

Costs of the Capital Program shall also include all “Project Costs” as defined in Title 30-A, Chapter 206, Section 5249 of the Maine Revised Statutes including: (A) Costs of improvements made within the affordable housing development district, including, but not limited to: (1) Capital costs, including, but not limited to: (a) the acquisition of land or construction of public infrastructure improvements for affordable housing development; (b) the demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures and fixtures; (c) site preparation and finishing work; and (d) All fees and expenses that are eligible to be included in the capital cost of such improvements, including, but not limited to, licensing and permitting expenses and planning, engineering, architectural, testing, legal and accounting expenses; (2) financing costs, including, but not limited to, closing costs, issuance costs and interest paid to holders of evidences of indebtedness issued to pay for project costs and any premium paid over the principal amount of that indebtedness because of the redemption of the obligations before maturity; (3) real property assembly costs; (4) professional service costs, including, but not limited to, licensing, architectural, planning, engineering and legal expenses; (5) administrative costs, including, but not limited to, reasonable charges for the time spent by municipal employees in

connection with the implementation of an affordable housing development program; (6) relocation costs, including, but not limited to, relocation payments made following condemnation; (7) organizational costs relating to the establishment of the affordable housing district, including, but not limited to, the costs of conducting environmental impact and other studies and the costs of informing the public about the creation of affordable housing development districts and the implementation of project plans; (8) costs of facilities used predominantly for recreational purposes, including, but not limited to, recreation centers, athletic fields and parks; and (9) costs for child care, including finance costs and construction, staffing, training, certification and accreditation costs related to child care located in the affordable housing development district; and (B) that portion of the costs reasonably related to the construction, alteration or expansion of any facilities not located within the district that are required due to improvements or activities within the district, including, but not limited to, sewage treatment plants, water treatment plants or other environmental protection devices; storm or sanitary sewer lines; water lines; electrical lines; improvements to fire stations; and amenities on streets; (2) costs of public safety improvements made necessary by the establishment of the district; (3) costs of funding to mitigate any adverse impact of the district upon the municipality and its constituents. This funding may be used for public facilities and improvements; and (4) costs to establish permanent housing development revolving loan funds or investment funds.

B. Need for the Affordable Housing TIF. As the Pearl Place project moved forward and bids were received from three Portland area contractors in 2005 as a 29 unit development, a financing gap occurred. The bidding environment in late 2005 was the most expensive affordable housing developers had seen. With materials prices, energy costs and land costs at extremely high levels, costs for developing housing have skyrocketed. The project was able to combine two applications to Maine State Housing Authority to then create a more efficient 60 unit development. Through a combination of applying for subsidy funding through the Federal Home Loan Bank of Boston and amortizing debt, the financing gap can be filled. The annual \$22,000 Developer's Share of the Tax Increment Revenue is designated to pay debt service on a loan for Pearl Place. This loan from a bank will be for approximately \$255,000, but not greater than \$400,000. The \$660,000 maximum Tax Increment Revenue over the life of the TIF described in section 3.04 will pay for the debt service over the life of the loan. Without the TIF and these other funding sources the project could not go forward.

The Municipal Affordable Housing Development District law enacted by the Maine Legislature in 2003 creates an opportunity to fill this gap in the project financing through the mechanism of the TIF program. The new program operates essentially the same way that the traditional commercial TIF program has with a few exceptions. The new Affordable Housing TIF program will be administered by the Maine State Housing Authority.

Section 2.04: Public Facilities Descriptions. In addition to providing financing for the Developer's Capital Program described in Section 2.03 hereof, the City will retain a portion of the Tax Increment Revenues from the District described in Section 3.04 and Exhibit A as the Tax Increment Revenues (City Share) to finance any of the following public facilities, improvements or programs (collectively the "Public Improvements"): costs of improvements to be made outside of the District that are directly related to or made necessary by the establishment or operation of the District, including, but not limited to: (1) ~~that portion of the costs reasonably related to the construction, alteration or expansion of any facilities not located within the district that are required due to improvements or activities within the district, including, but not limited to, sewage treatment plants, water treatment plants or other environmental protection devices; storm or sanitary sewer lines; water lines; electrical lines; improvements to fire stations; recreational facilities; and amenities on streets;~~ (2) ~~costs of public safety improvements made necessary by the establishment of the district;~~ (3) costs of funding to mitigate any adverse impact of the district upon the municipality and its constituents, specifically public school costs

(kindergarten to grade 12); and ~~(4)(2)~~ costs to establish or supplement permanent housing development revolving loan funds or investment funds.

