

**MEMORANDUM**

**DISTRIBUTE TO:** Members of the Finance Committee

**FROM:** Jon P. Jennings, City Manager

**DATE:** July 27, 2018

**SUBJECT:** **Appropriation of \$2.11M of 0 Hancock Street, LLC Sale Proceeds**

On August 21, 2017, the City Council approved a \$3.3 million purchase and sale agreement with 0 Hancock Street, LLC for the sale of 48,000 square feet of the City-owned Thames Street property along the Eastern Waterfront. In October 2017, groundbreaking occurred on the 100,000 square foot, 4-story mixed-use development that will serve as the world headquarters of WEX with additional retail space.

The full \$3.3M of property sale proceeds were collected in fiscal year 2018. The City does not typically budget for significant amounts of property sale revenue, so this inflow of funding is above and beyond our FY18 budgeted revenues and will result in an increase in fund balance above our recommended level. Upon initial discussion of the Finance Committee I am formally requesting that the Finance Committee and City Council vote to appropriate \$2.11M of these funds the following purposes:

- \$1,000,000 to support the rehabilitation of the Allen Avenue Fire Station
- \$1,000,000 to support the Housing Trust Fund
- \$110,000 to support the Climate Action Plan - the joint venture with South Portland

**Funding for Rehabilitation of the Allen Avenue Fire Station**

During September 2017 a fire broke out in the kitchen area of the Allen Avenue fire station, caused moderate damage to the kitchen and smoke damage throughout the one-story building, which houses the Ladder 4 and Medcu 4 fire companies. The station is currently closed due to the damage. The Allen Avenue ladder truck was relocated to the fire station on Forest Avenue and the ambulance crew was moved to the fire station on Ocean Avenue. The current cost estimate to repair the station (attached in Appendix A) is approximately \$1.3M. The cost is more extensive than simple damage repairs as the building is very old and needs to be brought up to current code in many areas. Although the insurance company will pay for a percentage of the repairs, the appropriation request is for \$1M of the \$1.3M to cover deductible and City share of expenses. Our Corporation Counsel staff is working with the insurance company to make a final determination of what is covered. Any excess insurance proceeds received will be deposited back into fund balance. Acting Fire Chief Keith Gautreau and Liability and Insurance Claims Manager Lori Smith are available to answer Committee questions about the project.

100% Construction Drawings have also been added to the August 2nd Finance Committee meeting backup materials.

### **Housing Trust Funds**

In recent years there has been an increased focus on providing funding for the Housing Trust. The Council's Housing Committee, led by Councilor Duson, has made it a priority to increase the funding for the Housing Trust Fund. Historically the trust has been funded through fees assessed under the Housing Replacement Ordinance. More recently, the trust has been funded via contributions from developers under inclusionary zoning requirements. However these fees are paid when a project is issued a certificate of occupancy.

The Housing Trust provides a valuable source of funding for projects that have sought the other funding sources for affordable housing development, but that still have a financing gap. It also helps projects that do not meet the criteria for other funding sources (for example, workforce housing projects not eligible for HOME funds and Housing Tax Credits.) The most recent Housing Trust annual plan includes a waivable minimum balance of \$500,000 in the Trust. This minimum balance is held in reserve to cure defects in existing affordable housing developments if necessary in order to avoid losing existing units. For example, should a deed-restricted workforce condominium go into foreclosure, the minimum balance would give the City the flexibility to resolve the foreclosure and keep the unit affordable. Otherwise, the bank's mortgage may supercede any affordability restriction. In this case, the City could potentially then resell the unit with the deed restriction and recapture the funds for the Housing Trust. This minimum balance, while waivable, is in keeping with best practices for Housing Trusts nationally.

This year, in part due to the existence of the Housing Trust, the City has active proposals for over 200 units of affordable housing. It will not be possible to fund these projects while maintaining a minimum balance, and hopefully a reserve for future years, without the allocation of funds from the 0 Hancock Street sale into the Trust. Receiving these funds before the current round of allocations from the Trust at the first September Council meeting will be important to providing full utilization of these resources in 2018.

