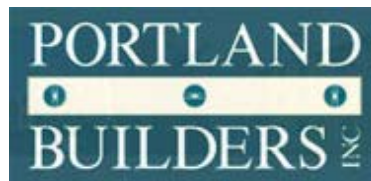
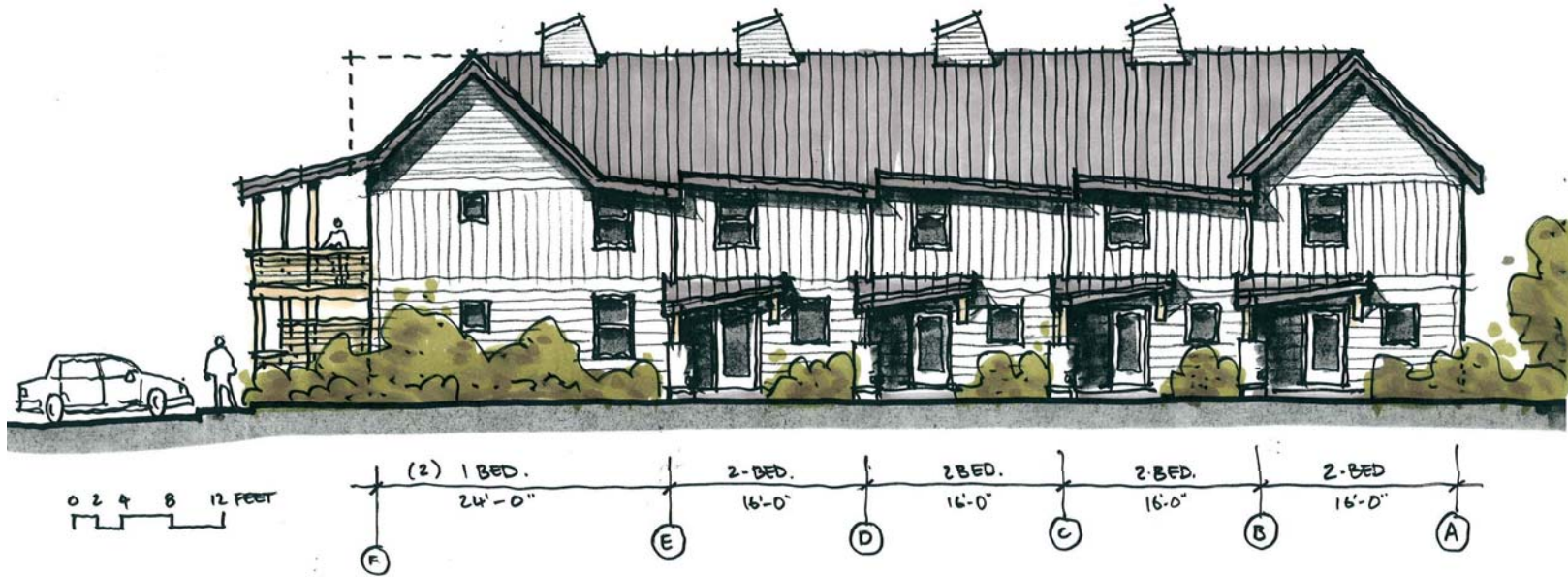


# Woods Road Workforce Housing



Falmouth Town Council April 13, 2009

# **Introduction**

- **The Town's request and our approach**
  - **Answers to specific questions**
    - **What are the next steps?**

## **Request for Proposals Recap**

***“The Town of Falmouth, Maine is seeking a qualified for-profit or non-profit developer to build a new workforce housing development in the community that is moderately-priced and offers ownership opportunities to low and moderate-income families.”***

*-Town of Falmouth Request for Proposals: Workforce Housing Home Ownership Development, 2/08*

# RFP Suggested Criteria

- 40% of units to families at or below 80% AMI.
- 60% of units to families at or below 120% AMI.
- AMI: Area Median Income (Greater Portland)
- House needs to be priced so family making 80%/120% of AMI spends no more than 30% of household income on:
  - Principal
  - Interest
  - Taxes
  - Insurance

