

April 2009

Affordable Housing

Background Information

And

Housing Proposal

Project Introduction and Goals

Homestart is a community based volunteer organization working to create affordable housing on Peaks Island. Permanently affordable homes for individuals and families of modest incomes, will allow our island community to maintain a healthy, diverse, year-round population. Homestart incorporated as a 501c-3 in 2004.

Homestart looks to the Peaks Island Council (PIC) for support in moving forward with addressing the affordable housing needs of our community. Specifically, Homestart seeks the support of the PIC in an application for a conditional rezone of 18 Luther Street to construct two single-family affordable homes. In conjunction, Homestart will continue community meetings to gather input, suggestions as to plans, and answer questions.

In addition to the Luther Street initiative, Homestart is exploring the purchase of 247 Island Ave to create six affordable rental units within this former apartment building. The building, centrally located across from the school, is on city water and sewer and within walking distance of down front. A conditional rezone is required to restructure the four current units into six apartments. The exterior of the building will remain as is. Both of these projects require additional development to remain self-sustaining housing options into the foreseeable future.

The third initiative collaborates with Habitat for Humanity of Greater Portland to build a modest family home of approximately 1,200 square feet on a Homestart tax acquired property on Pleasant Ave. With a completed survey and septic system design existing for the lot, the property, 143 Pleasant Ave, will also require a conditional rezone to build on this non-conforming lot. Habitat will undertake that process and work with the community to build on the site. Homestart has sought assurances from Habitat that the home will go to a Peaks Island resident.

Organizational Capacity and Need

In early 2002, a survey of community needs was developed and administered by an ad hoc group of citizens in collaboration with the Peaks Island community planning initiative and the City of Portland. The report stressed a study of demographic shifts and the growing need for affordable housing.

The Affordable Housing Subcommittee grew into a working board, eventually incorporating as Homestart. The Board worked to examine and implement strategies to create lower cost solutions for families on Peaks Island. Discussions at the Board and community level identified seasonality and gentrification as pressing issues.

In 2006-7, Homestart began to look for viable affordable housing possibilities within the community. We have explored a number of options both for renovation of existing buildings and new construction. Homestart purchased 18 Luther Street in the fall of 2007, which had been on

the market for several years. Board and community members worked to clean, repair and weatherize the home. In the fall of 2008, Homestart received a HomePort forgivable loan to address some additional weatherization and safety issues. Since the purchase, an islander has rented this home at an affordable rate.

Also in the fall of 2007, Homestart was requested to assist a community member in providing an affordable rental with several bedrooms. Since then, two families have occupied this affordable, safe, and comfortable home.

In 2008, Homestart explored several additional options including construction on Luther Street. Within this process, the community expressed concern over the types of options and the current need for affordable housing. A number of community meetings, facilitated and open, were held to allow for input and dialogue. The PIC was instrumental in assisting with these forums.

The Homestart Board responded by taking time to evaluate its goals and strategies in the light of community input. As a result, Homestart commissioned a community needs assessment related to affordable housing. Sarah Curran of Planning Decisions, Inc (PDI) conducted the work, funded through a Peaks Island Fund grant. In February 2009, the Peaks Island Affordable Housing Needs Assessment Report was released.¹

In summary, PDI mailed surveys to 461 year round owners and renters. The response yield was 35%. The assessment report indicates affordability is critical to Peaks Island residents. Respondents voiced concern over maintaining a year round diverse community and allowing people living on Peaks to remain here. An island family earning the median income can no longer afford the median priced island home. One in six year-round survey respondents indicated in interest in moving to affordable housing. Using statistical analysis of census and Claritas² data, PDI estimates that between 20 and 70 islanders are interested in purchasing an affordable home. They also projected between 12 and 36 islanders are interested in an affordable rental. Among buyers, the preference is for single-family homes with private yards.

Forty percent of survey respondents earn under \$49,999 and another 22% earn between \$50,000 and \$74,900. Housing and Urban Development (HUD) indicates the median income for the greater Portland Area for a family of four is approximately \$67,600.³ The PDI report uses US Census and Claritas data and estimates 2008 median income to be \$58,936. This data is specific to Peaks Island based upon the 2000 census calculated forward by Claritas using statistical trending methods.

The median age of islanders has increased in the past eight years. In 2000, the median age was 42.4 and in 2008, the median age was 46.6. This is reflective of the state population trend. The report indicates that older residents are interested in affordable housing opportunities. However, it is important to note that only 2% of the respondents were under the age of 34. This is common

¹ The report may be accessed from: http://peaksislandhomestart.org/news/needs_assessment.pdf

² Nielsen Claritas is a nationally recognized marketing information resources company specializing in census demographic estimates and projections

³ Note: These HUD guidelines use median income with some adjustments.

http://www.huduser.org/datasets/il/il2008/2008summary.odn?inputname=METRO38860MM6400*Portland%2C+ME+HUD+Metro+FMR+Area&selection_type=hmfa&year=2008pdf

in mailed surveys. Laura Wurst, a University of Southern Maine student, approached Homestart and offered assistance in clarifying community needs. She has agreed to interview the under 30 group to better understand their needs. Her work will benefit Homestart and meet the requirements of a USM planning class.

