

AGENDA
TOWN COUNCIL WORKSHOP
REGARDING GROWTH MANAGEMENT – 6:00 P.M
TOWN COUNCIL CHAMBER B

Wednesday, December 14, 2016

- Item 1.** Call to Order.
- Item 2.** Those Present.
- Item 3.** Discussion on Growth Management.
- Item 4.** Adjournment.

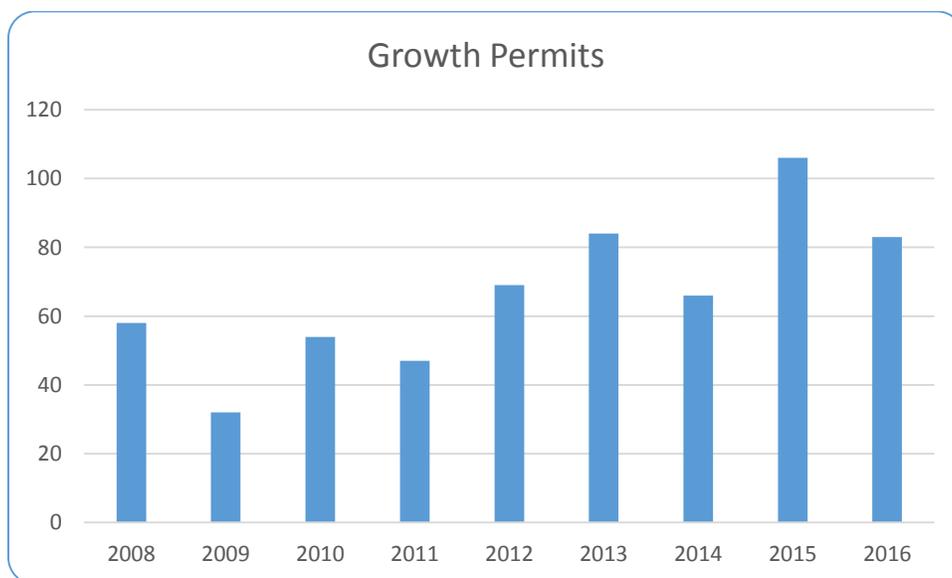
Growth Management Ordinance Overview & Recent Housing Trends

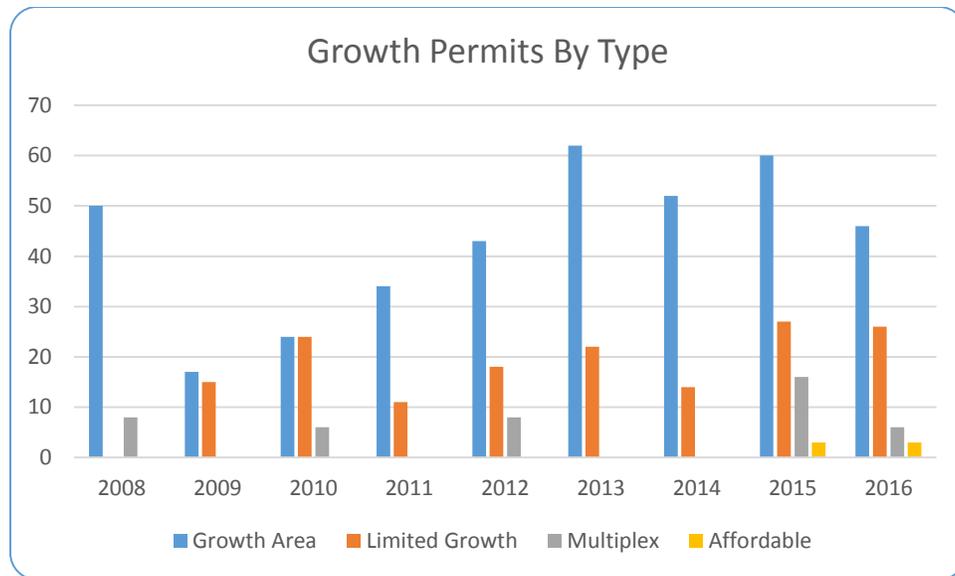
The Town of Scarborough has had a Growth Management Ordinance in place since 2001. This ordinance was established after a Town-wide Growth and Services Report was performed that demonstrated that new residential development, most particularly new single-family home construction, was occurring at such a rapid rate that it was stressing and overburdening municipal services, and in particular the capacity of the school system and its facilities. The Ordinance was structured to establish reasonable and appropriate limits on the number and allocation of housing starts on a yearly basis so that the Town could experience more consistent and stable population growth (particularly increases in school-aged children) and be able to plan for the requisite municipal services and infrastructure as well as to avoid continued rapid growth that outpaces the Town's ability to expand its school facilities.

