

# GPCOG Executive Committee

Tuesday, January 17, 2023

12:00 p.m. – 1:30 p.m.

Meeting Agenda

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***In-Person:***

*Greater Portland Council of Governments  
970 Baxter Boulevard, Room 201  
Portland, Maine  
(Lunch provided)*

***Remote:***

*Webinar link: <https://us02web.zoom.us/j/86844969864>*

*Phone: 1 301 715 8592*

*Webinar ID: 868 4496 9864*

*Participating by phone? Use \*9 to raise your hand and \*6 to unmute.*

*As of April 26, 2022 GPCOG and PACTS are holding committee meetings in hybrid format, both in person at GPCOG's offices and via webinar. The remote portions of all meetings are conducted in accordance with the requirements of GPCOG Executive Committee policy, [LD 1772](#), [PL 2022 Ch. 666](#), and [1 MRSA Chapter 13, Subchapter 1](#).*

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**1. Welcome**

This meeting is being recorded and will be made available at [gpcog.org/AgendaCenter](http://gpcog.org/AgendaCenter).

**2. Public Comment**

Members of the public are welcome to provide up to three minutes of public comment on any topic, including items on the agenda.

**3. Approval of the 11/15/22 Meeting Minutes (Attachment A) 5 minutes**

**4. Spotlight: Broadband in our Region 10 minutes**

Clara McCool, Regional Broadband Coordinator, will describe the broadband challenges in the Greater Portland and Lakes Region, the work that we've been doing in collaboration with our member towns, and what opportunities lie ahead.

**5. Executive Director’s Report (Attachment B) 5 minutes**

**6. Regional strategy to expand housing choices (Attachment C) 20 minutes**

Staff Report

GPCOG staff have begun the process of creating a regional housing strategy designed to expand housing choices. Please see the outline in Attachment C which contains staff thinking to date, subject to review and improvement as the work advances.

The outline envisions convening a *Leadership Council on Housing* composed of members, partners and community leaders, to finalize a regional housing goal, identify barriers to achieving the goal, and design strategies to overcome barriers and expand housing choices. Staff seek to finalize the strategy within the next 60 days and have the Executive Committee appoint the *Leadership Council on Housing* at its February meeting.

Recommended Action

Review the proposed strategy outline, provide feedback, and approve or modify the housing effort it proposes.

**7. Proposed Brownfields Grant and Loan (Attachment D) 10 minutes**

Staff Report

The South Portland Housing Development Corporation is seeking a \$500K grant and \$177K loan for the cleanup of 149A Front Street in South Portland. The parcel is 3.16 acres within the Yard South development project. The City applied for brownfields assessment funding for this priority site in 2018. The Yard South project is currently seeking approvals from the City of South Portland to move forward. The grant and loan funds will not be drawn down until the clean-up phase of the project begins, and could be reallocated by the GPCOG Executive Committee if not used.

Paul Johnson, Economic Development Director, and David McLaughlin, loan underwriter, will present the application and will be available for questions. Attachment D is the loan underwriter’s report and recommendation.

Recommended Action

Approve \$500K in grant and \$177K in loan funding for SPHDC’s proposed clean-up for 3.16 acres in South Portland.

**8. FY24 Member Dues Rate 10 minutes**

Staff Report

In 2017 the General Assembly approved a dues increase for the first time in 27 years. The dues rate remained at \$1.00 per capita for FY2018, increased to \$1.60 for FY2019, and \$2.00 for FY2020. The proposal adopted at that meeting says, in part, "Going forward, the General Assembly will review the dues rate every three years." In 2020 the Executive Committee interpreted this to mean every three years after the initial dues rate proposal had been completely implemented.

The dues rate has remained at \$2.00 per capita for FY2021, 2022, and 2023, but members received dues credits of 10% and 5% for FY2021 and 2022 to help cushion the anticipated economic impact of the pandemic. The federal census resulted in dues increasing slightly, but the rate remains at \$2.00 per capita for FY2023. The increase in member dues has directly resulted in more responsive member services, more flexibility in meeting needs without being as dependent on other funding sources, and the capacity to contribute meaningfully to meeting the region's challenges.

