

Report to the Metro Regional Coalition

Housing and the Region's Future

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Introduction

The purpose of this paper is to recommend a broad affordable housing strategy to the 7 communities of the Metro Regional Coalition. Part 1 of the paper places affordable housing in its context with transportation and other growth-related issues. The second part (page 8) recommends a strategy that addresses affordable housing in conjunction with related issues of transportation and open space.

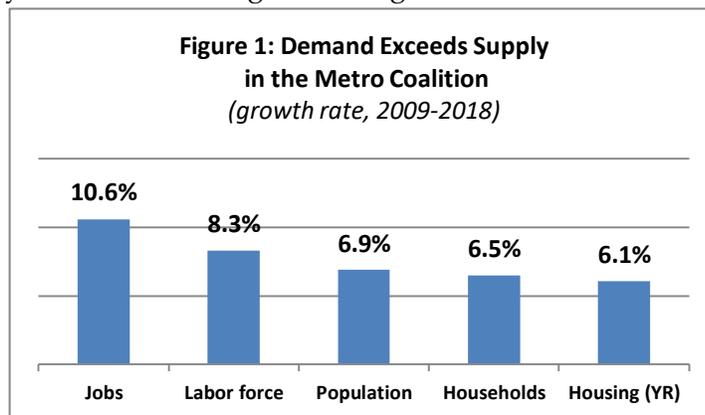
Part 1: The Context for the Affordable Housing Issue in Greater Portland

A. Demand is exceeding supply

The economist Herbert Stein once coined a law which reads: "If something cannot go on forever, it will stop." Since the 2009 recession, demand has exceeded supply in Greater Portland in multiple areas. For the seven communities in Metro Coalition¹, the demand for jobs has exceeded the growth in workforce – creating a labor shortage. The growth in workforce has exceeded the growth in population – meaning that we are squeezing as many workers out of the existing population as we are likely to get. The growth in households has exceeded the growth in year-round housing – meaning that there is not enough housing stock to accommodate the new growth that we need (see Figure 1).

These trends largely held across all of the individual communities in the Metro Coalition (see Table 1). Some differences include: in Falmouth and South Portland, labor force grew faster than local jobs; in Cape, housing units seem to have increased faster than households.

The year-round housing data deserves a special mention. These do not reflect local permit figures for two reasons. First, they are 5-year averages for 2009 and 2018, from the American Community Survey² (see note 2 below). Secondly, they also reflect



¹ Cape Elizabeth, Falmouth, Gorham, Portland, Scar borough, South Portland, and Westbrook

² The numbers in these charts and tables, unless otherwise noted, are from the American Community Survey (ACS). This is an annual survey covering about 3% of US households. In larger cities, like Portland, the sample is sufficient to allow the ACS to make estimates each year. In smaller communities, like the other 6 in the Metro Coalition, the ACS adds up survey results over 5 years to make an estimate. Thus, 2009 data in this report consists of survey results of 2005-2009. 2017 data consists of results from 2013-2017. So the numbers used in this report are an approximation for any given year, but are accurate in terms of long-term trends.

changes in use of the existing stock; for example, every year-round unit converted to Airbnb usage, and every condominium rented to a seasonal owner, moves one unit from the year-round category into seasonal/long term vacant category.

From 2015 to 2017, the American Community Survey (one-year estimate) reports an increase in the City of Portland alone of 660 units of seasonal occupancy (52% change) and 760 of “other vacant” units (72% growth) – the latter being units that are vacant but are not available for sale or rent to year-round residents, which presumably includes much of the short-term rental market.

So even though there was a reported growth of 5,300 units of housing in the Metro communities from 2009 to 2017, only 4,100 are reported to be available for year-round housing.