~~The Development Program thus will provide financing for certain important Public Improvements by the City. These projects either are related to the Capital Program or are otherwise qualifying projects under Chapter 206, subchapter 3 of Title 30-A of the Maine Revised Statutes. The specific public improvement projects to be financed with the City's portion of the Tax Increment financing revenues will be approved through subsequent action of the City.~~

Section 2.05: Relocation Plan. No businesses or persons will be displaced or relocated as a result of the development activities proposed in the District.

Section 2.06: Environmental Controls. All environmental controls required by law shall apply to development in the District, including any applicable requirements of the City of Portland Zoning Ordinance and all applicable State and federal environmental laws and regulations.

Section 2.07: District Operation. The day-to-day operations of the District will require no substantial efforts by the City. The Developer, its successor or assigns, will operate the improvements constructed by Developer and pay all maintenance and operational expenses of its facilities. The City, however, will be responsible for maintenance and operation of any part of the District that become a public road or other public facility and for all costs of Public Improvements.

Section 2.08: Assurance of Compliance. The City hereby determines that the District and this Development Program complies with the provisions of 30-A M.R.S.A. § 4349-A (growth management). The proposed development in the District is consistent with the Comprehensive Plan for the City of Portland which includes the New Vision for Bayside and the City's Housing Plan, both of which call for additional affordable housing in the Bayside Neighborhood.

Section 2.09: Program Duration. The duration of the District will be 30 years from the designation of the District and the effective date of the approval of the District by the Director of the Maine State Housing Authority, with phasing as provided in Section 3.1 of the Credit Enhancement Agreement.

Section 2.10: Approval Considerations and Characteristics of the District. A. Statutory Considerations for Approval. Before designating the District and before establishing this Development Program, the City has considered any evidence presented at such public hearing and has considered whether the District and Development Program will contribute to the expansion of affordable housing opportunities within the City and to the betterment of the health, welfare or safety of the inhabitants of the City. The City hereby determines and finds that the District created hereunder and this Development Program will make a contribution to the expansion of affordable housing opportunities within the City and the betterment of the health, welfare or safety of its inhabitants, constituting good and valid public purposes and that any adverse economic effect on or detriment to any existing property interests is outweighed by the contribution made by the District and the Development Program to the availability of affordable housing within the City and to the betterment of the health, welfare and safety of its inhabitants.

B. Statutory Conditions for Approval; Physical Characteristics. The City hereby finds and determines that the District satisfies the conditions imposed under Chapter 206, subchapter 3 of Title 30-A of the Maine Revised Statutes, as amended, as a prerequisite to designation of the District, including those relating to the physical description of the District and to certain financial and statistical information as follows:

(i) All of the land in the District is suitable for residential uses, is zoned for residential uses, and is in need of rehabilitation or redevelopment and therefore at least 25%, by area, of the real property within the District meets at least one of the following statutory criteria: (1) be suitable for residential use; (2) be a blighted area; or (3) be in need of rehabilitation or redevelopment;

(ii) The total area of the District is approximately 1.03 acres and thus such area represents less than 2% of the total acreage of the City. The total area of the District and the total area of all development districts in the City (which combined total is ~~193.058453.9~~ acres as of 12/31/2013) is ~~1.24%~~ 1.56% of the total acreage of the City and thus does not exceed 5% of the total acreage of the City; the total area of all affordable housing development districts in the City is ~~0.0120.008~~% of the total acreage of the City and thus does not exceed 5% of the total acreage of the City;