The General Assembly did not specify an approach to reviewing the dues rate every three years, so the Executive Committee is free to make whatever recommendation it thinks best balances the needs of the agency and its member communities. Many communities use various cost indexes as guides to their budgets; some cost indexes are built into union contracts (and, hence, drive portions of municipal budgets). Even more than most municipalities, GPCOG's main budget driver is wages and benefits, so we looked at the Employment Cost Index as a guide instead of the commonly used (and not very relevant) Consumer Price Index. For the most recent 12-month period available, through September 2022, the percent change in wages and salaries for public administration employees was 5.4%.

Our region has experienced a significant tightening of the labor market, with employers having difficulty remaining competitive in the marketplace for talent in the post-pandemic (or at least the most acute part of the pandemic) economy. This has resulted in many of our member communities, and GPCOG, making market adjustments to help keep up. Conditions and inflation have been softening in more recent months, with inflation expected to return to around 2.3% by 2024. The Employment Cost Index, however, is expected to rise by 4.5% and 4% for 2023 and 2024.

Since the General Assembly's action comes after most communities have completed their budget processes, any change in dues rate would really have to wait until the following fiscal year to take effect. Instead, staff recommends that the Executive Committee incorporate its dues rate guidance into the budget submitted for the General Assembly's approval and to communicate that guidance to member communities so they can include it in their budget discussions for FY2024. Keeping to this schedule would mean reviewing the dues rate again in FY2026 for the FY2027 budget.

#### Recommended Actions:

Staff recommends that the Executive Committee (1) provide guidance to agency management and GPCOG's members to include a dues rate increase from \$2.00 to \$2.10 for FY2024, \$2.20 for FY2025, and \$2.25 for FY2026, and (2) submit a proposed budget including a dues rate of \$2.10 per capita for FY2024 to the General Assembly in May 2023.

**9. FY22 Audit Report****15 minutes**Staff Report

GPCOG's FY22 audit was completed by Runyon Kersteen Ouellette. The audit team will provide a slide deck on the annual financial statement audit and discuss the results of the audit of GPCOG's overhead rates. Executive Committee members will have time without staff in the room to discuss the audit with RKO. The audit documents can be accessed through this link: <https://www.gpcog.org/576/GPCOG-Financial-Documents>. Documents include: financial statements (FS), the uniform guidance compliance report (UG), the audit of direct labor, leave, fringe, and indirect costs (ICR), the management letter (ML), and the statement on auditing standards (SAS).

Recommended Action

Accept the FY22 financial statement audit and the FY22 audit of overhead rates.

**10. Other Business****Adjourn****Upcoming Meetings**

February 28, 2023	Appoint Leadership Council on Housing
March 21, 2023	FY24 Annual Priorities Executive Director Annual Review
April 25, 2023	Appoint Nomination Committee for Officers and Executive Committee FY24 Annual Budget – First Draft Executive Director's Performance Goals
May 16, 2023	FY24 Annual Budget – Final Recommendation to General Assembly Nomination for FY24 Officers and Executive Committee Adopt Comprehensive Economic Development Strategy FY24 Meeting Calendar Affirm Investment Policy
May 25, 2023	General Assembly and Summit at St. Joseph's College in Standish

Board and committee members, the public, and other stakeholders are encouraged to subscribe to the GPCOG Executive Committee calendar at [gpcog.org/Calendar](http://gpcog.org/Calendar).