After a few years of adaptation, the Ordinance did just that and moderated the quantity of new housing units per year from 272 units in '00, 180 in '01 and 228 in '02 to 159 in '03, 130 in '04 and 96 in '05.

The Growth Management Ordinance has done this by establishing an "annual allocation" of 135 growth permits. This includes growth permits for all types of new residential development (single-family, multi-family, affordable units etc.). Under the current Ordinance a growth permit is needed for every typical new residential dwelling unit (directed principally at single-family homes), with the exception that smaller units in attached housing (duplexes, multi-family etc.) are allowed to be counted at 0.5 or 0.66 a growth permit depending on their size, bedrooms and occupancy characteristics. Replacement or reconstructed dwellings, dwellings on family gift lots, and accessory units don't require growth permits. After growth permits are issued they are required to be converted to building permits within 6 months.

The following graph illustrates the pace of new residential dwellings and the quantity of growth permits issued out of the annual allocation since 2008 (i.e. since the recession and changes to our housing trends):





The graph above shows that we haven't reached the 135 permit limit over the past 8+ years, and only recently (2015) have we come close at 106 permits. Obviously these trends are significantly different than the new housing rates in the late '90s and early '00s mentioned earlier.

The bottom graph shows the break out of different types of permits in terms of whether they are in or out of our growth areas; multi-family units; and affordable units. These types or categories exist because in addition to the umbrella annual allocation of 135 growth permits there are other standards that:

- Help direct residential growth to our "growth areas" (where the Town is more equipped to handle and serve residential development with roads, public infrastructure, services etc.) by limiting permits in the limited growth area to 50, and leaving at least 85 for our growth areas;
- Limit individual development projects to 20% of the annual allocation (or 27 growth permits annually) so that individual projects don't monopolize a majority of the permits and not leave permits for other projects and individual lots and homebuilders; and
- Carve out a reserve of permits for affordable housing and units

Further, the Growth Management Ordinance includes a larger "reserve pool" of growth permits (which currently totals 215 permits). This reserve pool of permits is in place to guarantee permits for special projects (like affordable housing); projects that are using our incentive programs and bonuses; projects that aren't easily accommodated within the annual allocation; or projects that could unreasonably reduce the available permits for other applicants due to the scale or type of development.

The Ordinance includes specific eligibility requirements for use of the reserve pool. They include:

- Dwellings in a contract zone that indicates permits can come from the reserve pool
- Dwellings that are part of an affordable housing project where 50% or more of the units will be affordable
- Dwellings that are part of a project that uses the development transfer bonus or affordable housing bonus

- Dwellings that are part of an approved subdivision at the time of the adoption of the current GM Ordinance

The Ordinance goes on to indicate that based on use and demands on the reserve pool (and automatically when the pool dips below 50 permits) the Council should monitor the permits in the reserve pool and amend the amount as needed.

In conclusion, from staff's perspective it's notable that to date our Growth Management Ordinance has been quite effective over the past 8 or more years in managing and accommodating the pace and type of residential development that the Town has seen. Of course the recession of '07-'09 has also played a significant role in moderating residential development until the past few years. Further, it has been reassuring to see that our residential growth has been occurring predominately in our growth areas as planned through our town-wide zoning scheme and the Growth Management Ordinance. This had not been the case in Scarborough for the preceding decade or two and is likely due to a variety of factors from our new contemporary residential zones, to shifting consumer preferences for more in-town locations, neighborhood styles, and dwelling types, to the fact that there are a variety of development projects underway (supply) that are meeting this demand.

***A Preliminary Review –
The Implications of Multi-Family Housing (1-2 Bedroom Units)
& Growth Management***

Current and Potential Multi-Family Housing Projects

Currently there are a number of multi-family housing projects in Scarborough that have been approved and are planning construction; are in the development review pipeline; or are in the planning and consideration stage. These projects, range in size, scale, and setting and include:

- Multi-family units proposed within both the developing neighborhoods of Dunstan Crossing (1 - 36 unit building) and Eastern Village (53 units within 7 buildings);
- Elderly independent living units approved on Griffin Rd in Dunstan (1 - 36 unit building);
- Avesta Housing’s affordable housing project approved at the Southgate House (38 units within 2 buildings);
- Risbara Brothers multi-family housing project proposed on Mussey Rd (72 units within 6 buildings);
- Commercial Place LLC’s multi-family housing project proposed adjacent to Enterprise Business Park (330 +/- units within 12 to 16 buildings);
- Devine Capital LLC’s potential project at Gateway Blvd/Haigis Parkway (280 +/- units within 12 buildings)

All of these potential projects are a little different in terms of market niche and living environment, as some projects are integrated within larger residential projects, others are individual buildings and sites in our community centers, and others still will be their own planned communities with common space and facilities (club house, pool etc.).