With the development boom in Portland, it is anticipated that the Housing Trust will grow, but as the first chart below shows, many projects have been approved, but only three are currently under construction. With this additional \$1,000,000 in contribution, the fund will have nearly quadrupled in just over two years. The second chart below outlines the historical sources and uses of the Housing Trust Funds.

## Inclusionary Zoning Development Projects: December 2015 - November 2017

Address	Status	# of Units	Type	Workforce Units	Off-Site	Fee-in-lieu
169 Newbury St (Luminato)	Under Construction	26	Condo	2 off site	2	\$0
62 India Street	Under Construction	29	Condo	0	0	\$290,000
443 Congress St	Under Construction	28	Apt	0	0	\$280,000
70 Anderson St	Approved (2016)	10	Town House	1	0	\$0
75 Chestnut St	Approved (2016)	54	Apt	5	0	\$0
20 Thames St	Approved (2017)	28	Condo	0	0	\$280,000
161 York St	Approved (2017)	11	Condo	0	0	\$110,000
221 Congress St	Approved (2017)	17	Condo	0	0	\$170,000
153-165 Sheridan St	Approved (2017)	19	Condo	1	0	\$0
1 Joy Place	Approved (2017)	12	Condo	1	0	\$0
218-220 Washington St	Approved (2017)	45	Condo	0	0	\$416,250
22 Hope Ave Subdivision (Brandy Ln)	Under Review	16	SF Home	1	0	\$0
383 Commercial St	Under Review	82	Condo	9	TBD	TBD
1700 Westbrook St (Stroudwater)	Under Review	123	SF/Townhouse	12		\$0

### Sources and Uses of Housing Trust Fund

DEPOSITS		EXPENDITURES	
Maine Medical Center HRO 2002-2003	\$ 315,580.00	Avesta Oak Street Lofts 2011	\$ (380,585.00)
Sportsmand's Grill HRO 2002	\$ 40,000.00	Housing First Pre-Development RFP 2014	\$ (75,000.00)
Berlin City Auto HRO 2009	\$ 116,000.00	65 Hanover & 62 Alder Sts Feasibility Study 2015	\$ (9,250.00)
Stop n Shop HRO 2010	\$ 289,250.00	65 Munjoy Street 2017	\$ (175,000.00)
Rockbridge/Eastland Park HRO 2012	\$ 42,500.00		
Riverwalk/Ocean Gateway HRO 2012	\$ 250,000.00	<b>Total Expenditures</b>	<b>\$ (639,835.00)</b>
118 Congress LLC HRO 2014	\$ 3,500.00		
Sale of Tax Acquired Property 91 & 97 Belfort Street 2017	\$ 86,424.00		
Sale of Tax Acquired Property 116 Upper A Street 2017	\$ 78,527.00		
443 Congress Street IZ 2017	\$ 280,000.00		
62 India Street IZ 2018	\$ 276,500.00		
Short Term Rental Fee transfer 2018	\$ 33,318.80		
Previous INTEREST EARNED	\$ 51,556.00		
<b>Total Deposits</b>	<b>\$1,863,155.80</b>	<b>BALANCE</b>	<b>\$1,223,320.80</b>

HRO - Housing Replacement Ordinance; IZ = Inclusionary Zoning Fee-in-lieu as of 7-13-2018

## Climate Action Plan

The City Council has taken a number of steps recently to emphasize its commitment climate action. In May, 2017 the Council adopted a resolution committing the City to use 100% renewable energy by 2040. In June, 2017, the Council passed a resolution to join the Mayors Climate Action Agenda (Climate Mayors) that commits the City to take actions to achieve the goals established by the 2016 Paris Climate Accords. The Sustainability and Transportation Committee, led by Councilor Thibodeau, has made developing a plan to achieve these goals a priority for 2018. City staff recently made a presentation to the committee about joining with the City of South Portland to develop complementary climate action plans for each city. This would allow the cities to share costs associated with consulting and technical analysis. The resulting plans will describe actions each city should take to mitigate the effects of climate change as well as strategies to adapt to impacts such as sea level rise. The climate action plans will cover all sectors of the community -- residential, commercial, and industrial -- as well as municipal operations. Portland's share of the cost will be \$110,000.