*If you require accommodations to review materials or participate in this meeting (such as captioning or interpreting—at no cost to you), please contact: (207) 774-9891 or [transportation@gpcog.org](mailto:transportation@gpcog.org)*

*Notification 72 hours prior to the meeting will help us to make reasonable arrangements to ensure accessibility to this meeting.*

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# Attachment A

## GPCOG Executive Committee & Metro Regional Coalition Joint Meeting

### MINUTES

November 15, 2022

#### In Attendance:

Name	Affiliation	GPCOG ExCom	Metro Coalition
Jarrod Maxfield	Windham	Yes	
Mark Dion	Portland	Yes	
Jerre Bryant	Westbrook	Yes	Yes
Nat Tupper	Yarmouth	Yes	
Sue Witonis	Cumberland County	Yes	
Krista Chappell	Gray	Yes	
Matt Sturgis	Cape Elizabeth	Yes	Yes
Carmen Lone	Bridgton	Yes	
John Hawley	Naples	Yes	
Kate Lewis	South Portland	Yes	Yes
Mike Foley	Westbrook		Yes
Peter Lafond	Falmouth		Yes
Scott Morelli	South Portland		Yes
Ginny Wilder Cross	Gorham		Yes
Danielle West	Portland		Yes
Sarah Lawrence	Rep. Chellie Pingree		Yes
Kristina Egan, Vincent Edwards, Dani Deason, Chris Hall, Tony Plante, Belinda Ray, Matt Panfil, Tom Bell	GPCOG Staff		

#### Welcome

Jarrod Maxfield opened the meeting and welcomed the Metro Regional Coalition members.

## Public Comment

No public comment was provided.

## Approval of Minutes

Matt Sturgis moved approval of the GPCOG Executive Committee minutes from the 9/20/22 and 10/18/22 meetings. Krista seconded. A roll call was conducted among all Executive Committee members. All voted yes with one abstention from Sue.

## Spotlight: Member Services

Matt Panfil, GPCOG's recently hired Planning Director, provided a [slide deck](#) describing GPCOG's expanded planning capacity. John asked if there is a fee schedule, and Kristina answered that GPCOG has a framework for charging member services fees, ranging from free to more expensive, determined by the scope of work and relevance to other members. Matt Sturgis asked if GPCOG has reached out to city and town planners in the region to share this menu of services, and Matt Panfil replied that GPCOG hasn't done that yet. He elaborated that many planners in the region have workloads at capacity and are focused mostly on reacting to the surge in development, rather than having the ability to do forward-looking planning. Ken Capron provided public comment, saying that GPCOG shouldn't be providing services that compete with the public sector. Kristina noted that GPCOG is a member services organization that has been providing services for decades.

## Safe in Maine

Belinda Ray, GPCOG's Director of Strategic Partnerships, presented a [slide deck](#) describing the Metro Region Coalition's work to support the establishment of transitional housing that will serve asylum seekers and others in the future. She announced the launch of the [safeinmaine.org](http://safeinmaine.org) website, which is now accepting donations. Belinda described GPCOG's role as convening communities and partners and catalyzing a housing solution that will be built by developers. The project will have 200 'efficient homes' of approximately 550-650 square feet. The hope is that these homes will be built by Maine manufacturers.

Danielle West, Portland City Manager, shared that the City is still receiving asylum seeker families, with three families having arrived that morning. There are also pregnant women at the Oxford Street Shelter – a shelter for single individuals – who, after giving birth, will not have a place to live. The state of Maine needs to take the lead in coordinating resettlement. With the emergency rental assistance funding running out, there will be an even greater strain on General Assistance funds, and Manager West suggested there needs to be a different pool of funds established to support resettlement because the populations of people experiencing homelessness are distinct.

Carmen asked whether the challenge is temporary or perpetual, and Danielle said it is likely perpetual due to global upheaval and global migration. Kate noted that we need a federal law change to allow asylum seekers to work, with Danielle agreeing that the wait period should be just 30 days. Kate also noted that the need is much

greater than the Safe in Maine project can address. South Portland has invested significant funding into the arriving families, and it would be great if the families could stay in the community.

Krista asked whether the transitional housing will be available to others, i.e., people who are not seeking asylum. Belinda said that it would. The largest population in hotels right now is asylum seekers, so that's the immediate need to bring down the cost to the public of the hotels. The housing will be available to whoever needs it in the future.

Mike asked whether a site has been identified. Belinda said there are several sites being investigated. Kate suggested that the region needs ownership units to be developed.