# RFP Preferred Criteria

- Mix of unit types and sizes
- Handicapped accessibility
- Guaranteed long-term affordability

*-Town of Falmouth Request for Proposals: Workforce Housing  
Home Ownership Development, 2/08*

# “Town Assistance”

- No-cost land
- Potential CDBG or TIF
- Consideration of a “Planned Development District”

*-Town of Falmouth Request for Proposals: Workforce Housing Home Ownership Development, 2/08*

# Our Approach

- Site Design:

- Take advantage of natural features*
- Respect environmental constraints*
- Achieve sufficient density*
- Efficient infrastructure layout*
- Minimize impacts on abutters*

- Building Design:

- Sustainable design: strive for Platinum LEED*
- Variety of unit types and sizes: single family, duplex, and townhomes*
- Innovative use of space to minimize unit size*

- Phased Development:

- Site naturally breaks into 2 developable areas*
- Greater affordability and public financing concentrated in Phase I*

# Answers to Specific Council Questions

- We grouped the Council's questions of February 9 into 5 categories:
  - *Who will this project help?*
  - *What will it look like?*
  - *What will it cost the Town?*
  - *How do we ensure it stays affordable?*
  - *Are we setting any new precedents with zoning/land use concessions?*



**Issue 1:**

**Who is this project going to help?**

# The Issue in Numbers

- Falmouth median priced home (2007): **\$399,000**
- Income required to afford median home: **\$131,000**
- Falmouth employees' median income (not top 20): **\$36,525**
- This income can afford a house priced about: **\$110,000**
- Houses currently on market at <\$250,000: **14**
- Average year built of those houses + recently sold: **1948**

# Falmouth Employees at 80% AMI

## Real Salaries (data provided by Town)

<i>1<sup>st</sup> yr police officer:</i>	\$36,500
<i>Town mechanic:</i>	\$36,500
<i>Town equipment operator:</i>	\$33,900
<i>Beginning teacher:</i>	\$33,000



- These Town employees earn enough to carry a mortgage, but not enough to buy most homes in Falmouth.
- With this project, a newly constructed, super energy-efficient, one bedroom townhouse would be available and affordable to these households at around **\$110,000**.

# Falmouth Workers at 120% AMI

## Real Salaries (data provided by Town)

*Teacher and Town mechanic:* \$69,500

*Police officer & social worker:* \$69,300

*Nurse & EMT:* \$69,100



- While these dual-earner households have more options, there is nothing in Falmouth within reach approaching the quality of the proposed units in the Woods Road project.
- With this project, a newly constructed, super energy-efficient, three bedroom house would be available and affordable to these households at around **\$230,000**.

# Who's Eligible?

- Units could not be restricted to any one group, but preference could be given, for example:
  - Town employees
  - Those who currently work in Town
  - Former residents or children of residents
- Buyers must have a stable enough credit and income history to qualify for a mortgage.
- Households qualify as long as they fall within the AMI income guidelines, adjusted for household size.