(iii) The Original Assessed Value of the District ~~is as set forth in Exhibit D hereto~~ and the Original Assessed Value of all existing affordable housing development districts within the City is ~~\$1,116,250 (as of 12/31/2013) the same amount (as this is Portland's first such district)~~ and such amount of Original Assessed Value thus does not exceed 5% of the total value of taxable property within the City as of April 1st preceding the date of the designation of the District;

(iv) The aggregate value of municipal general obligation indebtedness financed by the proceeds from affordable housing development districts within Cumberland County does not exceed \$50,000,000 adjusted by a factor equal to the percentage change in the United States Bureau of Labor Statistics Consumer Price Index, United States City Average from January 1, 2002 to the date of calculation; and

(v) The acquisition, construction and installment of all real property improvements, buildings, structures, fixtures and equipment included within the Development Program and financed through municipal bonded indebtedness must be completed within 5 years of the Director of the Maine State Housing Authority approval of the designation of the District.

C. Community Housing Need. The City finds that this Capital Program will meet a community housing need identified in the City's Housing Plan and Comprehensive Plan as well as the New Vision for Bayside document adopted in January 2000. The Credit Enhancement Agreement provides a mechanism to ensure the ongoing affordability for a period of at least 30 years for rental units. The District is primarily a residential development on which at least 33% of the dwelling units will be affordable housing and that may be designed to be compact and walkable and to include internal open space, other common open space and one or more small-scale nonresidential uses of service to the residents of the development. The Developer and the City shall comply with any rules adopted by the Maine State Housing Authority and with any conditions of approval imposed by the Maine State Housing Authority following designation of the District. The City shall report annually to the Director of the Maine State Housing Authority regarding the status of the District, including the following matters as required by law: (a) certify that the public purpose of the District is being met; (b) account for any sales of property within the District; and (c) certify that rental units within the District remain affordable.

Section 2.11: Designation of the District. The City, by adoption of this Development Program, hereby designates the Pearl Place Phase One Affordable Housing Development District as an Affordable Housing Development District and as an Affordable Housing Tax Increment Financing District. A plan depicting the District is attached hereto as Exhibit C and the District is further described therein.

Article III. Financial Plan.

Section 3.01: Cost Estimates for the Development Program. The estimated costs of the Public Improvements and the Capital Program are set forth in Exhibit B.

Section 3.02: Amount of Indebtedness to be Incurred. The City will not incur any indebtedness in connection with the Capital Program. The Developer will finance the Capital Program through a combination of funds of the Developer, its successors and assigns, various loans and the Tax Increment of the District. The City may elect at a future date to incur indebtedness to finance certain Public Improvements but no such indebtedness is authorized hereunder at this time.

Section 3.03: Sources of Anticipated Revenues. The source of the revenue to be used to pay the costs of this Development Program is the Tax Increment on the Increased Assessed Value of the District. Tax Increment means all Property Taxes assessed by the City, in excess of any state, county or special district tax, upon the Increased Assessed Value of all property in the District. Increased Assessed Value means the valuation amount by which the Current Assessed Value of the District exceeds the Original Assessed Value of the District. Current Assessed Value means the assessed value of the District certified by the municipal assessor as of April 1st of each year that the District remains in effect. Property Taxes means any and all ad valorem property taxes levied, charged or assessed against property by the City or on its behalf.

Original Assessed Value means the assessed value of the District as of March 31, 2006. Attached hereto as Exhibit D is the anticipated form of certification of Original Assessed Value by the Assessor of the City of Portland in accordance with the requirements of Title 30-A § 5250-A of the Maine Revised Statutes. All Property Tax on the Original Assessed Value shall continue to be deposited in the general fund of the City.

The City will deposit the Tax Increment Revenues (Developer's Share) as described in Section 2.02 and Section 3.04 hereof and in Exhibit A into the Developer's Project Cost Account of the Affordable Housing Development Program Fund and pay such Tax Increment (Developer's Share) to Developer in accordance with the terms of the Credit Enhancement Agreement to be entered between the City and the Developer.

Section 3.04: Estimated Increased Assessed Value; Portion Applied to Development Program. The percentage of the Increased Assessed Value of the District to be retained as Captured Assessed Value in each year is 100%. Such Captured Tax Increment Revenues will be divided between the Developer and the City each year in the manner described below.

