

The Szanton Company
482 Congress Street, Suite 203
Portland, ME 04101

March 12, 2021

Cape Elizabeth Planning Board
Town of Cape Elizabeth
320 Ocean House Rd
Cape Elizabeth, Maine 04107

Re: Potential Affordable Apartment Project in Town Center – Commercial Space

Dear Planning Board members:

Please accept these updated materials for the proposed affordable housing development located in the new Ocean House Commons subdivision next to Town Hall, provisionally named Dunham Court.

We write today to answer some questions posed at the last workshop.

Commercial Space

The question arose at the last Planning Board meeting whether or not we could make any commercial space work financially. In order to answer this question, we modeled two different scenarios. In both, we assumed the request for TIF funds would remain unchanged and that construction cost per square foot remained as previously projected. We assumed a lower cost per square foot for constructing the commercial space to reflect the partially unfinished area.

First, we ran a model that assumed we would need to remove 6 one-bedroom apartments from the projection, which would allow for two commercial space areas of approximately 1,900 square feet each. These were the main findings of this model:

- Due to the removal of the 6 apartments, there was a reduction in sources of about \$540,000 in MaineHousing subsidy and equity from the sale of Low-Income Housing Tax Credits.
- Due to the projected income from the retail space being less than the income from the residential units, we would also have a reduced capacity to take on mortgage debt by about \$445,000.
- While constructing unfinished retail space is cheaper than constructing residential units, there are many fixed costs for development and less units means less economies of scale. This results in only a \$575,000 reduction in Total Development Cost.

- All of this means that the project would have a financial gap of about \$400,000 when converting the square footage for 6 one-bedroom apartments to commercial use.
- Perhaps most importantly, MaineHousing has a regulation that limits the Total Development Cost per unit. Because of the reduction in economies of scale with the loss of 6 apartments, our total development cost per unit would exceed the max allowed by MaineHousing, making the project unable to be approved for financing.

Exceeding MaineHousing's Total Development Cost, combined with the financial gap due to increase in expenses and loss of income, make this scenario infeasible.

Second, we ran a model assuming no loss in residential units. This model assumes we could convert the same approximately 3,800 square feet to commercial space and find another location for the lost 6 units. Due to the constraints of the site, this scenario is unlikely to be physically feasible without going up a 5th story resulting in the height request to be in the range of 55-58 feet. These were the main findings of this model:

- Without eliminating units, we did not have the issues related to Total Development Cost so would remain in compliance with MaineHousing's requirements.
- There is no increase in MaineHousing subsidy since it is a per residential unit source and there is no increase in equity from the sale of Low-Income Housing Tax Credits.
- There is a small increase in our ability to take on mortgage debt in the amount of \$448,000 due to the addition of retail income.
- Despite these small increases in sources of funds, there is also an increase in total development cost (due to the overall increase in square footage) of nearly \$600,000.
- All of this results in a \$250,000 gap between sources of funds available and project cost.

The second scenario's biggest limiting factor is the space on the site. There is very little space to further expand the footprint, which would result in an overall increase in the height of the building to 55-58 feet in order to maintain the 49 units. These additional 10-13 feet would mean the building would climb higher than the existing tree line and would significantly exceed the height of Town Hall, both of which would not happen with the current proposed design.

In addition, adding commercial space would put significantly more pressure on the site from a parking perspective. Current zoning requires 4-5 spaces (depending on the specific use) per 1,000 sf of commercial. This would mean the commercial space would require 16-20 spaces in addition to the 67 spaces we would require for residential use. That would result in a total of 83-87 spaces needed, compared to 76 needed for our proposed plan.

We look forward to answering any further questions you may have at future workshops. Should you have questions at any time regarding our potential project, please don't hesitate to contact me at 207-245-6436 or kmartin@szantoncompany.com.

Thank you for your time to review this.

Sincerely,

A handwritten signature in black ink that reads "Kristin Martin". The signature is written in a cursive, flowing style.

Kristin Martin
Development Officer
The Szanton Company