



DOVETAIL CONSULTING, LLC

March 05, 2021

Jeremy P. Martin
Planning & Development Director
c/o Town of Camden, Maine

Re: Proposal for Former Apollo Tannery Site

Dear Jeremy,

Thank you very much for allowing us to participate in the Select Board's recent workshop about the four proposals submitted to redevelop the tannery site. During our presentation, Member Benzie made specific note of the fact that the Town's comprehensive plan identifies the lack of affordable housing as a "crisis." That is why our proposal is 100% focused on helping to solve that problem. Member McKellar asked about the "level of flexibility" on the number of units, design elements, TIF specifics, etc., and expressed her hopes for a "collaborative process." We encourage as much collaboration as possible, because that will lead to the very best solution to help ease Camden's affordable housing crisis.

With those general observations in mind, we would like to follow up and offer this additional information to respond to some of the questions that we were not able to cover during the meeting, and respond to additional questions submitted by residents following our presentation:

1. Is it possible to reduce the unit count to alleviate the density on the site?

Our proposal was based on financing a project in the range of 35-50 apartments. The financing package we will be pursuing is only viable if we have enough units to have a critical mass. We can work with the Town to find ways to minimize the unit count and the parking and other impacts on the site, but for now we feel that it is likely that we will need close to fifty units to make the financing viable. It is possible that there could be changes to HUD and MaineHousing financing programs that would allow for a lower unit count, and if that were to happen, we would be open to exploring that alternative. However, as the programs sit today, and the current conceptual construction budget, it is unlikely that the project will be able to move forward without this critical mass to defray the construction costs, fixed soft costs, and environmental remediation costs.

2. *Is it possible to have some market-rate units in the building?*

This is possible – many LIHTC projects have market units in the range of 20-30% of the total unit count. The portion of market-rate units depends on many factors, including the specific funding program that we pursue, the total unit count (more units make it more likely to include market-rate apartments), the difference between the affordable rents and the market rents, MaineHousing funding limits, and other factors that we do not know with certainty at this point. We would be happy to explore the possibility of market-rate units but are not in a position to make any specific promises.

3. *Are the tenant income limits based on gross income or adjusted gross?*

Income limits are based on anticipated household gross income, which is then translated into percentage of area median income, adjusted by household size for Knox County. Annual Household Income is the gross income (with no adjustments or deductions) the household anticipates it will receive in 12-months.

The apartments would be rented to households in the range of 50-60% of the area median income, which corresponds to incomes of approximately \$24,000 to \$44,000 depending on the number of people in the household. Our typical renters would include retail workers, people starting their careers, teacher's aides, home health workers, etc. – many of the same people who are already working in Camden but struggle to find affordable rentals. (This is different than the Section 8 voucher program where tenants pay a fraction of their income as rent, no matter what their income is.)

4. *What is the net effect of the TIF on the Town's revenue?*

Our projections are based on a current assessed value of \$85,000 and a projected as-complete assessed value of \$70,000 per apartment or up to \$3,500,000 for the project.

Under our TIF proposal, for 30 years the first \$85,000 of taxable value would be retained by the town, and then 75% of the incremental new value would be returned to the project with the town retaining the other 25% of the incremental tax revenue. After 30 years, the Town would retain the full tax proceeds or about \$52,000 per year based on today's valuation and Mil rate.

By way of example:

| <i>Assessed Value</i> | <i>/\$1,000 x Mill rate (\$15.04)</i> | <i>Town Retains</i> | <i>Returned to Development</i> |
|------------------------------|--|--------------------------------|---|
| Original: \$85,000 | \$1,278 | \$1,278 | 0 |
| Incremental: \$3,415,000 | \$51,362 | \$12,840 | \$38,522 |

The town's portion of the original assessed value (100%), and incremental tax revenue (25%), would equate to \$14,118 in annual tax revenue if the current mill rate stays constant. This would be equivalent to the tax revenue that the Town would receive on a project that is assessed at \$938,000, but the taxes paid on the assessed value over the original \$85,000 assessment would be sheltered from the state and county revenue sharing and school funding formulas. In other words, another project assessed at \$938,000 that was not included in a TIF district would result in a reduction in other revenues for the town of Camden, so the net benefit to the Town would be less than \$14,118.

5. *Are there any nearby comparable LIHTC projects so that the Board can get an idea of the type and quality of the housing.*

- Meadow View Apartments (Eliza Steele Drive, Rockland) – 20 apartments financed with affordable housing tax credits, built 2001.
- Davis Island Workforce Housing (45 US Route 1, Edgecomb) – 26 apartments in Edgecomb financed with affordable housing tax credits, built 2006.
- Oriole Way Apartments (Water Street, Ellsworth) – 50 apartments financed with affordable housing tax credits, built 2019.

