

**TOWN OF FALMOUTH
2008 CUMBERLAND COUNTY CDBG
GENERAL PROGRAM GRANT APPLICATION**

DRAFT

1) DESCRIBE THE PROJECT

The Town of Falmouth is applying for Community Development Block Grant (CDBG) funds to help finance a workforce/affordable housing subdivision to be located on a 25 acre parcel of Town-owned land on Marshall Drive in Falmouth, Maine. A preliminary analysis of the site indicates that up to 39 housing units could be accommodated under the existing Mixed Use Cluster zoning, which could allow for a diverse mix of different housing types including single-family detached homes, duplexes, multiplexes, and townhouses.

At least 41% of the housing units in the proposed development will be reserved for households earning 80% or less of the most recent U.S. Department of Housing and Urban Development (HUD) area median income (AMI) levels adjusted for household size, and the remaining housing units will be reserved for households earning between 80% and 120% AMI. The Town will provide the land at no cost for the housing subdivision in order to eliminate the developer's need to recoup the cost of the value of the land and to help ensure that the sales prices of the housing units will be kept affordable for the future residents of the subdivision in both the short-term and the long-term. By providing the land for the housing subdivision, the Town will easily meet the CDBG requirement for a 20% local match.

The proposed location of the workforce housing subdivision is advantageous in at least two respects. It is on the same parcel of land as Falmouth's new police station, due to open in February 2008, and it also directly abuts the existing Public Works facility on Woods Road. By virtue of being in such close proximity to these two municipal facilities, the Town is hopeful that municipal employees will be more likely to benefit from the project. In addition, METRO's "Falmouth Flyer" bus route is located only ¾ mile away from the location of the proposed subdivision, thereby providing an important transportation link into the City of Portland for households who may not own a motor vehicle.

2) IDENTIFY THE COMMUNITY NEEDS TO BE ADDRESSED

The average home price in the Town of Falmouth has doubled in the last 10 years from approximately \$200,000 in 1994 to almost \$400,000 in 2005. In fact, Falmouth had a higher median home sales price in 2005 than any other community in Cumberland County. Also in 2005, Falmouth had the dubious distinction of having the highest average monthly rents in the Greater Portland area. At \$1,242 per month, the average rent in Falmouth was 33% more than the Portland region's Fair Market Rent as determined by the U.S. Department of Housing and Urban Development.

While many towns across southern Maine confront a housing affordability crisis, the situation is compounded in Falmouth because of its desirable location as the closest suburb on the north side of Portland. The Maine State Housing Authority (MSHA) estimates that the average household living in Falmouth would need to earn over \$130,000 annually to afford a \$400,000 home in Falmouth. This level of household income exceeds Falmouth's median household income (\$77,401) by over \$50,000. According to MSHA, 41% of Falmouth households could not afford to buy their home at today's market value.

The result of this escalation in real estate prices is that low- and moderate-income people are being priced out of the Falmouth housing market. Falmouth's economic diversity is rapidly disappearing as the Town continues to become an economically homogenous, white-collar, bedroom community. More and more of the workers that obtain employment in Falmouth are being forced to live elsewhere, and not in the community they serve.

The Town has taken some proactive steps in the past several years to address the issue of housing affordability. In addition to recently donating two parcels of land to Habitat for Humanity, three years ago Falmouth enacted a zoning amendment to allow for "Diverse Housing Units" along U.S. Route One. Prior to this amendment, residential development was only permitted as a conditional use in the Village Center area of Falmouth along Route One. Recognizing the importance of integrating housing within close proximity to employment centers, the Town is hopeful that this zoning provision, which allows for relaxed zoning standards and requires that 20% of all housing units be no larger than 850 square feet in size, will encourage mixed use development and affordable housing along what has historically been strictly a commercial strip devoid of residences.

In appreciation of the fact that rental housing is often the housing of choice or of necessity for many low- and moderate-income households, Falmouth also recently expanded its accessory dwelling unit provisions to encourage more affordable housing and to provide for more rental opportunities in town. Unlike some communities, Falmouth's ordinance caps the maximum square footage of accessory dwelling units in an effort to keep the units affordable and to help the units better blend in with the character of existing neighborhoods. Although numerous property owners have taken advantage of this ordinance provision, the Town believes it is equally important to create affordable housing opportunities for homeowners as well as renters. Through the creation of a workforce housing subdivision, the Town would be taking steps to fill that unmet housing need, which the free market is otherwise failing to do.

3) CONVEY YOUR COMMUNITY'S READINESS TO PROCEED

The topic of workforce/affordable housing has existed in Falmouth since the early 1990's. Over the past several years, an active Ad-Hoc Workforce Housing Committee, which includes two Town Councilors, has raised community awareness around the issue of housing affordability. The Committee recognizes that in order for a project such as this to succeed, it needs to have local support from the community at large. Accordingly, the Committee has conducted several public meetings and made several presentations to the Falmouth Town Council on the issue of workforce housing over the past few years. In 2006, a public forum was held at the Falmouth Memorial Library to present the Committee's research and to gauge community support for

moving forward with possible options to address the issue of workforce housing. Town employees were specifically invited to the forum and several attended and expressed an interest in the concept of a workforce housing subdivision.