### **Advocacy Priorities for 2022 – 2023**

Chris presented proposed priorities and asked for feedback. Matt noted that GPCOG can work closely with the Portland Area Chamber to address workforce and economic opportunities. Krista suggested sharing these priorities with newly elected legislators. Mark noted that on housing, there needs to be a balance of providing for asylum seekers and for families already in Maine. GPCOG should serve and encompass everyone.

Matt moved adoption of the Advocacy Priorities, as presented in the attachment. Krista seconded. The roll was called, and all were in favor.

### **Member Visits and Regional Events**

Staff provided [brief slides](#) outlining upcoming events and soliciting feedback on how GPCOG can visit more member communities. Many, but not all, of the group embraced the idea of GPCOG occasionally offering public comment at Council or Selectboard meetings.

The joint meeting of the Executive Committee and the Metro Regional Coalition adjourned by voice vote.



# Attachment B

## Executive Director's Report

### Strategic Priority – Serve our Members

- **Welcome & Congrats.** In mid-December, we welcomed many newly and re-elected local and state leaders, plus several new Town Managers, at a fun reception. Here's a group photo:



- **Climate Action.** Our communities received significant grants from the state to support clean energy jobs and climate initiatives, including **Yarmouth** and **Freeport** for a new Sustainability Coordinator, **Chebeague Island** and **North Yarmouth** for climate action planning, and South Portland for coastal resilience. GPCOG will help with Chebeague's, North Yarmouth's and **Brunswick's** climate action plans, and will also support **Gorham, Standish** and **Westbrook** to enroll in the Community Resilience Partnership.
- **Broadband.** GPCOG helped secure a grant provide \$10,000 each to five communities to improve broadband: **Casco, Naples, Raymond, Sebago,** and **Standish.**
- **Dredge video.** The cities of **Portland** and **South Portland** have hired GPCOG to write, shoot and edit a five-minute video to support its application to the US Department of Transportation for a \$19 million RAISE grant to help fund a project to dredge the contaminated sediment along the wharves, piers and marinas in Portland Harbor. Tom Bell developed a script working with project partners and this week began shooting. The cities' contract with GPCOG is for \$5,500
- **Chairs in a Circle.** Craig Freshley and Dan Demeritt will discuss how to build trust in local government in an era of general withdrawal from civic volunteerism with the region's chairs and vice chairs.

- **New roundtables for staff.** Our economic development team has started regular peer convenings of the region's economic development directors. Our communications team has done the same for communications officers of our member municipalities.

## Strategic Priority – Regional Prosperity

- **\$8M in transit funding.** Southern Maine's transit agencies reached an agreement that will allow the agencies to invest about \$8M in American Rescue Plan Act funds in the region's public transportation network as part of a strategy to boost ridership by making transit more frequent, more reliable and more convenient to use. The agreement follows a 7 month long facilitated process focused on concerns raised by several agencies last spring about the PACTS process for allocating transportation funds.
- **Let's Connect.** Our weekly podcast, [Let's Connect](#), is now also a radio show, broadcast on WMPG on Tuesdays at 1 p.m. We have recorded ten shows to date, interviewing **Jarrold Maxfield**, on development in North Windham, **Dan Demeritt** on building trust in local government, **Clara McCool** on broadband initiatives in the Lakes Region, **Greg Kesich** on the November election results, **Chris Kelleher** and **Guy Mpoi** on Maine Boys to Men, **Belinda Ray** on Vision Zero, **Mike Foley** on the resurgence of Westbrook's downtown, **Tegan Betori** on what Maine can learn from Denmark about building bicycle infrastructure, and **Nate Rudy** and **Joshua Bristler** on the Regional Prosperity Plan (Comprehensive Economic Development Strategy).
- **Connect 2045.** The PACTS Policy Board last month unanimously adopted [Connect 2045](#), the long-range plan that will guide transportation policies and investments over the next two decades. The plan calls for a 70% reduction in transportation greenhouse gas emissions by 2045 – the first time an emissions reduction target has been established for transportation for our region. This ambitious emissions reduction target has cross-cutting implications for many of the plan's other priorities, including increased investments in vehicle electrification, walking and cycling infrastructure, public transit, and promoting growth in the region's villages, downtowns and urban areas where trips are shorter and can be made without reliance on a vehicle.
- **Transit Together.** This plan to improve the public transportation network is nearing adoption. The plan is cost-neutral, and provides recommendations for more frequent service where demand is high or growing, and recommendations for how the transit agencies can work closely together to make transit easier to understand and use. One potential outcome is an annual "Transit Together Convention" of all the transit boards and the South Portland City Council to mark progress and keep momentum for implementation.