Table 1: Demand Exceeds Supply, 2019-2018

	Year	County	Portland	Cape	Falmouth	Gorham	Scarboro	So Portland	Westbrook
Jobs in community	2009	168,160	66,412	1,258	5,836	4,162	14,382	22,980	12,151
	2018	185,390	72,760	1,561	6,409	5,257	15,872	23,923	14,836
<i>Change 2009-2018</i>		17,230	6,348	303	573	1,095	1,490	943	2,685
<i>Percent</i>		10.2%	9.6%	24.1%	9.8%	26.3%	10.4%	4.1%	22.1%
Labor Force	2009	156,176	37,040	4,633	5,396	9,023	10,780	13,891	8,758
	2018	165,409	39,043	5,244	6,608	10,533	11,034	14,803	9,679
<i>Change 2009-2018</i>		9,233	2,003	611	1,212	1,510	254	912	921
<i>Percent</i>		5.9%	5.4%	13.2%	22.5%	16.7%	2.4%	6.6%	10.5%
Total population	2009	276,227	63,153	8,813	10,668	15,511	19,017	23,824	16,373
	2017	289,173	66,715	9,235	11,868	17,147	19,620	25,431	18,156
<i>Change 2009-2018</i>		12,946	3,562	422	1,200	1,636	603	1,607	1,783
<i>Percent</i>		4.7%	5.6%	4.8%	11.2%	10.5%	3.2%	6.7%	10.9%
Total households	2009	114,142	28,990	3,544	4,239	4,894	7,611	10,419	7,017
	2018	118,807	30,167	3,803	4,655	6,101	7,640	10,663	8,054
<i>Change 2009-2018</i>		4,665	1,177	259	416	1,207	29	244	1,037
<i>Percent</i>		4.1%	4.1%	7.3%	9.8%	24.7%	0.4%	2.3%	14.8%
Year-round housing	2009	116,332	29,892	3,544	4,291	5,003	7,811	10,544	7,096
	2017	120,769	30,834	3,829	4,655	6,169	7,784	10,790	8,250
<i>Change 2009-2018</i>		4,437	943	285	364	1,166	-27	246	1,155
<i>Percent</i>		3.8%	3.2%	8.0%	8.5%	23.3%	-0.3%	2.3%	16.3%

B. It's Harming our Quality of Life

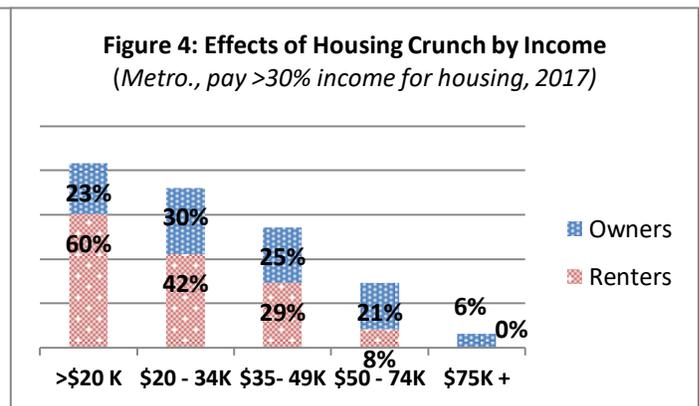
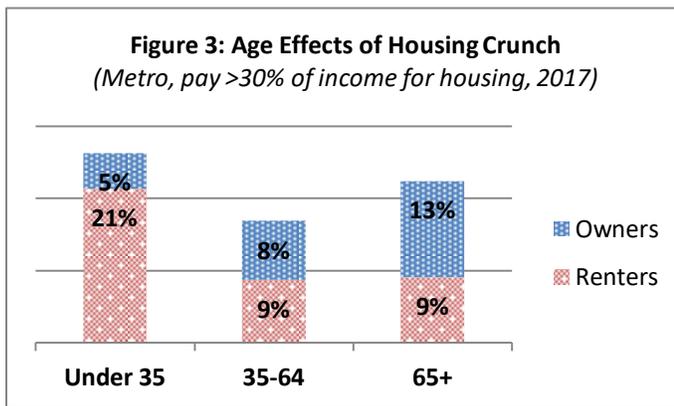
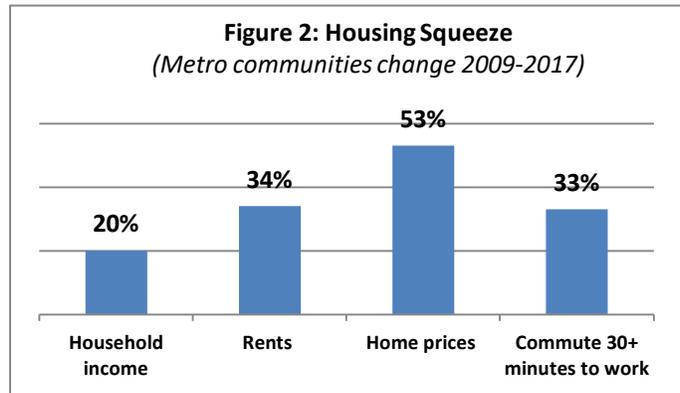