More recently, a public hearing was held in November 2007, with a subsequent meeting in December 2007, pertaining to the Workforce Housing Committee's request for the Town Council to authorize moving forward with issuance of a Request for Proposals (RFP) to potential developers of a workforce housing subdivision. On January 28, 2008, the Town Council will be formally voting on an order to authorize issuance of the RFP and also will be voting on an order to officially authorize the Town Manager to apply for CDBG funds in support of the workforce housing subdivision. The citizens of Falmouth have been, and will continue to be, fully involved and informed about this project as it moves forward through the public process.

Additional support for this proposal comes from Westbrook Housing Authority (WHA). John Gallagher, Director of WHA, has attended Workforce Housing Committee meetings since November 2006 to provide expertise and to answer questions at Falmouth Town Council meetings. Another WHA employee, Dick Begin, provided assistance with the grant application form. WHA's experience and knowledge of workforce housing projects helped the Committee reach consensus around the workforce housing concept developed and also helped provide the initial framework for drafting the RFP.

The RFP itself is designed to provide maximum flexibility to potential developers in an effort to promote greater creativity in respondents' approach to the project. Although a preliminary analysis indicates that many desired elements of a workforce housing concept could be developed under existing zoning, the Town will consider approving a contract zone for the project if the end result is a superior final product.

In anticipation of starting construction on the workforce housing subdivision in 2008, the Town surveyed the entire parcel and mapped all of the on-site wetlands and vernal pools in 2007. The Town took the proactive step of identifying all of the parcel's natural resource constraints ahead of time to estimate the future development potential of the site under existing zoning but also to ensure that the timing of the project would not be delayed due to the identification of unforeseen environmental constraints. Having the site's natural resources inventoried ahead of time will allow prospective developers responding to the RFP to more accurately develop realistic proposals that respond to the site's natural features and resource constraints.

4) IDENTIFY THE MEASURABLE IMPACT OF THE ACTIVITY

The impact of the proposed workforce housing subdivision will be the creation of at least 20 affordable housing units located on town owned property in Falmouth. While the RFP is written to require development of no less than 20 housing units, it is realistic that the actual number of units eventually developed will be a larger number. A minimum of 41% of the housing units will be reserved and priced for individuals earning 80% or less of the most recent HUD AMI levels. Although not required for the CDBG program, the remainder of the housing units will be reserved and priced for households earning between 80% and 120% of AMI levels. This project

would be the first of its kind in Falmouth and would help empower an important group of individuals and families to become homeowners.

The only towns in the Greater Portland region where a household earning the median income can afford the median priced home without paying more than 30% of their income in mortgage costs are at least a 45-minute commute from the City of Portland, the region's major employment center. The phrase "driving until you qualify" was developed to refer to the number of miles first time homebuyers are willing to commute to work in order to find a house with a monthly mortgage payment they can afford. While housing may cost less in the outer ring of suburbs, the costs to society, in terms of expensive road maintenance, air pollution, traffic congestion and sprawl, are great. What's more, with the dramatic rise in the price of oil over the past several years, any savings homeowners used to realize from lower monthly mortgage payments are now quickly offset by the cost of commuting such a long distance to work every day. Falmouth's proposed workforce housing development will be strategically located only a few miles from downtown Portland and is in close proximity to an existing public bus route. Since low-income residents overwhelmingly rely on public transportation to meet their daily needs (50% of Metro bus riders live in households that do not own an automobile) having a location so close to the City of Portland and its public transit networks is critical.

The crisis of affordable housing has become an economic development barrier that demands regional solutions. By taking steps to address its housing affordability problem, Falmouth is addressing a local as well as a regional issue. By finding ways to provide affordable workforce housing, Falmouth will help alleviate the housing crisis in the entire Greater Portland area. With a diverse mix of housing, Town employees will have the opportunity to live in the town that they serve, the elderly will have the opportunity to maintain their homes, and the workers who are employed in Falmouth will have the opportunity to live in the town that they work in.

5) DEMONSTRATE THE NEED FOR CDBG PROGRAM FUNDS

Affordable housing projects such as these are very difficult, and oftentimes unfeasible, to develop without subsidies from outside sources. Although the Town currently owns the land for the proposed housing subdivision, further assistance is needed with developing the costly infrastructure (water, sewer, utilities) that will be required in order to serve the higher-density development envisioned for this project.

Although the Town's concept RFP was written to allow developers flexibility in developing a creative and innovative project, there are certain criteria the Town would prefer to see met with every proposal submitted such as green building standards, energy efficient construction design, high-quality architecture and landscaping, and guaranteed long-term affordability of units into the future. At a minimum, the Town expects that no household will pay more than 30% of their monthly gross income on mortgage, insurance, and real estate taxes. The fact that the Town intends to go above and beyond the minimum requirements for the County CDBG program by reserving all of the housing units in the subdivision for households earning less than 120% of the AMI, further underscores the necessity of obtaining additional outside funding (such as CDBG funding) for this project in order to keep purchase prices at an affordable level for the future residents of the development.