The Tax Increment Revenues (Developer's Share) to be paid to the Developer each year during the term of this Development Program will be an amount which shall be captured and retained to pay to the Developer or reimburse the Developer for the costs of the Capital Program pursuant to the Credit Enhancement Agreement. The Tax Increment Revenues (Developer's Share) shall be equal to the corresponding fiscal year's projected allocation percentage for each payment according to Exhibit A, but in no fiscal year will the Developer's Share exceed \$22,000 and further, in no event shall the total aggregate amount of Tax Increment Revenue (Developer's Share) exceed the sum of \$660,000 on a cumulative basis. The percentage determination of the Tax Increment Revenues (Developer's Share) as determined as described above shall apply regardless whether the actual Tax Increment Revenues are more or less than the estimated or projected Tax Increment Revenues set forth in Exhibit A.

"Tax Shift Formulas" mean the formulas utilized by the State of Maine in calculating: (a) the county tax payable in accordance with 30-A M.R.S.A. § 706 and 36 M.R.S.A. §§ 305(1), 381, as amended, and any successor provisions; (b) the municipal revenue sharing distribution of the Local Government Fund in accordance with 30-A M.R.S.A. §5681, as amended, and any successor provision, provided, however, that distribution of the Disproportionate Tax Burden Fund (the Revenue II fund), if any, shall not be taken into consideration in such calculation since taxes assessed on captured value within a tax increment financing district are included in the amounts of the property assessed in determining allocations of such Disproportionate Tax Burden Fund; and (c) State aid to education, including aid for total operating costs, total program cost allocation (taking into account the maximum local share or circuit breaker) and total debt service cost allocation (taking into account the maximum local share or circuit breaker), but not taking into account any hold harmless or hardship cushion that results in additional State aid to education to the prior years level even through the calculation would have resulted in a reduction, all as computed in accordance with Maine Department of Education Form ED 261 or any successor form.

The amount of Tax Increment from the total Increased Assessed Value that is to be paid each year to the Developer under Credit Enhancement Agreement to pay or reimburse costs of the Capital Program is hereinafter called the "Tax Increment Revenues (Developer's Share)." The amount of the Tax Increment from the total Increased Assessed Value that is to be used each year to pay or reimburse the City's costs of the Public Improvements is hereinafter called the Tax Increment Revenues (City Share).

The table attached hereto as Exhibit A also sets forth: (i) the annual estimates of the Increased Assessed Value of the District resulting from implementation of the Development Program; (ii) the estimated annual Tax Increment Revenues per year on the Increased Assessed Value following implementation of the Development Program, stated respectively as (a) a total, (b) the estimated amount of the Tax Increment Revenues (Developer's Share) and (c) the estimated amount of the Tax Increment Revenues (City Share) for Public Improvements.

Based on the manner in which Tax Increment Revenues (Developer's Shares) are defined, a share of the incremental property tax revenues derived from the increased valuation will be returned to the Developer to cover the financing gaps as described in Section 2.03 hereof. The amount of funds returned to the project over the life of the TIF will be capped at \$660,000. Once this limit is reached, no sharing of any additional incremental tax revenues will occur.

To comply with the provisions of the State of Maine, the Credit Enhancement Agreement includes a provision for the recapture of certain amounts relating to any affordable rental housing units that are not maintained as affordable for a period of at least thirty years and for any affordable single-family units that are not maintained as affordable for a period of at least ten years.

The amount of the Tax Increment Revenues on the Increased Assessed Value of all property in the District for each year during the term of the District to be allocated and paid to the Developer each year pursuant to the Credit Enhancement Agreement shall be equal to the product for each year during the term of the District of (a) the relevant Developers Percentage Allocation of the Tax Increment (Developer Share) for each year as computed as described above, times (b) the actual amount of the Tax Increment for each year. Such percentage allocations shall apply regardless of whether the actual Tax Increment Revenues each year are more or less than the Tax Increment Revenues as estimated or projected in Exhibit A of this Development Program, provided that in no fiscal year will the Developer's Share exceed \$22,000.

