

August 14, 2017

Westbrook Street Housing Project

In June, the City of South Portland approved an application from Mr. Quang Nguyen, owner of Le Variety, to finance the acquisition of land for an affordable housing project through the City's Housing Revolving Loan fund. In recent weeks the land has been acquired and Avesta Housing and Mr. Nguyen have reached a tentative agreement to pursue the project. The development envisioned is a new mixed-use, multi-story building located at 600 Westbrook Street, including housing on the upper floors and retail on the ground floor facing Westbrook Street. Housing units would be a mix of studio, one, two, and three bedrooms, with a blend of units for low-to-moderate income households as well as others at market rate. Le Variety would relocate into a portion of the ground floor space. The remaining ground floor retail space has not yet been committed to a particular use but there are numerous ideas being discussed for that space, including a permanent home for the Neighborhood Resource Hub and the possibility of a business incubator or co-working space.

This housing project would be financed in part from the Low-Income Housing Tax Credit (LIHTC) program, administered by the Maine Housing Authority. Avesta will be preparing an application to that program in the coming months, which is anticipated to be due in January. The project applications received by MaineHousing are scored on a points system and because of the limited tax credits available, only 2-3 projects are typically funded each year. Avesta believes this project will score well but it will require support from the City of South Portland to increase its competitiveness and the number of points awarded. The most significant local support needed is an Affordable Housing Tax Increment Financing (AH-TIF) arrangement. Maine Housing awards several points for projects that are able to leverage a greater financial contribution, leading to the creation of more affordable housing. The AH-TIF would return a certain percent of property taxes paid on an annual basis through a Credit Enhancement Agreement (CEA). For example, a project receiving a 75% reimbursement of taxes for 30 years is awarded 6 points on the application, which is the maximum. A project receiving 75% for 20 years or 50% for 30 years is awarded 5 points. A project receiving 50% for 15 years is only awarded 3 points. Each additional point increases the project's chances of being successful.

Another area where projects are graded for points is access to public transportation and community services. This project location is an excellent candidate because it is approximately 1,000 feet from the nearby Westbrook Street bus shelter. However, along the west side of the street there is a gap where no sidewalk exists for approximately 675 feet. This is one of the key findings in the West End Master Plan and a second area where the City could commit to supporting the project. Improving public transportation infrastructure would represent a significant benefit both to the neighborhood as a whole and, more specifically, to this proposed project. Fortunately, these types of

improvements are eligible for CDBG funding and would only require a commitment from City Council to begin implementing with funds that have already been earmarked for West End facilities and infrastructure in the current year's CDBG Work Plan.

The third area of potential City support for this project involves the uncommitted retail space on the ground floor. The size and dimensions of the space is still uncertain but is estimated to be approximately 2,000 sq. ft. City Staff have been discussing with Avesta and Mr. Nguyen a variety of possibilities for how that space could be used. The challenge is that the project is primarily a housing project and the tax credit financing cannot be used to pay for non-housing uses in the building. Therefore, if the Resource Hub were to relocate to the new space and a co-working space created, as an example, the prorated cost to construct that space must be paid from another source. This conversation has led to the question of whether the City would want to become a partner, at some level, via a lease agreement, to ensure space is available for activities not housing related but directly benefiting the neighborhood and community as a whole. The Resource Hub provides a range of services for the community and has been instrumental in improving the lives of many residents. It is widely recognized that not only does the Hub need a permanent home, but its location on this property makes it very accessible and it truly does operate as a neighborhood "hub", connecting people and building community.

The three areas where staff is looking for Council feedback and guidance are as follows:

1. Does the City Council support the creation of an Affordable Housing TIF District and incentive plan for the proposed project? If yes, what terms (level of incentive) in years and/or % of taxes to be returned are acceptable?
2. Does the City Council support immediately pursuing certain public improvements identified in the West End Master Plan that will directly support this project? If yes, should staff develop an implementation plan and budget for Council review?
3. Does the City Council have interest in relocating the Resource Hub into the new building, if/when the project is completed, and creating a new space such as a business incubator or co-working space? If yes, should staff develop a formal proposal for the Council to review, including terms of a lease agreement?

City Staff and representatives from Avesta Housing will be present at Monday's workshop to answer any questions you may have.


City Manager