Twenty-one survey respondents indicated a need for either an affordable rental or ownership opportunity. Of the 21 respondents seeking affordable housing, 19 indicated the desire to own a home. Within this group, 16 stated a preference for a single family home, 17 noted a preference for a private yard, and 16 desired a two or 3-bedroom home. The surveys were anonymous meaning that we cannot directly contact these respondents. Homestart is working to identify these individuals through announcements in the Star and the Island Times. We are building an application and review process to qualify islanders for a Homestart home as soon as something appropriate is available.

The open-ended comments provided by survey respondents indicate that islanders are looking for ways to manage the affordability of their homes. Homestart is working to identify federal, state, local, and grass roots programs and opportunities that will address this need. To that end, Homestart hosted an Island Community Resource Day on April 4. The Island Fellow is working on a compilation of program resources and contacts that will be available both on line and in the Library.

In mid March, the MIT Center for Real Estate released *Housing Affordability in Maine: Taking Stock*, commissioned by The Maine Affordable Housing Coalition (which can be found at: www.mainehousingcoalition.org). The MIT report compared positively with the PDI report. Both point to an aging population and discrepancy between income growth and the median home price of a home.

Options to Create and Preserve Affordable Housing

There are several options available to create and preserve affordable housing. Not all options are suitable for Peaks Island. In light of the PDI Housing Assessment Report and the comments from community members at meetings both public and private, Homestart believes the following options are viable on Peaks Island:

- ***Build new, small, energy efficient homes for home ownership opportunities***
 - Affordability will be preserved using a deed restriction allowing the home to be sold and resold for prices that remain within the financial reach of modest income islanders
 - Restrictions will be fully disclosed to potential buyers
 - The resale formula will be fully disclosed to potential buyers
 - Owners will have the ability to realize limited equity at the time of re-sale
- ***Work with Habitat for Humanity of Greater Portland to build modest, energy efficient homes for home ownership opportunities***
 - The resident will be selected from Peaks Island
 - Long-term affordability can be preserved by deed restrictions on the land

- ***Renovate donated or below market purchased homes to be energy efficient and offer those homes as affordable rentals or ownership opportunities***
 - Affordability will be preserved using a deed restriction allowing the home to be sold and resold for prices that remain within the financial reach of modest income islanders
 - Restrictions will be fully disclosed to potential buyers
 - The resale formula will be fully disclosed to potential buyers
 - Owners will have the ability to realize limited equity at the time of re-sale
 - It is important to note that renovations to create a safe and energy efficient home are expensive and funding is limited
 - It is important to keep the purchase or rental price affordable for community members.

- ***Work with home owners to provide affordable rental properties to island residents***
 - Property owners rent to Homestart at a discounted rate and Homestart then rents to a community member at an affordable rental rate.
 - Rental affordability is preserved through written lease agreements

Specifics Regarding 18 Luther Street

Homestart owns 18 Luther Street, which sits on a 15,000 square foot non-conforming lot for further development. The house is on public water and sewer and within walking distance of down front, the school and the library. The current mortgage is through Genesis Fund with interest partly underwritten by a Jane's Trust Foundation Grant. That provision will end fall, 2009 and the terms of the mortgage will change. To maintain this as an affordable home, Homestart needs to address its own costs immediately.

Homestart proposes applying for a conditional rezone from the City of Portland Department of Planning and Development to allow for the construction of two affordable single-family homes on the property. The homes will be in range of 1,000 to 1,200 square feet with two or three bedrooms. They will meet energy efficient standards set by MaineHousing with a goal of meeting LEED⁴ standards.

Homes will be available for purchase to Peaks Island residents who qualify as modest income, those at 80% to 100% of the HUD area median income guidelines. The goal is to sell the homes at a cost of 30 - 35% of the homeowner's gross income. This means that a family earning \$67,000 will pay between \$1,675 and \$1,954 monthly for mortgage, taxes, insurance and basic heat and electricity.

Interested buyers will be pre-qualified through an application and evaluation process independent of Homestart Board members. Selected candidates will be introduced to Maine State Housing and Portland HomePort⁵ programs. These programs offer low interest mortgages, assistance with closing costs and require homeowner educational programs.

The homes will remain as affordable housing stock through deed restrictions. The buyer will fully own the home. In exchange for an upfront subsidy in the purchase, the owner-occupant will

⁴ The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™, see: <http://www.nrdc.org/buildinggreen/leed.asp>

⁵ See: <http://www.portlandmaine.gov/planning/homeportguidelines.pdf>

be required to resell the home to someone who is income-eligible for a specified, formula-determined price. The owner-occupant will realize some percentage of the market increase upon the sale while preserving the affordability subsidy.

The homes will remain on the Portland City tax roles. Prior to the initial sale of the homes, assessment specifics will be obtained from the City's Assessor's Office.

Community Questions and Concerns

Community members have approached Board members individually, attended meetings, and responded to the PDI survey to ask questions. Some of the most commonly asked questions follow.

What is affordable housing?