An Affordable Housing Development Program Fund shall be established by the City consisting of a Project Cost Account and a Sinking Fund. The Project Cost Account shall consist of and be separated into two subaccounts or funds consisting of the Developer's Project Cost Account (the "Developer's Project Cost Account") and the City's Project Cost Account (the "City's Project Cost Account"). The Developer's Project Cost Account will be pledged to and charged with payment of amounts due to Developer under the Credit Enhancement Agreement. Upon receipt of each payment of property tax with respect to property in the District, the City shall deposit into the Developer's Project Cost Account according to the terms of the Credit Enhancement Agreement that portion of each payment constituting the percentage of total actual Tax Increment for such year equal to the Tax Increment Revenues (Developer's Share). The amounts in the Developer's Project Cost Account shall be used and applied solely to fund the payments to Developer under the Credit Enhancement Agreement.

The remaining Tax Increment Revenues (being all of the actual Tax Increment from the District other than the Tax Increment Revenues (Developer's Share)) will be allocated to the City and will be captured and retained and deposited into the City's Project Cost Account and used to pay any costs of the Public Improvements described in Section 2.04 hereof or shall be deposited into the reserve fund(s) hereafter described. The City will establish the City Project Cost Account or a series of City Project Cost Accounts for the City, as one or more permanent municipal reserve funds created and administered pursuant to the provisions of Title 30-A Section 5801 of the Maine Revised Statutes, as amended, which funds shall be dedicated to the financing and payment of costs of the Public Improvements. Upon each payment of Property Tax with respect to property in the District, the City shall deposit to the City Project Cost Account an amount equal to the Tax Increment Revenues (City Share) for Public Improvements percentage as determined by the method described above. As the deposit and investment of funds in the City Project Cost Account accrue and increase to a level which permits acquisition or construction of individual Public Improvements, the Public Improvements will be undertaken and funded from such reserve fund(s). Accordingly, all Tax Increment Revenues deposited into the City's Project Cost Account reserve fund(s) shall be deemed to have been expended and used to satisfy the obligations of the City's Project Cost Account with respect to the Public Improvements described in the Development Program when deposited into such reserve fund(s). If the City determines to issue any bonds or indebtedness to pay for costs of the Public Improvements, a development Sinking Fund account shall be created and amounts sufficient to satisfy all annual debt service on such bonds and indebtedness shall be transferred to such Sinking Fund from the City's Project Cost Account but no amounts shall be transferred to the Sinking Fund from the Developer's Project Cost Account.

Section 3.05: Description of Terms and Conditions of Agreements. A description of the terms and conditions of the agreements, contracts and obligations to be entered into by the City is set forth in the Credit Enhancement Agreement to be entered into by the City and the Developer which will be substantially in the form attached hereto as Exhibit E. The Credit Enhancement Agreement sets forth the obligations of the City to pay to Developer each year during the term of that Agreement Tax Increment Revenues (Developer's Share) from all Property Tax with respect to all property in the District, as provided in such Credit Enhancement Agreement.

Section 3.06: Calculation of Tax Shifts. In accordance with Maine statutes governing the establishment of affordable housing development districts, Exhibit F identifies the estimated tax shifts which will result during the term of the District from the establishment of the District, using formulas approved by the Director of the Maine State Housing Authority. Exhibit F also contains a summary of the methodology and calculations utilized in calculating such estimated tax shifts.

The Pearl Place Phase One project will pay property taxes to the City based upon the local assessed valuation of the project and the City's annual tax rate. Exhibit A shows the estimated property

taxes that will be paid by the project over the next 30 years based upon the estimated local assessed valuation and the estimated tax rate of **\$16.64/\$1000** for the first year of Tax Increment Revenues. The amount of property taxes paid by owners of property in the District to City will be the same whether the project is included in a TIF district or not.

If the project is not part of a TIF, some of these new tax revenues will be offset by what are commonly called tax shifts. Since the City's total state valuation will be higher as a result of the project, its share of Cumberland County taxes will increase. The increased valuation and population will change the amount the City receives in State Revenue Sharing. The increased valuation and increased school enrollment will change the amount the City receives in state education aid.