### In the news:

- **Vision Zero.** The Portland Press Herald on Jan. 9 published a front-page story on Vision Zero, "Caution, drivers: [Portland area study looks to pinpoint danger zones](#). The editorial board commented on the study in an editorial on Jan 1. [Our View: The time for serious road intervention is now](#). News Center Maine on Nov. 30 reported on a [Vision Zero workshop in South Portland](#). And [WMTW also reported](#) on the South Portland Vision Zero workshop.

- **CARES Act funding for transit.** On Dec. 15, the Press Herald [published a story](#) about the successful resolution over the conflict amongst the transit agencies regarding the CARES ACT funding. WGME [also reported](#) on the story.
- **Safe in Maine.** The Press Herald on Nov. 28 [wrote a story](#) about the relaunch of GPCOG’s Safe in Maine initiative and used information provided by GPCOG [for a story](#) about housing for asylum seekers.

## Strategic Priority – Operate with Excellence

### Recruitment:

- **Matt Jablonski** has been hired as a Data Analyst. Matt previously worked on Vinalhaven as an Island Institute Fellow where he supported the town office in developing GIS-based data products and facilitating the work being done by municipal committees like the Sea Level Rise Committee and Housing Committee.
- **Lucy Sinclair** has been hired as a Data Analyst. Lucy came to GPCOG as a Transportation and GIS Fellow through the Resilience Corps. Prior to the Resilience Corps, Lucy worked on transportation planning projects as an intern at a consulting firm in Belgium and a metropolitan planning organization in New York.
- **Ron Landis** has been hired as a Regional Transportation Planner. Ron previously worked as a Transportation Planner with Androscoggin Valley Council of Governments in Auburn, ME.

**Grants & Contracts.** Below is a list of awarded, pending and unsuccessful grants and contracts submitted for funding since the start of the fiscal year (7/1/22).

### Awarded Grants

Opportunity Name	Amount	Priority Area	Basic Scope
Brunswick - GOPIF Service Provider Action Grant	\$40,000	Sustainability	Funding from State Resilience Partnership will allow town to contract with GPCOG to develop a Climate Action Plan
Chebeague - GOPIF Service Provider Action Grant	\$27,000	Sustainability	Funding from State Resilience Partnership will allow town to contract with GPCOG to develop a Climate Action Plan
North Yarmouth - GOPIF Service Provider Action Grant	\$27,000	Sustainability	Funding from State Resilience Partnership will allow town to contract with GPCOG to develop a Climate Action Plan

Maine Connectivity Authority - Regional Broadband Partners Program	\$500,000	Broadband	GPCOG partner with TOA, the New Mainers program at Portland Adult Ed, libraries, etc., to advance digital equity, support community driven broadband solutions, create alignment between groups/orgs, communities, regions & state
Maine Connectivity Authority - Get Ready Grants	\$50,000	Broadband	Funding for continued outreach and broadband solutions development in COLAB towns
GOPIF Community Resilience Partnership Service Provider 2nd round	\$30,000	Sustainability	Provide service to 2-5 communities to help identify climate/resiliency needs & action steps, enroll them in State Resilience program so they can apply for Community Action Grants, and assist them with applications for initial funding
<b>\$674,000</b>			