Housing is considered affordable when total housing costs (rent or mortgage plus taxes and basic utilities) are no more than 30% of a household's gross income. For many, in our community and across the nation, housing costs often reach 40 to 50% of gross income.

Households with higher incomes may choose to spend more than 30% of gross income on housing and still meet other household and personal expenses. If there is no safe, suitable residence available at the 30% mark and a household struggles to meet basic expenses the available housing is not affordable.

Housing choice is generally assumed available to those at 100% (and above) of an area's median income. Households earning an income in this range should be served by market rate rents and housing prices.

What is Area Median Income?

The U.S. Department of Housing and Urban Development defines median income for the Portland, Me HUD Metro FMR (Fair Market Rents) Area \$67,600 for a family of four.⁶ The Metro FMR Area includes Peaks Island as a part of the Greater Portland Area.

Who is eligible for help?

There are a number of local, state and federal programs available for people earning less than 120% of the median income. Homestart is looking at programs for those of at least 80% of median of area income.⁷

2008 Area Income - 80% of Median⁸

⁶ http://www.huduser.org/datasets/il/il2008/2008summary.odn?inputname=METRO38860MM6400*Portland%2C+ME+HUD+Metro+FMR+Area&selection_type=hmfa&year=2008pdf Note: These HUD guidelines use median income with some adjustments. The 2000 US Census and Claritas statistical modeling specific to Peaks Island indicate the 2008 median income for Peaks Island residents as \$58,936. (PDI study, p 7) Nielsen Claritas is a nationally recognized marketing information resources company specializing in census demographic estimates and projections.

⁷ http://www.huduser.org/datasets/il/il2008/2008summary.odn?inputname=METRO38860MM6400*Portland%2C+ME+HUD+Metro+FMR+Area&selection_type=hmfa&year=2008pdf

⁸ http://www.huduser.org/datasets/il/il2008/2008summary.odn?inputname=METRO38860MM6400*Portland%2C+ME+HUD+Metro+FMR+Area&selection_type=hmfa&year=2008

Household Size	80% of Median
One person	\$38,200
Two persons	\$43,650
Three persons	\$49,100
Four Persons	\$54,550
Five Persons	\$58,900

What are Fair Market Rents?

The Fair Market Rents (FMR) are gross rent estimates including basic utilities as determined annually by the U.S. Department of Housing and Urban Development. A person earning the median income should be able to choose an apartment at FMR and spend only 30% of gross household income on rent and basic utilities.

The 2008 Fair Market Rents for Portland, Me HUD Metro FMR⁹

Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
\$673	\$800	\$1,036	\$1,305	\$1,399

What is the average home price?

Peaks Island Home Sales, 2000 – 2008

Year	Number of Sales	Median Sale Price
2000	29	\$140,000
2001	16	\$112,750
2002	26	\$207,200
2003	26	\$241,500
2004	40	\$277,500
2005	53	\$330,000
2006	51	\$285,500
2007	51	\$291,000
2008	22	\$337,900

Source: City of Portland

Note: Excludes both vacant land and sales for \$0

From: Planning Decisions, Inc. 2009 p 10

What is the affordability gap limiting housing choice?

Income to Afford a Median Priced Home, 2000 - 2008

	2000	2008
Median Home Price	\$140,000	\$337,900

⁹ http://www.huduser.org/datasets/fmr/fmrs/2008summary.odn?inputname=METRO38860MM6400*Portland%2C+ME+HUD+Metro+FMR+Area&data=2008&fmrtype=Final

Income to Afford	\$26,655	\$64,333
Median Income	\$40,185	\$58,936

Source: City of Portland; Claritas; Planning Decisions, Inc.
 From: Planning Decisions, Inc. 2009 p 11

To afford a median priced home on Peaks Island, a family earning the median income¹⁰ faces a yearly income gap of just under \$5,400.

Will an affordable house in my neighborhood adversely affect the value of my home?

A variety of studies conducted over time from across the nation indicates that affordable housing does not negatively affect surrounding property values. Both Habitat for Humanity¹¹ and the National Association of Home Builders¹² have published such studies.

Will Homestart take grant money that might force you to go beyond Peaks Island for renters/owners?

Homestart’s mission is to first target the housing needs of year-round moderate-income Peaks Islanders. Homestart will seek grants, loans, and partnerships in support of that mission. It is clear that Islanders are concerned for the wellbeing of their neighbors and we share that concern.



Homestart respectfully asks the PIC to support a conditional rezone for 18 Luther Street to build two single family, affordable, green homes on the property. Homestart also seeks the PIC support in further exploration of opportunities at 143 Pleasant Ave. and 247 Island Ave.

Respectfully Submitted by the Homestart Board

- Jane Banquer, President
- Chris Roberts, Vice President
- Kay Taylor, Secretary
- Don Webster, Treasurer
- Barbara Hoppin, Immediate Past President
- Nicole Evans
- Ellen Mahoney
- Dick Reed
- Barry Shaw

¹⁰ Determined using the 2000 Census and Claritas statistical analysis.

¹¹ See: <http://www.habitat.org/how/propertyvalues.aspx>

¹² See: <http://mhc.gov/papers/nahb.doc>