Exhibit F thus shows the estimated amount of these tax shifts compared to what they would be if the new valuation is "sheltered" in a TIF and, therefore, does not get counted in the City's state valuation that is used in calculating county tax, revenue sharing and state education aid.

The actual extent and amount of the tax shifts can vary from this estimate since they are controlled by factors outside the City's control such as the rate of increase in the County budget, the amount of state sales and income tax collected, the amount of funding provided by the state for education aid, and the formula used to distribute that aid. So the extent and value of the shifts could be more or less than estimated.

Article IV. Municipal Approvals.

Section 4.01: Public Hearing. Before designating the District, the City legislative body of the City held a public hearing. Notice of the hearing was published on _____, a date that was at least 10 days before the hearing, in The Portland Press Herald, a newspaper of general circulation within the City. Attached hereto as Exhibit G is a copy of the Notice of Public Hearing. The Public hearing was held in accordance with the requirements of 30-A M.R.S.A. § 5250 on _____. At the public hearing, interested parties were given a reasonable opportunity to present testimony concerning the District and the Development Program.

Section 4.02: Authorizing Votes. Attached as Exhibit H is a copy of the Orders proposed for adoption by the City Council of the City of Portland at a meeting thereof duly called and held on _____ designating the District and adopting the Development Plan.

The undersigned, being the City Manager of the City of Portland, certifies that all of the information contained herein is true and correct to the best of my knowledge.

Dated: _____

City Manager, City of Portland

ATTACHMENT 2 (2 pages)

City of Portland - TIF Model

12/31/2013

Exhibit C: City of Portland- TIF Projection Table/Pearl Place I Amended TIF District									
TIF Year	Tax Year- April 1	Increased Assessed Value Real Prop.	% of Value Captured	Captured Valuation	Projected Mill Rate	Total Projected New Taxes Captured	Captured Revenue to Business Project Account	Captured Revenue to Municipal Project Account	City Non- Captured General Fund Revenues
1	2007	\$487,310	42.00%	\$204,670	17.10	\$3,500	\$3,500	\$0	\$4,833
2	2008	\$2,902,150	41.00%	\$1,189,882	17.44	\$20,754	\$20,754	\$0	\$29,865
3	2009	\$2,902,150	40.00%	\$1,160,860	17.44	\$20,245	\$20,245	\$0	\$30,368
4	2010	\$2,904,150	40.00%	\$1,161,660	17.92	\$20,817	\$20,817	\$0	\$31,225
5	2011	\$2,923,430	39.00%	\$1,140,138	18.28	\$20,840	\$20,840	\$0	\$32,596
6	2012	\$2,923,430	38.00%	\$1,110,903	18.82	\$20,907	\$20,907	\$0	\$34,112
7	2013	\$2,923,430	37.00%	\$1,081,669	19.41	\$20,995	\$20,995	\$0	\$35,749
8	2014	\$2,923,430	100.00%	\$2,923,430	19.80	\$57,879	\$21,415	\$36,464	\$0
9	2015	\$2,923,430	100.00%	\$2,923,430	20.19	\$59,036	\$21,253	\$37,783	\$0
10	2016	\$2,923,430	100.00%	\$2,923,430	20.60	\$60,217	\$21,076	\$39,141	\$0
11	2017	\$2,923,430	100.00%	\$2,923,430	21.01	\$61,421	\$20,883	\$40,538	\$0
12	2018	\$2,923,430	100.00%	\$2,923,430	21.43	\$62,650	\$21,301	\$41,349	\$0
13	2019	\$2,923,430	100.00%	\$2,923,430	21.86	\$63,903	\$21,088	\$42,815	\$0
14	2020	\$2,923,430	100.00%	\$2,923,430	22.30	\$65,181	\$20,858	\$44,323	\$0
15	2021	\$2,923,430	100.00%	\$2,923,430	22.74	\$66,484	\$21,275	\$45,209	\$0
16	2022	\$2,923,430	100.00%	\$2,923,430	23.20	\$67,814	\$21,022	\$46,792	\$0
17	2023	\$2,923,430	100.00%	\$2,923,430	23.66	\$69,170	\$21,443	\$47,728	\$0
18	2024	\$2,923,430	100.00%	\$2,923,430	24.13	\$70,554	\$21,166	\$49,388	\$0
19	2025	\$2,923,430	100.00%	\$2,923,430	24.62	\$71,965	\$20,870	\$51,095	\$0
20	2026	\$2,923,430	100.00%	\$2,923,430	25.11	\$73,404	\$21,287	\$52,117	\$0
21	2027	\$2,923,430	100.00%	\$2,923,430	25.61	\$74,872	\$20,964	\$53,908	\$0
22	2028	\$2,923,430	100.00%	\$2,923,430	26.12	\$76,370	\$21,384	\$54,986	\$0
23	2029	\$2,923,430	100.00%	\$2,923,430	26.65	\$77,897	\$21,032	\$56,865	\$0
24	2030	\$2,923,430	100.00%	\$2,923,430	27.18	\$79,455	\$21,453	\$58,002	\$0
25	2031	\$2,923,430	100.00%	\$2,923,430	27.72	\$81,044	\$21,071	\$59,973	\$0
26	2032	\$2,923,430	100.00%	\$2,923,430	28.28	\$82,665	\$21,493	\$61,172	\$0
27	2033	\$2,923,430	100.00%	\$2,923,430	28.84	\$84,318	\$21,080	\$63,239	\$0
28	2034	\$2,923,430	100.00%	\$2,923,430	29.42	\$86,005	\$21,501	\$64,503	\$0
29	2035	\$2,923,430	100.00%	\$2,923,430	30.01	\$87,725	\$21,054	\$66,671	\$0
30	2036	\$2,923,430	100.00%	\$2,923,430	30.61	\$89,479	\$21,475	\$68,004	\$0
30 Year TIF Total		\$85,204,940		\$74,288,672		\$1,797,566	\$615,502	\$1,182,064	\$198,748