There are some positive aspects to demand exceeding supply. For those looking for work, there are more choices, and higher salaries. For those who already own a home, their house value appreciates and contributes to greater household wealth.



But for those moving to the area, or the young trying to set up a household, or automobile commuters, or renters, or older people facing higher property taxes and living costs, or employers, there is a loss of quality of life.

The housing cost crunch is hitting young people particularly hard, as well as those in the lower and middle income range. One in four households under the age of 35 pays 30% or more of its income for housing. These are also households burdened by high college loan repayments. Over half of working families with incomes between \$35,000 and \$50,000 pay over 30% of their income for housing.



Another effect of the housing cost crunch is that it is harder for people to move, and harder to find housing near places of employment. The number of workers commuting over 30 minutes to work increased by a third since the recession. Traffic has also increased in volume. The available data is difficult to generalize about on a community or regional level. But a proxy for traffic might be the Maine Turnpike. The Turnpike has seen an 18% increase in cars since the trough of the recession. The road network in Greater Portland is largely fixed, and has been so for years, so continuing traffic increases can be expected to lead to more congestion

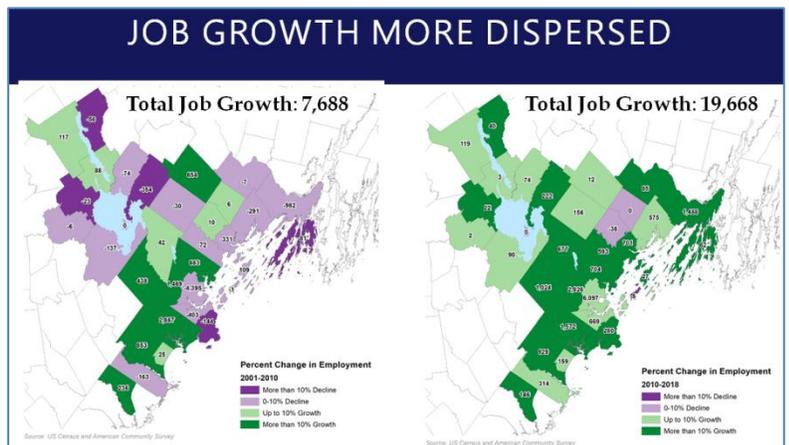


Table 2: Less Choice, Higher Costs, Longer Commutes

Data	Year	County	Portland	Cape	Falmouth	Gorham	Scarboro	S Portland	Westbrook
Unemployment Rate	2009	6.5%	7.1%	5.7%	5.3%	5.4%	5.7%	6.9%	8.4%
	2018	2.7%	2.6%	2.3%	2.3%	2.7%	2.6%	2.6%	3.1%
<i>Change 2009-2018</i>		-3.8%	-4.5%	-3.4%	-3.0%	-2.7%	-3.1%	-4.3%	-5.3%
Renter vacancy rate	2010	5.7%	5.3%	0.0%	5.8%	14.3%	12.3%	3.2%	3.0%
	2017	5.0%	3.8%	5.6%	0.0%	6.8%	8.6%	3.0%	6.1%
<i>Change 2009-2017</i>		-0.7%	-1.5%	5.6%	-5.8%	-7.5%	-3.7%	-0.2%	3.1%
Owner vacancy rate	2010	1.5%	1.9%	0.0%	0.4%	0.0%	0.9%	0.8%	0.2%
