Affordable Housing Developer Focus Group

South Portland Planning Office – May 2, 2016 at 8:30 a.m.

Present: Dana Totman, Mike Hulsey, Richard Berman, Isaac Misiuk, Tex Haeuser, Joshua Reny

Josh gave opening remarks and explained the recent formation of the Affordable Housing Committee and where we are at in the process. We have discussed several ideas and strategies to increase the supply of housing in general, and specifically to move the dial on affordable housing.

Dana explained to the group what he sees happening in the current housing market. His view is that some of the strategies being pursued by municipalities are nibbling around the edges of a much larger issue; there is an incredible gap between the number of affordable units available and the demonstrated need in the region. Much of the needed housing will only be created with higher-level government assistance such as the low income housing tax credit (LIHTC) program, but it requires a lot of money. Land use regulations, zoning, and parking standards are important, but those strategies alone will not completely solve the affordability issue.

If the City wants to take on housing affordability, it must have a strategy. How might the City become a real player, package a project, and put it out to bid? This requires possessing land for redevelopment, in an appropriate location to maximize points for LIHTC application, financial support, permitting approval, etc. The municipalities that have been most successful are ones with former schools needing redevelopment. Tax credit project applications with this type of proposed re-use are given a greater per-unit cost target and therefore it makes these applications much more competitive. If you can couple that with historic tax credits it makes an even stronger application.

Another strategy the City may pursue is mapping its current housing developments and determining whether there is additional land available for new construction at those locations, which may require a zoning change to boost density. But if part of an affordable housing strategy perhaps it makes sense. Richard expressed support for considering how the City might tie affordable housing to density requirements. Dana agreed a density bonus for affordable units would help.

There was general consensus that households at 60% AMI or greater will be best helped through a market-based strategy, and those at less than 60% AMI are best helped by government support via tax credits or subsidy, which is very expensive. The City should think broadly about these two approaches.

The group discussed the Affordable Housing TIF program and its relative value. The program does add points to a tax credit project application, but the tax credit must be used for operational costs and effectively decreases MSHA assistance. It is most valuable to demonstrate community support and increase the competitiveness of a project application. The City should treat it as one of several tools in its tool belt. It likely does not make sense to speculate about geography and create these districts in advance, unless the city owns a property and plans to solicit an RFP it should pre-package the project.

Developers looking to finance a LIHTC project with debt are financed through MSHA or the Federal Home Loan Program, and therefore there is no need for municipal level financing for those types of projects. However, there would be value in creating a municipal development fund that could provide grants or low-interest or forgivable loans to offset acquisition and demolition costs that might otherwise inhibit redevelopment. Any City assistance should be tied directly to creation of affordable units.

The best strategy to support projects that help very low income households is to get on board with developers pursuing LIHTC program early in the process, and provide community support. The City should periodically visit MSHA to discuss housing needs in the City.

Nationally, 30-40% of tax credit housing units are occupied by voucher tenants. Although some call it double-dipping, it allows the tax credit property to serve an even lower income population. For example, a tax credit unit may be priced for someone at 60% AMI and therefore someone at 30% AMI could not afford to live there, except if they have a housing voucher. Mike explained that with some projects the voucher may pay a higher level of rent and that can help hold down prices for non-voucher tenants who are only eligible for tax credit housing.

Mike explained that a big problem he is seeing is that some people with vouchers are not able to find rental units on the open market because the market is so tight and rent inflation is outpacing the value of the vouchers. So, even strategies the City might pursue to boost overall market housing supply will actually help some low income households with vouchers who will have an easier time finding housing.

Dana suggested that the Committee think about AirBnB and follow the discussion underway in City of Portland. It is quite a phenomenon, which is not only having an impact on housing supply and rent prices, but also reflects changes in the new economy and evolving business models in the rental housing and tourism industries. Richard reiterated his interest in exploring creation of a Housing Replacement Fund that would be capitalized by a fee paid when units come off the market or a unit is converted to AirBnB, or perhaps in lieu of inclusion of affordable units when new housing is developed. In Portland when three or more units are removed, there is a substantial fee paid and that money is used for other housing initiatives.

The final topic the group discussed was parking standards. Dana agreed that the City should at least consider eliminating off-street parking requirements in certain areas, i.e. on transit route, proximity to pedestrian facilities, walking distance to public services and amenities, etc. The group agreed that society is changing and many young people choose not to own a car. It may be time to reconsider automobile parking as an issue best left to property owners and prospective tenants to manage. Parking standards are a “dark age” approach to development based on an auto-centric society. In urban areas with multiple transportation options, it may be creating more costs than benefits to the community.