Pending Grants

Opportunity Name	Amount	Priority Area	Basic Scope
AmeriCorps National Competition	\$276,000	Sustainability	Resilience Corps program - 12 fellows for one service year (renewable up to 3 years)
USDOT Safe Streets and Roads for All	\$263,382	Transportation Planning	Create Vision Zero Action plan to cover PACTS and GPCOG communities; traffic safety dashboard for tracking, measuring
MaineHousing Community Solutions	\$200,000	Housing	Provide technical assistance to 4 communities to increase affordable housing production
US EPA Brownfields Assessment Funding	\$500,000	Economic Development	Assessment funds for potential brownfields to determine status and level of remediation necessary
<b>\$1,239,382</b>			

New Contracts

Opportunity Name	Amount	Priority Area	Basic Scope
Freeport Climate Action Plan Phase 2	\$9,500	Sustainability	Phase 2 of Climate Action Planning
Yarmouth Climate Action Plan	\$12,750	Sustainability	Climate Action Planning
<b>\$22,250</b>			

Other

Opportunity Name	Amount	Priority Area	Basic Scope
FAME Direct Loan Program - Grow Maine	Variable - Interest Income	Economic Development	GPCOG can draw down funds from FAME to lend up to \$5 million to specific eligible entities. GPCOG can earn revenue on loans via interest charges.

Unsuccessful Grants

Opportunity Name	Amount	Priority Area	Basic Scope
Volunteer Maine Maine Climate Corps	\$111,428	Sustainability	Purpose: Implement a pilot Maine Climate Corps program – a community service corps program to respond to the impacts of climate change. GPCOG will partner with Window Dressers to manage 2 Corps members.
Maine DECD - DEI and Belonging Communities of Practice	\$325,000	Economic Development through DEI Lens	GPCOG will partner with Providentia Group (Krystal Williams) and Black Owned Maine (Rose Barboza); COG will be a subcontractor helping to make regional connections

# Attachment C

## Regional Housing Strategy

### Draft 1/10/23

Draft goal: *X thousand homes near jobs and schools*

The final goal should be short, measurable and positive in order to serve as a memorable touchstone throughout our work.

The final goal will be complemented by subgoals that will advance:

- Housing in locations and at densities that result in multiple public benefits
- Affordability to lower and middle income people
- Racial and social equity
- Preservation of farms, fields and forests, and our valuable natural resources
- Sustainability and climate resiliency

The goal will include a timeframe within which our region intends to meet the goal.

Barriers: Below are major barriers to achieving the goal.

- **Economic**: The costs of land, materials, labor, and capital (interest rates) to builders. The cost of housing and rent for residents.
- **Regulation and Infrastructure**: There are local barriers to housing development, including restrictive zoning and limited infrastructure, such as water and sewer.
- **Understanding**: Residents have an incomplete understanding of the benefits and impacts of housing growth, and some also oppose change to land uses in their neighborhoods and community due to fear of hurting quality of life (traffic, taxes, noise, school impacts, demographics, aesthetics, etc.).
- **Willingness**. Lack of support for proposed zoning changes or housing developments that would help meet the goal.

Strategies: GPCOG, member cities and towns, and regional partners can address some of the barriers listed above. GPCOG's strengths are convening, developing information and public education, planning and zoning, and catalyzing place-based development. The strategies below play to our strengths, and while our agency, members, and partners cannot solve the housing shortage, we believe our work will meaningfully expand housing choices in the region.

Our approach is to engage members and regional partners in setting the region's housing goal and tracking our progress against it, developing support for expanding housing choices, developing a regional framework for

achieving that goal, providing planning and zoning support to municipalities eager to expand housing choices, and connecting housing developers to specific sites.

1. **Convene the Leadership Council on Housing.** This group will develop the region's housing goal and subgoals, using input from GPCOG's data team, DECD's statewide goal, among other information. This group will be responsible for tracking the region's progress in meeting the goal and overseeing the publication of an annual Housing Report Card (previously done by the Metro Regional Coalition). The group will be supported by GPCOG with research, education, tools, and recognition. The group may add other items to its charge, such as sharing best practices or exploring a regional housing trust fund.

