

## Quarry Ridge Affordable Housing Tax Increment Financing Development Program

### I. Development Program Summary

This Development Program is being adopted to provide for the creation of the Quarry Ridge Affordable Housing Tax Increment Financing District located at 60 Bow Street in Freeport (District). The District is approximately 14.08 acres and includes the existing 34-unit residential rental project known as Quarry Ridge Apartments (Project). The Project is not currently subject to any covenants requiring the units to be affordable as defined in the TIF statute (30-A M.R.S.A. §5246(1)). The Project is proposed to be acquired and rehabilitated by FHT Quarry Ridge LP (Developer). Upon acquisition, the Project will be restricted to 100% affordable housing. Closing on the Project is anticipated to be in October, 2020. The acquisition and rehabilitation are anticipated to be financed through syndication of low-income housing tax credits and loans from Maine State Housing Authority (MaineHousing), Freeport Housing Trust and the Federal Home Loan Bank of Boston Affordable Housing Program. There will be no new apartments constructed and no single-family homes or apartments will be constructed or rehabilitated.

### II. Financial Plan

#### A. Anticipated Revenues

The Town of Freeport will capture 50% of the taxable increased assessed value in the District (Captured Assessed Value). 100% of the property taxes assessed and collected on the Captured Assessed Value (Retained Tax Increment Revenues) will be paid annually to Developer pursuant to the terms of a credit enhancement agreement (CEA) attached as **Exhibit A**. No additional funds will be captured in this TIF, nor spent on any other TIF eligible uses or purposes.

As shown in the financial projections attached at **Exhibit B**, this TIF is expected to capture between \$18,000 and \$32,000 per year over the 30-year life of the TIF. The total 30-year Retained Tax Increment Revenues is projected to be \$699,513. This analysis assumes a 2% increase in property value each year, but also assumes a zero percent increase in our annual tax rate. Speaking with Bob Konczal, Freeport Tax Assessor, and Jessica Maloy, Freeport Finance Director, it is our understanding that the mill rate is expected to increase this year and possibly in future years, which will impact the accuracy of these projections.

All tax revenues from the District not payable to Developer will go directly to the Town's general fund. The total new general fund revenue over this time period is projected to be \$699,513.

#### B. Use of TIF Revenues

Developer's acquisition of the Project is in line with the Town's goal to provide safe and affordable housing opportunities to lower and moderate-income households in Freeport. First, the TIF will provide funds to offset operating expenses so the Project can provide a

mix of below market rents. Secondly, the TIF will allow Developer to take on additional debt that will pay for approximately \$1 million in capital improvements at the site, including the creation of two fully accessible apartments and updated site improvements. Additionally, the TIF will buffer the Project from any significant property tax revaluations or changes from year to year. These variations over time can jeopardize the financial stability of these types of properties due to the restricted rents and other regulatory restrictions.

### C. Strategic Growth and Development

The creation of the District will allow Freeport to capitalize in tax shift benefits, as shown in **Exhibit C**. The shelter of value in a TIF means that the town does not lose any of the captured new taxes to the increased obligations to state, county and school district obligations.

Furthermore, Freeport's commitment to this TIF partnership with Developer is an efficient way to help in the effort to provide new affordable housing options in Freeport, a goal acknowledged in the town's Comprehensive Plan as discussed below.

### **III. Conditions of Approval (as per 30-A M.R.S.A. §5247(3))**

The district boundaries and tax map and lot designation for the District is 20/74/C (see Tax Map and Municipal Map attached as **Exhibits D and E**). All of the acreage is suitable for residential use. The District is located in the Medium Density Residential 2 zoning. Attached at **Exhibit F** is a list of allowable uses in that zone. All thirty-four of the housing units in the District will qualify as affordable housing. The property will be encumbered by an Extended Low-Income Housing Commitment Agreement entered into with MaineHousing that will ensure the affordability restrictions of 21 units restricted to 50% AMI and 13 units restricted to 60% AMI will be in force for 45 years.