	2017	1.2%	0.5%	2.1%	0.0%	1.1%	0.0%	1.0%	0.5%
<i>Change 2009-2017</i>		-0.3%	-1.4%	2.1%	-0.4%	1.1%	-0.9%	0.2%	0.3%
Median Home Price	2009	\$235,000	\$206,950	\$267,000	\$350,000	\$215,000	\$290,500	\$182,950	\$175,000
	2018	\$303,000	\$316,000	\$543,000	\$533,500	\$295,000	\$395,000	\$288,000	\$250,942
<i>Change 2009-2018</i>		\$68,000	\$109,050	\$276,000	\$183,500	\$80,000	\$104,500	\$105,050	\$75,942
<i>Percent</i>		28.9%	52.7%	103.4%	52.4%	37.2%	36.0%	57.4%	43.4%
Median Gross Rent	2009	\$851	\$840	\$1,133	\$1,036	\$813	\$1,110	\$881	\$788
	2017	\$1,029	\$1,018	\$1,060	\$1,657	\$1,024	\$1,308	\$1,119	\$899
<i>Change 2009-2017</i>		\$178	\$178	-\$73	\$621	\$211	\$198	\$238	\$111
<i>Percent</i>		20.9%	21.2%	-6.4%	59.9%	26.0%	17.8%	27.0%	14.1%
Median HH income	2009	\$54,342	\$43,601	\$80,644	\$83,139	\$68,014	\$74,389	\$50,319	\$43,588
	2017	\$65,702	\$51,430	\$106,157	\$108,547	\$76,267	\$89,255	\$59,515	\$51,062
<i>Change 2009-2017</i>		\$11,360	\$7,829	\$25,513	\$25,408	\$8,253	\$14,866	\$9,196	\$7,474
<i>Percent</i>		20.9%	18.0%	31.6%	30.6%	12.1%	20.0%	18.3%	17.1%
Travel 30+ minutes to work	2009	36,119	4,265	731	398	2,376	1,494	2,166	1,194
	2017	41,677	5,901	981	912	3,483	1,296	2,041	2,131
<i>Change 2009-2017</i>		5,558	1,636	250	514	1,107	-198	-125	937
<i>Percent</i>		15.4%	38.4%	34.2%	129.1%	46.6%	-13.3%	-5.8%	78.5%

A final effect of the housing cost crunch is that it is increasing the cost of land, and pushing buyers to get land in more rural areas. For this paper, we examined land sales in the seven Metro communities for the last three years. We limited the sample to residential land sales of fewer than 5 acres, to be sure that commercial uses were not mixed in.

In 195 transactions sampled, the average sale was \$136,900. On a per-acre basis, the average cost was \$117,000. A rule of thumb in real estate is that, in building a house, raw land costs should not consume more than 20% of the budget (improved land can be 25%). Using these ratios, the residential land is appropriate for new housing construction with average price in the \$500,000 to \$600,000 range.