Market Demand for 1 and 2 Bedroom Housing Units

Despite the different project types, the one overriding theme is that the vast majority of the projects are focused on delivering 1 and 2 bedroom, smaller sized dwelling units (650 to 1300 SF +/-). This appears to be in direct response to market forces and the living preferences / needs of millennials, single adults, and empty nester couples, among others, as many in these demographic groups are gravitating toward this type of housing and renting vs. single-family housing and homeownership for a variety of reasons.

As the Council is likely aware, the Town through both its Comprehensive Plan and various zoning districts has anticipated and prepared for this form of housing, design and scale in our growth area residential and mixed use zones. So the policy decisions to generally enable this type of housing have been made, but how to, and whether to, pace the volume and construction of units of this type remains an important policy matter.

Growth Management Ordinance and Larger-Scale Multi-Family Housing

This is an important policy matter because currently our Growth Management Ordinance is not structured to enable larger scale multi-family housing projects with large building sizes and unit counts to build out in a practical way, as we hadn’t experienced projects of this nature over the past 10-20 years. Given that we have a Growth Management Ordinance in place to pace the rate of residential

growth with the Town’s ability to accommodate new school-aged children in our school system and to generally plan for and maintain adequate levels of other municipal services, we feel it is important to better understand the likely demographics and municipal service demands of this type of multi-family housing as well as the potential tax value and associated revenue (as well as impact fee revenue).

To this end, we’re providing this initial overview and analysis to help inform this discussion.

Household Types and School Impacts

| | <i>Nationwide</i> | <i>Maine</i> |
|--|-------------------|---------------|
| <i>Apartment Residents</i> | <i>38,791,276</i> | <i>78,365</i> |
| <i>% of Population</i> | <i>12%</i> | <i>6%</i> |
| <i>Breakdown by Household Type</i> | | |
| <i>Single living alone or with roommates</i> | <i>67.5%</i> | <i>79%</i> |
| <i>Single Parent</i> | <i>12.5%</i> | <i>8%</i> |
| <i>Married couple no children</i> | <i>11%</i> | <i>9%</i> |
| <i>Married couple with children</i> | <i>9%</i> | <i>4%</i> |

Above both the national and state level statistics from 2015 regarding the household make up of multi-family residents. It should be noted that these statistics include all apartment sizes which presumably range from 1, 2 and 3 bedroom units, when what are currently in the pipeline are generally 1 and 2 bedroom units.

1 and 2 Bedroom Housing Units and Municipal Services

These statistics above suggest in Maine that conservatively 10% +/- of the 1 and 2 bedroom multi-family units would have children. Further, it’s likely a lower percentage would have school-aged children, as pre-school aged children are more likely in these unit types, as families with school-aged kids still generally transition to single-family homes with 2-4 bedrooms if economically feasible.

It is also important to note that the current per unit “school” impact fee for multi-family housing is \$1,080 paid at the time of building permit. So that fee is intended to help compensate for the school facility demands generated by this form of housing (to compare, the school impact fee for single-family housing is \$4,330 per unit given these units are four times as likely to have school-aged children).

So for example, a 72 unit multi-family project may contribute 7 (.10 X 72) school-aged children and will pay \$77,760 (72 x \$1080) in school impact fees. If tallied up, the 800 to 850 units of housing possible would be required to contribute \$850,000 to \$950,000 in school impact fees.

Based on this current information, it appears 1-2 bedroom multi-family housing has ***relatively low demands on schools and impact fees play a key role in helping off-setting the impacts.***

General Municipal Service Impacts

Public Works – Multi-family housing (3 or more units per building) is generally required to privately maintain its own site infrastructure and services. So parking lots, driveways, sidewalks, landscaping, lighting and the like are almost always privately owned and maintained. This is very different than single-family neighborhoods that are served by publicly maintained streets and services, and makes multi-family housing similar to commercial properties with fairly low demands on Public Works (other than traffic and road impacts discussed below). Similarly, solid waste and recycle is also required to be handled privately and is not a cost to the Town.