The Original Assessed Value (OAV) of the District as of March 31, 2020 is \$0.00 as evidenced by the attached letter from the municipal assessor at **Exhibit G**. The Town's only other Affordable Housing TIF, known as Oak Leaf 2 was established in 2010 with an OAV of \$6,900. Thus, the OAV of all existing and proposed affordable housing development districts is \$6,900. The aggregate taxable property value for the Town of Freeport as of April 1<sup>st</sup>, 2020 is \$1,897,219,624. The aggregate OAV for all housing districts is 0.00036% of the aggregate taxable property value of the Town which is below the statutory cap of 5%.

The total acreage in Freeport is 18,400 acres. The District is approximately 14.08 acres or 0.077% of the total acreage which is below the statutory acreage cap of 2 percent. The total acreage in all existing and proposed TIFs (including the TIF in question) in Freeport is 181.46 acres. This is 0.98 percent of the total acreage, which is below the statutory acreage cap of 5%.

There is a significant need for affordable housing options in Freeport, Maine. For example, the current waitlist at non-age restricted properties owned by Freeport Housing Trust with similar rent and income restrictions like what are proposed at the Project exceeds 123

households. The waitlist at the Trust's rental assisted properties is over 137 households, which is a wait time of several years. Twenty-seven of the apartments in the Project will be rent and income restricted to meet the need demonstrated through the waitlists and low vacancy at the other Freeport properties. The 7 remaining units will be receiving new project-based rental assistance agreements after the rehab. These apartments will be high demand as evidenced by the long waitlists at other rental assisted properties in Freeport.

The Town of Freeport's most recent comprehensive plan was approved on February 8, 2011. The rehabilitations proposed are in line with the Town's housing needs and stated goals of creating and preserving affordable housing in the community. The Comprehensive Plan specifically calls for the Town to increase affordable housing options. The Development Program also complies with Maine law limiting growth-related capital investments. Additionally, the District is not in conflict with the municipal charter.

#### **IV. Terms of the Development Program**

The Development Program begins the tax year 2021 and ends the tax year 2050. The municipal fiscal year is July 1<sup>st</sup> – June 30<sup>th</sup>.

##### **A. Description of CEA Terms**

The credit enhancement agreement to be executed between the Town of Freeport and Developer provides that 100% of the Retained Tax Increment Revenues generated from the District will be paid annually to Developer for the purposes and uses described herein. This obligation remains for the entire 30-year lifespan of the TIF.

##### **B. Public Facilities**

The proposed TIF does not include development or improvement of any public facilities.

##### **C. Property Operations**

The Project will be professionally managed by Preservation Management Inc. (PMI). In addition to the daily management provided by PMI, Freeport Housing Trust will provide ongoing asset management to ensure the long-term financial, capital, and regulatory viability of the development. Operating expenses will be paid through rents collected from residents and agencies providing rental assistance. Retained Tax Increment Revenues from the District will be used to pay operating expenses for the development, including administrative, utilities, maintenance, insurance and replacement reserves and to pay debt service.

##### **D. Relocation plan**

No households will be permanently displaced by the development activities. One resident that currently occupies an apartment that will be renovated into an accessible unit will have the choice move into a different accessible unit or temporarily move and then move back into their prior apartment. Other households will be required to be away from the

apartment during the day for a couple days in order to complete the planned bathroom renovations. A full relocation plan will be developed and managed by Preservation Management.

#### E. Environmental Controls

MaineHousing completed an environmental review of the property as part of their Section 811 Project Based Voucher program. Additionally, an Environmental Site Assessment Phase I and a Hazardous Materials Survey were completed as part of the due diligence process. The only items of note to be aware of and will be accommodated during the construction process are light bulbs that contain hazardous materials.

#### F. Municipal Debt Financing

There will be no municipal debt financing.