

**Scarborough Housing Alliance  
Committee Meeting  
Thursday, August 28, 2024 - Hybrid Meeting  
*[Scarborough Town Hall – 6:00pm]***

Zoom Link: <https://scarboroughmaine.zoom.us/j/81579031150>

AGENDA

- **Approval of Minutes - June 27, 2024**
  
- **Discussion: Affordable Housing Program**
  - **Case Study- Unintended Consequences**
  
- **Discussion: CEA Policy for Affordable Housing Projects**
  
- **Public Comment**
  
- **Adjournment**

**WHY SHA EXISTS:**

The purpose of the Council in establishing the Alliance is to create a broadly-based community group to:

- Work together to develop and recommend a local housing agenda to the Town Council.
- Implement a local housing program under the guidance of the Town Council.
- Perform such other duties as may be assigned by the Town Council from time to time.

## Considerations for the Housing CEA Policy

### What do we want from a Project requesting a CEA?

- 1) The project will increase the supply of affordable housing units (using the attached definition) in the Town of Scarborough.
- 2) The project will demonstrate consistency with the Town's Comprehensive Plan
- 3) The project will leverage additional funding that is equal to or greater than the CEA request
- 4) The project will target at least some units to those with incomes meeting 40% to 60% of AMI.
- 5) The project will demonstrate a long-term commitment to affordability
- 6) The project meets a specific housing goal of the Town Council
- 7) The project is located in an area with sufficient access to local services
- 8) The project provides a walkable environment for residents
- 9) The project is located in an established TIF District

How many of these objectives need to be addressed in order to invite a project to make application?

### Who Reviews?

1. SEDCO helps Applicant understand the process
2. Applicant provides a letter/preliminary application to Town Manager
3. If Applicant meets minimum requirements, Town Manager invites an applicant to continue in the Process
4. Town Manager notifies Council and Housing Alliance and assigns a staff coordinator
5. *Housing Alliance Reviews the preliminary application*
6. Joint Housing Alliance and Council meet together in initial meeting (*Maybe Housing Alliance and Finance Committee meet together?*)
7. Applicant addresses Questions/Comments and provides additional information in a final Application
8. Final Application goes to Finance Committee for scoring
9. Finance Committee Makes Recommendation to Town Council based on Scoring sheet – should Housing Alliance also do the scoring sheet?

### What's needed in Application?

1. Documentation on which of the above objectives are met by the project
2. How the project will affect the current housing supply in Scarborough
3. An accounting of all units by type and affordability classification
4. An explanation of how the affordable units will be held as affordable into the future
5. A description of the applicant's experience, technical capacity, initiative and creativity in the development of affordable housing
6. An accounting of what role the CEA plays in the overall financing of the project
7. How the project is consistent with the current Comprehensive Plan
8. How the project will implement specific recommendations from the Town's other strategic planning documents other than the Comprehensive Plan
9. The number of residents expected, including school age children

10. An accounting of value created, tax revenues generated and percentage of reimbursement of tax revenues requested by year
11. Whether the project will provide infrastructure beyond the current project
12. Whether the project will enhance streetscape and the pedestrian experience beyond the project
13. How the project adheres to higher standards of building design and energy efficiency.
14. How the project will embrace sustainable practices
15. An explanation of how the CEA fulfills different point values in the MaineHousing application.

**Timing of Application** -- Should there be a deadline associated with Main Housing Funding Rounds?



**TO:** Scarborough Housing Alliance  
**FROM:** Karen Martin, SEDCO Executive Director  
**DATE:** July 17, 2024  
**SUBJECT:** Credit Enhancement Policy for Housing Projects

### **Overview:**

The Scarborough Town Council currently has an adopted policy relating to economic development projects requesting Credit Enhancement Agreements (CEA's) under the authority of Tax Increment Financing (TIF) districts. The Finance Committee is in the process of updating the policy. One major update is the Finance Committee's desire to incorporate appropriate guidance for the Council on housing projects that request a CEA. In order to develop such a policy update, staff is seeking advice from the Housing Alliance to develop criteria appropriate to housing projects.

### **Elements of Current Policy**

The economic development policy is summarized in Attachment A. The fundamental elements of this policy include

- 1) Establishment of a set of objectives for Economic Development projects
- 2) A process by which projects are invited to submit, and
- 3) A step-by-step process for approval.

### **Housing Adaptation of Policy: Objectives**

Since the policy currently only addresses objectives for economic development projects, a separate list of objectives for housing is necessary.