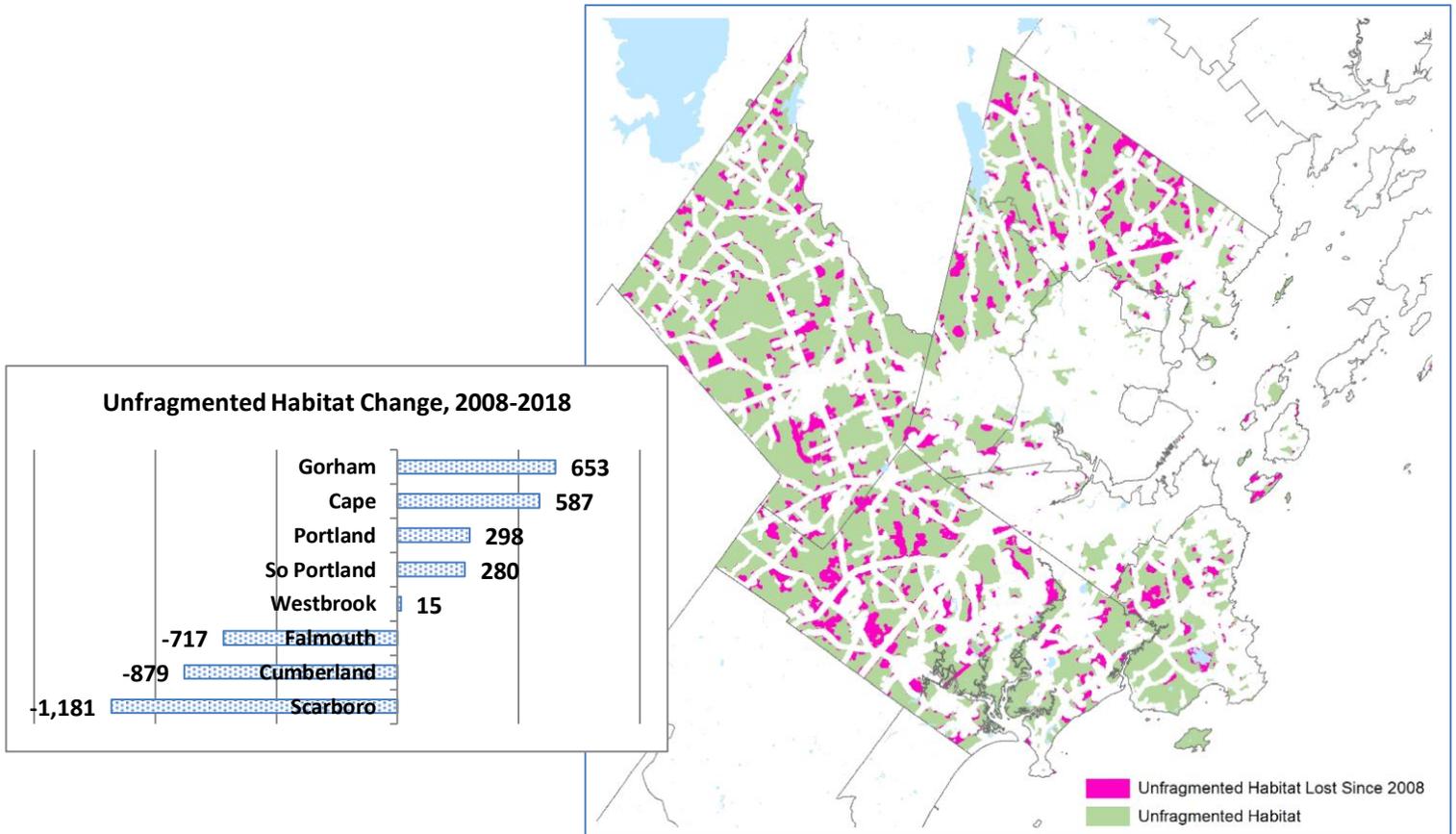
Note also that the per acre cost of land in Gorham is much less expensive than land in the urban area.

Table 4: Residential Land Sale Prices, Under 5 acre parcels, 2017-2019

Municipality	Residential land sales (<5 acres)	Acres	Per sale	Per acre
Cape Elizabeth	12	25.4	\$310,500	\$146,500
Falmouth	33	38.7	\$186,700	\$159,400
Gorham	35	59.1	\$99,700	\$59,100
Portland	45	22.1	\$129,200	\$263,300
Scarborough	38	49.6	\$120,800	\$92,600
South Portland	8	3.3	\$102,800	\$249,200
Westbrook	24	30.0	\$87,200	\$69,700
Region	195	228.1	\$136,900	\$117,026

The spreading out of growth is having a negative effect on open space and wildlife habitat. From 2008 to 2018, the Metro communities together lost a net of about 1,000 acres of unfragmented habitat.