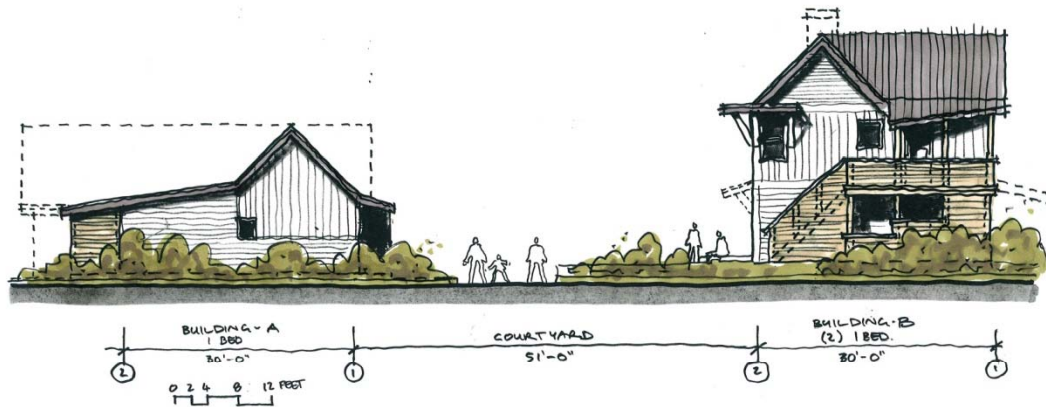
## **Issue 2:**

**Design, or “What will it look like?”**

# **Presentation / Q&A**

## **by Phil Kaplan,**

### **Kaplan + Thompson Architects**



EAST ELEVATION  
MULTI-FAMILY BUILDINGS A&B

## **Issue 3: Cost**

**Why does this project need a TIF?  
Isn't donated land enough?**



## **Short Answer #1:**

***Getting to 80% Area Median Income (AMI) affordability requires significant subsidy.***

- The market will support something close to 120% AMI.*
- To get to 80% AMI requires about \$70,000/unit in subsidy.*
- 14 units at 80% = \$980,000 required.*

## **Short Answer #2:**

**We made a conservative estimate of Infrastructure Costs due to the:**

- *likely presence of significant ledge*
- *need to treat stormwater from the police station*
- *need for lengthy road/utilities.*

# TIF Basics

## TIF: Tax Increment Financing

- A municipal economic development tool
- Used to “capture” increased tax dollars due to new development
- Holds Town harmless from 3 negative effects of increased valuation:
  - *Decreased State aid to education*
  - *Increased County taxes*
  - *Decreased Municipal revenue sharing*

# Affordable Housing TIF

- More flexible than standard economic development TIF
- Allows captured revenue to be used for:
  - Infrastructure improvements
  - Recreational and child care facilities
  - Capital costs
  - Operating costs
  - *Costs to mitigate “impacts on the community, including costs to local schools”*

# TIF Numbers

- Analysis by Jim Damichis, PolicyOne Research, Inc.
- Found that out of every new tax dollar generated in Falmouth today, 65% flows outside the Town. 35% stays. A 30-year average might be 55%/45%.
- Over 30 years, *absent a TIF*, this means:
  - Total taxes generated: \$6.5 million
  - Taxes retained: \$2.9 million
  - Taxes lost: \$3.6 million
- Estimates indicate all or nearly all of revenue proposed to be dedicated to project would be lost to the Town anyway without a TIF.

# TIF Proposal

- Town shelters 100% of new valuation from state/county impacts
- Town retains sufficient new revenue to offset costs of service to development (\$35,000/yr)
- Remainder is available to enhance affordability to those at 80% AMI by bonding for infrastructure.
- Any excess can be put toward school budget (this is unique to the Affordable Housing TIF)

# TIF Benefit #1

- The TIF allows new revenue to be generated:
  - \$0 in tax revenue today on the site
  - Due to site constraints, likely to remain \$0
  - Project will generate revenue long after TIF expires

## TIF Benefit #2

- The TIF is **necessary for the project to go forward:**
  - Workforce housing is a stated policy goal of the Town. The TIF will help achieve this goal.
  - It is a long-term investment in the community and its people.
  - Most or all of the TIF proceeds would flow outside Falmouth even if it were financially feasible without a TIF.



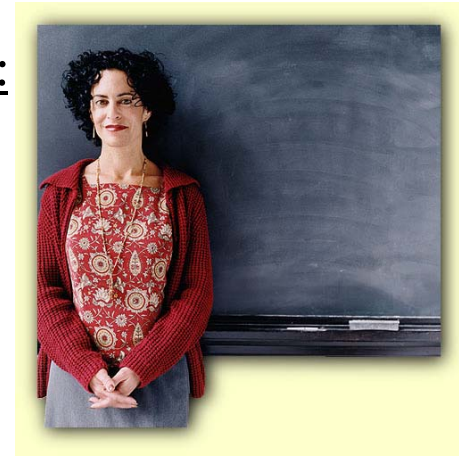
## **Issue 4:**

**How do we ensure it stays affordable?**

# Permanent Affordability at 80% AMI

The teacher decides to sell her townhouse 5 years later:

- Area Median Income has risen 10%.
- The unit can only be sold to those making at or below 80% of the new AMI.
- Seller's gain limited to growth in AMI.