Task force members will include local elected officials, city and town managers, regional and statewide partners (such as the Maine Affordable Housing Coalition, Portland Area Chamber of Commerce, GrowSmart Maine, Avesta, neighboring COGs) and community leaders and residents who care about housing choice.

2. **Build support for expanding housing choice.** GPCOG's communications and engagement team will launch a public education effort to tell the region's many stories about why housing choice matters. The narrative will be people-centric and complemented by data. The effort will likely address the impacts of expanding housing on workforce, traffic, schools, municipal revenues, property taxes, and natural areas. This work will include articulating the problem statement and relaying the scale of the housing shortage.
3. **Provide a regional framework for housing and open space preservation.** Connect 2045 has 35 priority centers for housing development. These were identified by 18 of the 30 cities and towns GPCOG serves. We will build out this map with two new components: (a) priority centers in the other 12 member communities and (b) priorities for preserving natural areas.
4. **Provide planning services.** Upon request, GPCOG will provide technical assistance to municipalities seeking to expand housing choices. Assistance may include developing neighborhood and transit-oriented development plans, helping communities prepare for the implementation of LD2003, and reviewing, revising, and developing zoning. A housing toolkit for cities and towns, based on best practices, will also be developed for use by Planning Boards, Councils and Boards of Selectmen.
5. **Catalyze housing development in great places.** This is place-based work that seeks to match willing municipalities with willing developers. We will develop an inventory of potential parcels available and suitable for housing development in priority centers. We will assemble and share a menu of project development support services that GPCOG can deploy to remove barriers to project costs, to expand project ROI, and to facilitate community understanding and support of housing growth projects.
6. **Advocate.** GPCOG, its members, and its partners will continue to organize to support state policies that expand housing choice.

## Attachment D

### Underwriter Report for Brownfields Grant & Loan Request

GREATER PORTLAND COUNCIL OF GOVERNMENTS  
 BOWNFIELDS GRANT AND LOAN REQUEST  
 DAVID MCLAUGHLIN, UNDERWRITER  
 January 10, 2023

**APPLICANT/BORROWER:** South Portland Housing Development Corporation  
**APPLICANT’S ADDRESS:** 100 Waterman Dr. #101, South Portland, ME 04106  
**PROJECT LOCATION:** 149A Front Street - 3.16 acres of the 30 acres parcel known as Yard South, South Portland.  
**LOAN REQUEST:** \$177,000  
**INTEREST RATE:** Fixed at 4%  
**TERM:** 10 Years with 10-year amortization  
**PURPOSE:** Needed funding for environmental cleanup at the project Location.  
**SOURCE & USE OF FUNDS:**

GPCOG Grant - \$500,000	Environmental Cleanup Costs - \$1,077,000
GPCOG Loan - 177,000	
DECD Grant - 160,000	
DECD Loan - <u>240,000</u>	
Total. \$1,077,000	

**OVERVIEW:** South Portland Housing Development Corporation (SPHDC) is engaged with a development team, L&R Northpoint LLC represented by PK Realty Management (PK), on a 10-year mixed-used redevelopment plan for the former Liberty Shipyard known as the Yard South. The overall redevelopment plan for the 30-acre Yard South project is to construct housing, retail, restaurants, office space, public waterfront amenities, mixed use trails that connect the Ferry Village neighborhood to Bud Light Park and the waterfront, water, and bus transit. The plan is oriented around pedestrian, bicycle, and other car- car free transit alternatives. SPHDC public – private partnership with PK establishes the need the agreement that within the Yard South development a site will be dedicated to quality housing and complies with federal regulations pertaining to distance to public transit and distance from existing oil tanks.

Within the 30-acre Yard South project is a 3.16-acre Brownfield Site that is owned by SPHDC. This site is on the banks of Fore River situated between Bud Light Park (a popular 9-acre City owned Park) and a bulk storage facility. This Brownfield Site is currently vacant except vacant except for a historic pier and remnants of the former massive industrial facilities. The sites access to the Fore River makes it a



strategic location for a proposed bus and water transit system to connect South Portland with downtown Portland thereby alleviating traffic on Broadway and facilitating a more affordable lifestyle for future Yard South residents. The site will also be a catalyst for the overall Yard South development. The organization developing the Roux Institute has expressed interest in connecting their future waterfront campus with the Yard South and downtown Portland.

