AGENDA

SCARBOROUGH TOWN COUNCIL
WEDNESDAY – JUNE 5, 2019
COUNCIL WORKSHOP RE: BESSEY COMMONS II PROJECT
AND THE RELATED AFFORDABLE HOUSING TIF
CHAMBERS – 6:00 P.M.

Item 1. Call to Order.

Item 2. Those Present.

Item 3. Discussion on Bessey Commons II Project and the related Affordable Housing TIF.

Item 4. Adjournment.

OVERVIEW: PROPOSED BESSEY COMMONS II AFFORDABLE HOUSING TAX INCREMENT FINANCING DISTRICT

Background

In 2006, the Town leased the former Bessey School building and surrounding land to Bessey Senior Commons Senior Housing Corporation for 99 years for the purpose of developing affordable senior housing. The Town also created the 7.82 acre Bessey School Affordable Housing Tax Increment Financing District with a term of 30 years which is the maximum permitted.

The first phase of the Bessey senior housing ("Bessey I") was completed in 2008 by rehabilitating the former school building and adding an expansion wing. Bessey I provides 54 one-bedroom affordable, rent-restricted apartments for seniors. Bessey I is situated on Lot 1 of the leased land which consists of approximately 2.75 acres.

At the time the Town entered into the Lease and created the existing TIF District, it was expected that there would be a second phase adding more affordable, rent-restricted senior housing on the leased site.

Bessey Commons II Project and Proposed TIF

Bessey School Senior Housing Corporation now plans to make Lot 2 of the leased land (3.39 acres) available to Bessey Commons II, LP for the construction of Bessey II. Bessey II will consist of an additional 40 one-bedroom affordable, rent-restricted apartments for seniors. All 40 apartments will be targeted with an income average for the project of no more than 60% of area median income.

There is a demonstrated need for this additional affordable senior housing. Bessey I has a waiting list of approximately 65 households. Units at Bessey I become available at an average rate of 30 to 5 units per year indicating that the waiting list is more than 10 years in length. An additional 40 units at Bessey II would help meet this need.

Bessey II would be financed in part by $200,000 from the Town's Scarborough Affordable Housing Fund.

Ownership by a for-profit entity is required for the project to be eligible for Federal low-income housing tax credits needed to develop the project. However, ownership by a for-profit entity also makes property taxes applicable, so a TIF and Credit Enhancement Agreement are needed. Because of the limited project revenues resulting from the restricted rents, Bessey II is financially feasible only with a TIF to reduce its operating expenses. Like the TIF adopted to make Bessey I possible, the TIF for Bessey II is proposed to return all of the incremental property tax revenues for a 30 year term.

Two Proposed Steps

In order to create the proposed TIF for Bessey II, two steps would be needed as follows:

1) Amend the existing Bessey Commons TIF to remove the 3.39 acre site for Bessey II.

2) Adopt a new TIF District and Development Program for Bessey II for these 3.39 acres. This would include a Credit Enhancement Agreement which returns the tax increment on the 100% captured assessed value to the project to support operating expenses.

These two steps can be taken together. Each requires a public hearing and full details will be provided to the Council for consideration. Following any Council approval, the amendment to the Bessey I TIF and the new Bessey II TIF would be submitted for Maine State Housing Authority approval as required by state law.

Prepared for Scarborough Town Council Workshop June 5, 2019