	2010	2015
Affordable Price	110,000	121,000
Soft Second Mortgage	70,000	77,000
Sale (Market) Price	180,000	198,000
Return to Seller		11,000

# Shared Appreciation at 120% AMI

The family decides move up to a larger home:

- The housing market has risen 15%.
- The unit can be sold:
  - to those making up to 120% new AMI (no penalty);
  - to others (Soft second must be repaid to Town).
- Seller's gain limited to growth in housing market.



	2010	2015
Affordable Price	230,000	264,500
Soft Second Mortgage	20,000	23,000
Sale (Market) Price	250,000	287,500
Return to Seller		34,500

# Why 2 different models?

- Both models prevent “windfall profit.”
- Affordability restrictions must be stronger with more deeply subsidized units.
- It is possible to require absolute control on resale with deep subsidy units, especially condos.
- However, absolute resale controls on less-subsidized houses create a disincentive for home maintenance and improvement and will not be accepted by buyers.

## **Issue 5:**

**Are we setting any new precedents with zoning/land use concessions?**

# Planning/Zoning

*“...the Town will consider the adoption of a “Planned Development District” designation for this project, whereby any standard may be modified upon an affirmative vote by the Town Council.”*

*-Town of Falmouth Request for Proposals: Workforce Housing Home Ownership Development, 2/08*

Thus, our approach has been to meet the Town’s goals as stated in the RFP, not to comply with the existing zoning.

# Planning/Zoning

- We have proposed a project that fits very closely within the existing conservation subdivision framework.
- It fits the basic intent and two most important metrics:
  - Density (up to 66 units allowed; 48 proposed)
  - Common Open Space (10.5 acres required, 11 proposed)

However, a “*Planned Development District*” will be needed to accommodate some of the goals expressed in the RFP:

- Mix of housing types
- Sustainable, transit/pedestrian-friendly development
- Preservation of maximum undeveloped area

# Setting Precedents or Following Them?

- Proposed road width came out of a discussion with staff.
- We proposed a 24' road and staff (Amanda Stearns, Ethan Croce, Tony Hayes) suggested that 22' was appropriate for several reasons:
  - *Reduce environmental impact*
  - *Easier to maintain*
  - *Respect natural setting*
  - *Calm traffic*
  - *Enhance affordability*



# Setting Precedents or Following Them?

- ***A reduced road size is not unprecedented:***
- Ridgewood Estates (75 units):
  - Underwent contract zoning process prior to site plan approval.
  - Council directed Planning Board to approve narrowest possible road that would satisfy public safety concerns.
  - Ordinance would have required a 30' pavement width.
  - PB ultimately approved a 24' road.

# There's More...

- In the interests of a concise presentation, we have not included answers to every single question posed. However, we are certainly prepared to discuss them.

- Other areas for discussion:

- Current state of the market
- Sharing risk
- Site planning
- Environmental issues (including Stormwater)
- Transit access

Also, many details remain to be worked out, and require spending more time (and money) on due diligence.

# Where We Are Today

- Despite current market limitations, some due diligence is underway (Planning/Zoning, schematic design, public process, environmental).
- At this point, we can only move forward by spending significant sums on more in-depth investigations.
- We are prepared to move forward with this in order to validate the project budget and prepare for re-zoning/site plan review.
- But, before proceeding with these expenditures, we need assurances from the Town Council that they join the Commission in their support of the concept plan.

# Next Steps

- To proceed, we need to have an agreement with the Town outlining the public private partnership to be undertaken.
- This agreement should outline basic responsibilities of each party.
- We feel that a TIF is essential to achieve the project's goal of providing workforce housing in Falmouth.

# Woods Road Workforce Housing