South Portland has listed this site as a Priority Site in their FY2018 Brownfield Assessment Grant application and has undertaken a comprehensive Phase II investigation through their Brownfield Program to identify and quantify the environmental issues.

The South Portland Housing Development Corporation has been in operation since 1994. It was established by the South Portland Housing Authority after HUD no longer allowed housing authorities to develop public housing, so the SPHDC was established to pursue private funding for housing that remained affordable to low-income clients. It has a 15-member board of Commissioners.

The South Portland Housing Authority (SPHA) was established in 1943. Their 7-member Board of Commissioners are appointed by the City Council and the Executive Director is the same for both SPHA and SPHDC. It provides long term rental housing and assistance to more than 685 housing units as well as subsidizing 389 housing choice vouchers.

**FINANCIAL OVERVIEW:** CPA audited statements of the South Portland Housing Development Corporation for fiscal 2020 and 2021 were provided and reviewed. The major pertinent findings are as follows (*in thousands*).

	2020	2021
Current Ratio	15.8	9.4
Working Capital	3,158	2,209
Net Assets	5,972	5,225
Total Debt	2,313	1,998
Debt/Worth Ratio	.39	.38
Revenues	1,754	2,118
Net Income	747	(663)
Debt Service Coverage	7.6	Neg*
Excess Cash Flow	920	Neg*

\*The Debt Service Coverage and Excess Cash Flow are negative due to development expenses which are not recurring operating expenses. When eliminating, the Debt Service Coverage ratio is 9.5 and Excess Cash Flow is \$1.237M.

**FINANCIAL NOTES:**

- The working capital position is strong at \$3.58M with a 15.8 current ratio and as of 9/30/21. This is significantly stronger than the industry average and evidences the ability to fund any needed project equity. The Finance Director reported that all projects are operating at positive cash flow.
- The balance sheet is well capitalized with \$5.972M in net assets and a .39 debt/worth ratio.
- The debt service coverage ratio was strong in 2021 at 7.6 with excess cash flow of \$920M.
- Growth appears consistent and well managed with improved profitability
- SPHDC is in a strong financial position and is well positioned to support this project on a contingency basis if needed.

**COLLATERAL:** A first mortgage on the 3.16 acres that will be cleaned up with this loan. There is existing debt of \$3 million that is secured by the 3.16 acres and approximately 5 additional acres. That debt was used for significant improvements to the other 5 acres. A condition of this loan will be a subordination of the \$3 million existing prior mortgage. The applicants agree to this condition and expect the lender will support.

**CONDITONS:**

- Acceptable review of final project budget to include the remediation costs prior to closing
- If a VRAP, letter of completion of clean up
- Acceptable review of commitments letters from all other sources of financing and reasonable assurances from those sources that either all major preclosing conditions have been met or are expected to be met prior to closing.
- The construction loan must be closed with funds approved and allocated for the balance of needed funding for the complete environmental cleanup at or prior to our loan closing.
- Subordination of an existing \$3 million mortgage.

**STRENGTHS / WEAKNESSES:**

- SPHDC has a strong long-term history of development and management of similar projects
- SPHDC is financially strong and able to support project with combined \$920M in excess cash flow and \$5,972M in working capital
- South Portland has a housing shortage and there is a significant waiting list for both market and subsidized rental units. Daycare is also short in supply relative to the current demand.
- Good and adequate collateral position
- There were no significant noted weaknesses

**RECOMMENDATION:** I recommend approval based on the above noted strengths subject to the above Conditions. It should be noted that this project is still in the planning stage and could be subject to change. Any change though is expected to be more minor and should not impact the recommendation or the proposed conditions. I have especially focused on the adequacy of capitalization of 62% of the project with the grants, the capability of management and the collateral position is appropriate and adequate. All are noted as strengths.