Notes and Sources: Years 1 thru 7 of TIF is based on actual; Years 8 thru 30 Estimated.

**Tax Shifts-Avoided Formula Impacts from Sheltering of Valuation: City of Portland-Pearl Place
I Amended TIF**

Various percentage sheltered Years 1 through 7; 100% sheltered Years 8 through 30

TIF Year	Tax Year- April 1	Total Added Valuation	Sheltered Valuation	Avoided Formula Impacts from Sheltering of Valuation			
				Avoided Loss of State Aid to for Education	Avoided Loss of State Municipal Revenue Sharing	Avoided Increase in County Tax	Total Avoided Impacts
1	2007	\$487,310	\$204,670	\$1,529	\$211	\$96	\$1,836
2	2008	\$2,902,150	\$1,189,882	\$8,888	\$1,225	\$560	\$10,673
3	2009	\$2,902,150	\$1,160,860	\$8,672	\$1,195	\$546	\$10,413
4	2010	\$2,904,150	\$1,161,660	\$8,678	\$1,196	\$546	\$10,420
5	2011	\$2,923,430	\$1,140,138	\$8,517	\$1,174	\$536	\$10,227
6	2012	\$2,923,430	\$1,110,903	\$8,298	\$1,144	\$522	\$9,965
7	2013	\$2,923,430	\$1,081,669	\$8,080	\$1,114	\$509	\$9,702
8	2014	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
9	2015	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
10	2016	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
11	2017	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
12	2018	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
13	2019	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
14	2020	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
15	2021	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
16	2022	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
17	2023	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
18	2024	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
19	2025	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
20	2026	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
21	2027	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
22	2028	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
23	2029	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
24	2030	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
25	2031	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
26	2032	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
27	2033	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
28	2034	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
29	2035	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
30	2036	\$2,923,430	\$2,923,430	\$21,838	\$3,010	\$1,375	\$26,223
30 Year TIF Total		\$85,204,940	\$74,288,672	\$554,936	\$76,490	\$34,936	\$666,363

184 Pearl St, Portland, ME 04101, USA

Lancaster St

Phase I TRM
District 1
1.03 Acres

Oxford St

Chestnut St

GOO