Appendix A - Allen Avenue Fire Station Repairs Cost Estimate

NORTH DEERING FIRE STATION RENOVATION			PROGRESS COST ESTIMATE	
 <b>PREFERRED CONSTRUCTION MANAGEMENT</b>	NEW	500 sf	PROJ. NO:	23-027
	RENOVATED	5162 sf	REVISION:	
			EST DATE:	7/9/2018
			GROSS SF:	5662
DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL COST
DIVISION 2 - INTERIOR DEMOLITION	5,662	SF	\$ 4.15	\$ 23,487.50
DIVISION 2 - SITE WORK	5,662	SF	\$ 8.10	\$ 45,867.60
DIVISION 3 - BUILDING CONCRETE	5,662	SF	\$ 4.13	\$ 23,410.76
DIVISION 4 - MASONRY	5,662	SF	\$ 5.87	\$ 33,255.60
DIVISION 5 - STEEL	5,662	SF	\$ 1.82	\$ 10,320.50
DIVISION 6 - CARPENTRY	5,662	SF	\$ 0.32	\$ 1,837.50
DIVISION 7 - THERMAL MOISTURE PROTECTION	5,662	SF	\$ 8.39	\$ 47,495.03
DIVISION 8 - DOORS AND HARDWARE	5,662	SF	\$ 12.50	\$ 70,770.00
DIVISION 9 - FINISHES	5,662	SF	\$ 18.01	\$ 101,961.48
DIVISION 10 - SPECIALTIES	5,662	SF	\$ 6.04	\$ 34,180.00
DIVISION 11 - EQUIPMENT	5,662	SF	\$ 1.55	\$ 8,750.00
DIVISION 12 - FURNISHINGS	5,662	SF	\$ 0.76	\$ 4,312.50
DIVISION 12 - CASEWORK AND MILLWORK	5,662	SF	\$ 8.65	\$ 48,975.00
DIVISION 13 - SPECIAL CONSTRUCTION	5,662	SF	\$ -	\$ -
DIVISION 14 - CONVEYING	5,662	SF	\$ -	\$ -
DIVISION 21 - SPRINKLER	5,662	SF	\$ 5.48	\$ 31,054.00
DIVISION 22 - PLUMBING	5,662	SF	\$ 17.66	\$ 99,967.52
DIVISION 23 - HVAC	5,662	SF	\$ 38.19	\$ 216,243.00
DIVISION 26 - ELECTRICAL	5,662	SF	\$ 42.52	\$ 240,748.79
<b>BLDG. CONSTR. SUBTOTAL</b>	<b>5,662</b>	<b>SF</b>	<b>\$ 184.15</b>	<b>\$ 1,042,637</b>
GENERAL CONDITIONS	12.00	%		\$ 125,116
<b>BLDG. CONSTR. SUB TOTAL</b>	<b>5,662</b>	<b>SF</b>	<b>\$ 206.24</b>	<b>\$ 1,167,753</b>
OVERHEAD AND PROFIT	5.00	%		\$ 58,388
<b>BLDG. CONSTR. SUB TOTAL</b>	<b>5,662</b>	<b>SF</b>	<b>\$ 216.56</b>	<b>\$ 1,226,141</b>
DESIGN CONTINGENCY	5.00	%		\$ 61,307
<b>BLDG. CONSTR. SUB TOTAL</b>	<b>5,662</b>	<b>SF</b>	<b>\$ 227.38</b>	<b>\$ 1,287,448</b>
BOND AND INSURANCE	2.00	%		\$ 25,749
<b>BLDG. CONSTR. GRAND TOTAL</b>	<b>5,662</b>	<b>SF</b>	<b>\$ 231.93</b>	<b>\$ 1,313,197</b>