The policy will first reiterate the requirements of housing projects according to State statutes:

- At least 33% of the housing units in the project must be for households earning no more than 120% of area median income.
- The affordability of rental units must be maintained for at least 30 years, and the affordability of homeownership units must be maintained for at least 10 years.

In addition to these requirements by the State, The Scarborough policy will list a series of housing objectives of which the project will need to meet at least 4:

- 1) The project will increase the supply of affordable housing units (using the attached definition) in the Town of Scarborough.
- 2) The project will demonstrate consistency with the Town's Comprehensive Plan
- 3) The project will leverage additional funding that is equal to or greater than the CEA request
- 4) The project will target at least some units to those with incomes meeting 40% to 60% of AMI.
- 5) The project will demonstrate a long-term commitment to affordability
- 6) The project meets a specific housing goal of the Town Council
- 7) The project is located in an area with sufficient access to local services

- 8) The project provides a walkable environment for residents
- 9) The project is located in an established TIF District

*This list is intended to be a start for the conversation. Please feel free to edit, delete or add to the list above.*

### **Housing Adaptation of Policy: Process**

The application process will require project developers to submit the following in a preliminary letter to the Town Manager. The Town Manager will then make a determination of whether or not the objectives are met. If the objectives are met, then the materials will be sent to the Housing Alliance for review and comment.

- 1) A description of how they meet current objectives
- 2) A description of their experience, technical capacity, initiative and creativity in the development of affordable housing
- 3) A description of how the CEA will be used to leverage additional funds
- 4) A description of the number of points that the project would receive from Maine Housing, based on different levels of CEA funding
- 5) A list of additional funding sources for the project
- 6) An estimate of the property tax revenues anticipated at completion of project
- 7) A description of the number and type of units to be constructed
- 8) A description of the target market

### **Housing Adaptation of Policy: Eligible Uses of Funds**

According to state statute, eligible uses of revenues include:

- 1) Capital and operating costs of affordable housing
- 2) Capital and operating costs of public infrastructure improvements,
- 3) Related soft costs
- 4) Support services for residents of the affordable housing, and
- 5) Costs of recreational and childcare facilities.

### **Housing Adaptation of Policy: Process**

The application process for Economic Development CEA's is being reviewed by the Finance Committee. That process will be streamlined and adapted to fit both economic development and housing projects.

**Summary of Town of Scarborough's Policy for  
Economic Development Tax Increment Financing District's (TIF)  
with Credit Enhancement Agreements (CEA)  
Adopted 11/4/2020**

**Projects requesting a CEA must meet at least 3 of the following objectives:**

- Assistance supports public infrastructure projects typically funded through municipal budgeting
- The infrastructure project is identified as needed and or determined to deliver a public benefit
- Development project cannot move forward without specified infrastructure
- Development project will create or retain sustainable employment opportunities
- Development project will enhance environmental protections
- Development project is financially advantageous to the Town

**The following five items apply to CEA's**

- **Amount of Funds:**
  - Applicant is required to submit documentation to justify the need for and use of requested CEA funds
- **Terms:**
  - Agreements can be anywhere from 1 to 30 years
  - Agreements may capture up to 100% of the incremental value
  - Agreements shall have performance measures, which will require annual reports to the town on the status of such measures. Additional reporting requirements may be included in the CEA.
  - Terms may include a reimbursement cap in dollars either annually or over the life of the agreement
  - Assignments will be allowed only for conventional commercial financing purposes or where the proposed assignee agrees to be bound by the same terms and conditions as the original applicant, unless otherwise amended by the Town and developer.
- **Suspension, Reduction and/or Termination of Benefits:**
  - CEA's may contain provisions for the suspension and/or termination of the benefits such as penalties for not meeting agreed upon targets and performance thresholds.
- **Level of Funding Adjustments**
  - The Council may include a requirement that the applicant demonstrate that the funds are being used at appropriate levels for the purpose intended. If the level of funds exceeds the projected need, the amount returned to the applicant shall be adjusted.
- **Financial Analysis:**
  - The applicant will submit a comprehensive cost to serve analysis, tax shift disclosure and expert analysis if the reimbursement is greater than \$5,000,000. Expert analysis will not be required for proposed CEA's under \$2,000,000. Proposed CEA's between \$2,000,000 and \$5,000,000 will have a Scarborough staff provided analysis.

**New TIF District:**

If a new TIF District is to be created for the purpose of creating a CEA, the following conditions apply:

- TIF Districts may be designated for up to 30 Years