Relatively low demands

Public Safety – Public Safety includes Fire, EMS and Police. In regards to Fire safety and response, all multi-family buildings are required to have fire suppression systems (sprinklers) and are reviewed by the Department to ensure proper design for access and emergency response. Depending on the age demographic of multi-family residents, there may be an average or above average rate of EMS calls (i.e. Griffin Rd will be all elderly, others will be multi-generational). In conversations with the Police Chief, there should not be a dramatic impact or undo demand on the Police Department, though general growth in population, activity, traffic and the like cumulatively increase department demands (similar to other residential and commercial growth). We've used the existing Foxcroft and Coach Lantern developments as benchmarks for our initial analysis. **Moderate demands**

Public Utilities (Water and Sewer) – Given the densities of multi-family housing, they put greater demands (flow) on the public water and wastewater systems than lower density residential, but they are more efficient in terms of the infrastructure system (linear feet of pipe, units served etc.). Further, these utilities aren't municipally funded and in the case of the Sanitary District, they have capacity reserve fees that act as impact fees to fund future plant expansion needs based on the impacts of new development. **Demands are off-set by impact fees**

Transportation – Multi-family housing projects (like other development projects) are required to submit traffic studies and analyze and pay traffic impact fees to compensate for their impact on key intersections and road corridors in Town. Similarly, if sidewalks, crosswalks or bus shelters are planned in an area of such a project they would be expected to implement their component of the transportation improvement plan. A recent example of this is the sidewalk and new bus shelters to be installed by the Avesta Housing project. It's also worth noting that the two larger projects being considered are in locations already served by fairly robust transportation infrastructure designed to handle commercial traffic volumes, and that exhibit recent improvements made by the Town. The Planning Board will review the details, but it is likely that these projects won't need to make significant off-site improvements, but rather will pay impact fees to be applied to our existing debt service for this infrastructure. **Demands off-set by impact fees and off-site improvements**

Community Services (Parks and Recreation) – Currently new dwellings in subdivisions are required to pay a contribution toward future Town parks and recreational amenities, unless provisions are made with the project for open space, trails or active park areas. This will need be looked at closely by the Planning Board during development review to determine if contributions are necessary or if adequate provisions have been made for outdoor recreational space within the project. ***Demands and needs reviewed by the Planning Board, impact fees can be used***

Property / Project Value of Contemporary Multi-Family Development

The exact property tax value of these multi-family housing projects will vary by development, depending on the specific target market. Some projects will have 8-12 units per building and others will have 20-28 units per building. Some will have higher end exterior and interior finishes than others and the locations and settings (and their value) will vary. Based on information from recent sales and from local developer input, it appears the market value per multifamily rental unit will likely be between \$90,000 and \$150,000.

If the market value is used to project taxable value, a 300-unit project, may generate between \$27 million and \$45 million in taxable value, generating property taxes ranging from \$429,000 to \$716,400 annually. (Please note that these are guestimates based on sample projects and anecdotal research). For comparison, the recently developed retail site at Scarborough Gallery (the Home Goods, Marshalls, Bobs Furniture site) is currently valued at \$12.6 million. The Gateway Shoppes Plaza (the Cabelas site) is valued at \$30.3 Million.

Multi-Family Development as a Catalyst for Economic Development

We cannot talk about the impacts of multi-family development without discussing its role as a catalyst for economic development. Two of the larger potential projects are in the Haigis Parkway Zone (HPZ), which we have traditionally thought of as commercial growth area. As noted previously, the zone already allows for multifamily housing. In many respects, the HPZ is a good location for larger scale projects, since they are isolated from established lower density neighborhoods.

As the SEDCO Board and the Long Range Planning Committee discussed in a June 2016 workshop, the future of office development is NOT in one dimensional business parks. The new breed of office dwelling companies want to be connected to the community and integrated within mixed use areas with life and activity. They want restaurants, residents, walking trails etc. Basically, they are looking for amenities the way home owners evaluate their neighborhood.

We've heard directly from prospects that while Haigis Parkway has great logistics, it's missing that element of being part of the larger community. It feels isolated. The addition of multifamily housing to Haigis could stimulate a mixed-use approach to the corridor, making it more attractive to office, retail and other commercial users.

A second major consideration from an economic development perspective is the need for workforce housing at all levels of the market. Employers throughout the region, and right here in Scarborough, cannot find the workers needed to fill existing positions. For companies recruiting highly skilled workers from out of state, the lack of housing in a market with a 1% rental vacancy rate is a significant obstacle. Housing is absolutely a factor in the ability to recruit workers to the region. Without the ability to recruit residents to the area, economic growth will be limited. Ensuring an adequate supply of rental housing can diversify our housing choices and portfolio and will help local businesses fill positions.

Lastly, the larger scale multi-family rental projects have to be viewed as both residential and commercial projects. Banks consider multifamily rental projects with 5 or more units per structure as commercial ventures. These are business ventures for the investors and owners, and from a land use and setting standpoint, they are appropriately sited in or near high quality commercial areas and often have a similar character, functionality and setting.