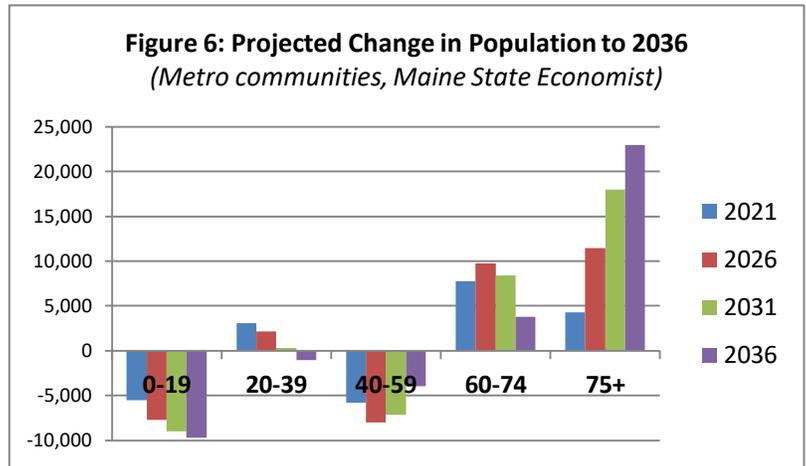
Figure 5: Change in Unfragmented Habitat (source GPCOG)



C. Why Not Just Stop Growing?

If growth causes all of these problems, then why not stop growing? This choice was addressed by economists Michael LeVert and Catherine Reilly in Appendix A of the study *Greater Portland Tomorrow: Choices for Sustained Prosperity*³. LeVert and Reilly modeled the economic consequences of a policy that had *no new net in-migration* to Greater Portland between 2017 and 2034. What they found was that population would still grow by 1,700 due to natural increase – the excess of births over deaths.

Nevertheless, the labor force would drop by 15,400 – because a higher proportion of the population would then be elderly. Employment would drop by 14,600 – because there would not be enough workers for employers to create jobs. And municipal and state tax revenues from the region would drop precipitously – by \$53 million.



This is a future in which elementary schools are closing due to a lack of students; transportation services for air, mass transit, and roads, deteriorate; health care takes up an increasing share of local and state government budgets; parks and trails are not maintained; cultural institutions struggle to maintain activities.

Table 5: No Growth Scenario Consequences in 2034

No growth scenario	Change	
	Value	Percent
Population	+ 1,700	+ 0.7%
Labor Force	- 15,400	- 9.5%
Employment	- 14,600	- 9.4%
Earnings from Work	- \$694 million	- 9.4%
Tax Revenues	- \$53 million	- 9.4%

LeVert and Reilly also modeled the effects of the status quo – continuing in-migration at the rate now occurring. The status quo alternative is not much better than no-growth. It results in a 3% reduction in jobs, workforce, and tax revenues.

Finally, they modeled the effect of attracting an additional 1,500 new residents between the ages of 20 and 34 to the region each year. This was a totally different picture, and turned the equations around. The result is a net positive for jobs, income, and tax revenues.

³ Barringer, McDonnell, O’Hara, *Greater Portland Tomorrow: Choices for Sustained Prosperity*, 2017; available online at <http://digitalcommons.usm.maine.edu/muskie>

Table 6: The Effects in 2034 of 1,500 new 20-34 Year-old In-migrants Annually

No growth scenario	Change	
	<i>Value</i>	<i>Percent</i>
Population	+ 42,000	+ 17.7%
Labor Force	+ 15,700	+ 9.7%
Employment	+ 14,900	+ 9.6%
Earnings from Work	+ \$498 million	+ 6.7%
Tax Revenues	+ \$38 million	+ 6.7%

D. Can There Be Growth Without a Loss of Quality of Life?

So we are confronted with a paradox. We need growth to continue to enjoy the quality of jobs, public services, and amenities offered by the region. However, in the current development pattern more growth means more cars, more traffic congestion, more driving around in circles to find a parking space, less open space and habitat, more carbon and climate change harm, and more expensive housing.

Is there a third way? Is there a way to have growth but at the same time create more open spaces, reduce the need for automobile travel, and provide housing at a price that local people could afford?

The answer is that there is a third way. But it means a whole different approach to zoning, transportation planning, and housing preferences. This is one that has been under development at the Greater Portland of Governments for the past ten years.

Part 2: An Integrated Approach to Housing Solutions

The preceding section makes it clear that solutions for the affordable housing problem cannot be found in the absence of solutions for transportation and open space at the same time. It's not enough for each community to simply commit to building one or two "affordable projects" in the next decade. A more radical "systems" approach is needed.

Such a model has been under discussion in Southern Maine for the past ten years. It is called "Centers of Opportunity," and is described in a 2013 study by the Greater Portland Council of Governments.⁴ This model is currently in development with PACTS Committees under the title of "Priority Centers and Corridors."

Here is how a "Center of Opportunity" is defined:

"Centers of opportunity are places that are – or can be – highly competitive for the next generation of jobs and housing in Southern Maine. They are well positioned to tap into the market's desires for safe, livable, and walkable neighborhoods, with choices of housing and transportation. They will be the targets of focused investments in infrastructure to meet the needs of 21st century businesses and their workers."

The PACTS study identified more than 160 potential town and neighborhood centers in southern Maine that could serve this function. The study then identified nine to serve as "pilot projects" for the concept – including Prides Corner in Westbrook, Mill Creek in South Portland, India Street in Portland, and Dunstan Corner in Scarborough.

What these centers have in common are:

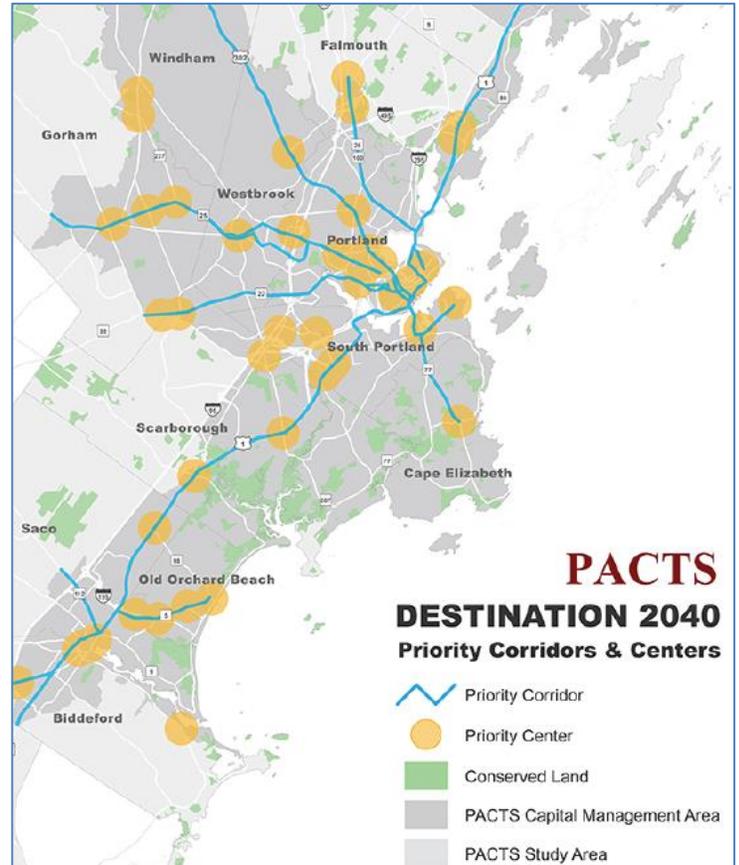
- *Mixed use, with residential, commercial, and often civic or open space components – in different ratios based on the type of center*
- *Generally no more than a half-mile in diameter, or with the periphery of residences no more than a quarter-mile from the commercial spine or center;*
- *Utilities, telecommunications, and transportation infrastructure to support residential development, the demands of 21st century businesses, and easy movement by car, walking, bicycle, and in some instances transit within the center; and*
- *Connections between the centers by different modes of transportation. Travel from center to center is common, since, except for the most urban centers, most will not be self-contained or able to meet all the needs of those who live and work in them. Rather, the centers work in combination to meet a range of employment, shopping, service, and recreational needs.*

The planners worked with citizens in each community, and emerged with design concepts that would enable 1,200+ housing units and 1,000+ jobs in the four Metro communities working with the project (see Table 5).

⁴ Richert et al, *Centers of Opportunity Pilot Projects*, GPCOG, 2013. See <http://sustainsouthernmaine.org/pilot-communities/>

This requires each municipality to:

- 1) **Rezone its potential centers of opportunity** to allow higher density residential housing and commercial housing. Preferably, this will be a community-initiated endeavor (as the “Centers of Opportunity” project was), and not a developer-initiated proposal.
- 2) **Make use of existing tools** to provide affordable rents and owner units within the project using a variety of tools:
 - a. The **State of Maine Affordable Housing Tax Increment Financing** tool allows municipalities to use the TIF tool to support housing that serves households with incomes up to 120% of median (in Greater Portland, this would be \$95,000). This is a vastly underused tool that can support middle income and working family housing without the need for any additional state or federal appropriations.⁵
 - b. Local **density bonus** ordinances such as that in the City of Portland⁶ provide density bonuses of up to 2.5 times the base density, increased building heights, and decreased setbacks to developers who include workforce housing in their ordinances.
 - c. Make use of **subsidized housing and infrastructure** programs -- such as those from MaineHousing and the Federal Home Loan Bank Board and HUD and DECD – to lower development costs for the project.



It also requires the region – municipalities, Greater Portland COG, PACTS, the County – to collectively create (with the help of the state and federal governments) **new tools for regional infrastructure development**. The proposed new development pattern will require high upfront costs to create the transportation and utility infrastructure for new Centers of Opportunity. This will not be covered entirely by private or by local government investments. New external funding sources are needed.

⁵ See <https://www.mainehousing.org/programs-services/housing-development/developmentdetails/affordable-housing-tax-increment-financing>

⁶ See <https://www.portlandmaine.gov/2037/Affordable-Housing-Ordinance-Revisions>

Part 3: Conclusion and Recommendation

This paper is an argument for viewing the affordable housing challenge in the context of a bigger picture – namely, that the current development pattern in Greater Portland is unsustainable, and will lead to a shrinking economy within the coming twenty years if it is not changed. The corollary is that affordable housing cannot be effectively developed in the absence of non-auto-based transportation alternatives, and public transportation can't survive without greater housing density. In the words of Portland Press Herald Editorial Page Editor Greg Kesich wrote, "Housing is a transportation issue (and vice versa)."⁷

What is the first step towards this new approach? We would suggest:

- 1) That each member of the Metro Coalition commit to planning the zoning and infrastructure planning needed to develop a new "Center of Opportunity" within the community, consistent with the PACTS-identified potential centers map. An Affordable Housing Tax Increment Financing District should be included within the proposed center.**
- 2) That the Greater Portland Council of Governments provide technical assistance to communities in this effort, and develop model zoning, infrastructure, and financing components.**
- 3) That PACTS funding formulas and METRO service plans be adjusted to prioritize mass transit services for new Centers of Opportunity.**
- 4) That the Greater Portland Council of Governments and Cumberland County collaborate to develop ideas for a new major infrastructure funding source for the region.**

⁷ See <https://www.centralmaine.com/2019/07/14/greg-kesich-housing-is-a-transportation-issue-and-vice-versa/>