Questions submitted by residents following Virtual Meeting with RFP respondents:

1. *Will Northland/Dovetail put solar PV on the south-facing pitch of the roof and/or what considerations for low energy requirements are they incorporating?* – A. Scott

The building will be designed to meet the energy standards of the Maine Uniform Building Code as well as the overlay of construction guidelines from MaineHousing, which specify stricter standards in areas such as air sealing, window specifications, etc.

We are too early in the design and planning stage to commit to solar panels but we feel strongly that we will explore any and all possible ways to minimize the environmental

footprint of this development, and offset occupancy costs for our residents. If roof mounted solar PV is not viable or cost effective, we will likely explore investing in a large scale offsite solar farm in Maine to achieve lower electric costs and support the development of renewable energy in Maine.

2. *Looking at other projects by Northland, and plans for this project, they don't seem to do much improvement in design or landscaping. They build/refurb buildings. Other than clapboard siding and gabled roof, what plans do they have to soften the visual impact of a large 3 story building either through landscaping or design that make it better fit into a single-family housing area? – G. Scott*

It is an accurate observation that a high percentage of Northland's portfolio consists of acquisitions and rehab projects, and of those, many are located on tight urban lots without an opportunity for significant landscaping. There are two recent projects that we would offer up as an example of how we approach landscaping and buffering with new developments in suburban locations, namely 1945 Congress Street in Portland, and 49 Raceway Drive in Gorham.

In both cases, the sites had no significant landscaping or buffer when we acquired them, and in the case of 1945 Congress in Portland, over 1,558 plants and trees were planted at a cost of over \$100,000 to create a park-like site that provided a dense visual buffer for the adjacent homes. In Gorham, we planted 762 plants (mostly trees) at a cost of over \$150,000 and created a visual buffer for drivers on the heavily travelled route 112 Bypass.

At the Tannery Site, our proposed conceptual plan illustrates a robust landscaping package throughout the site that highlights the three large trees in front of the building. At this phase of the design process, our intent is to plan for a building location that will allow for sufficient buffering for both our neighbors and the residents within our building. As the design process unfolds, our landscape architect will develop a planting package including a variety of small and large plants and trees scattered around the building perimeter, parking areas, Farmer's market and site perimeter which will feature native species. During that process, we will work with neighbors and the planning department to do our best to address concerns and incorporate feedback and ideas. The general purpose of the plantings around the site is not only as an aesthetic element, but also to serve as a visual buffer to/ from neighboring properties, and to blend the development into the surrounding neighborhood.

3. In order to justify rezoning, to remove the requirement for business spaces on the ground floor, Northland says, “the overall market for commercial and retail space is nowhere near as strong as the demand for quality rental housing”. Can they please share where they are getting this information? – G. Scott

Good question. We will elaborate on that, as there are some nuances that are missing from the original sentence included in the proposal. In certain areas of any submarket, retail or commercial space will be at higher demand than residential. In other areas, residential uses are more desirable. Across most Maine communities, the lack of newly built, modern rental housing means that there is pent-up demand for that product, and when income restrictions and lower work-force rents are included in the mix, there is usually an even higher demand for the product. When we say “demand” it is meant to both indicate that there are people who want it, and, importantly, people who want it and can pay a rent sufficient to make the development feasible.

In the case of the Apollo site, we first were introduced to the site by Martin Cates in 2013, and we were told that the desire was that the site be redeveloped for a commercial user. Given its location outside of the central business district of Camden and it not being along the highly travelled Route 1 / Elm Street corridor, we felt that at that time, and still do, that it would be a difficult project to complete if it had to be a commercial end user. There may be commercial demand for this site, but it would need to be a very specific type of user, and it may take several more years to find them. Unfortunately, a project of this type cannot commence if a third of the space is projected to be vacant, so the most effective and straightforward way to ensure a predictable project timeline is to propose a building that we feel has the best chance to be financeable, i.e., one that is 100% rental housing.

We have completed projects, such as the Sanford Mill, where the City mandated a commercial use on the ground floor with apartments above. In the case of the Mill, we currently have over 80 people on the waitlist for the 36 apartments on the top two floors but are 50% occupied in the 22,000 sf first floor commercial space. In fact, we have struggled to maintain even that level of commercial occupancy by offering rents that are barely cover their proportionate share of the development costs and expenses. As a result of this ongoing challenge, the City of Sanford recently adjusted the zoning for the mill yard to allow us to add more apartments on the ground floor of the Mill.

In the case of the Apollo site, it is possible that a commercial user could be found to take ground level space, but the timeline is unpredictable, and without the tenant in place,

we feel, based on our experience, that the project would be unfinanceable.

4. *With the affordable building (and Mullins proposal), they're suggesting public use of private property. How does that work? Ice rink, playground. Would they be open at will? Liability? Stipulations? Probably many things I haven't thought of? – S. Kandziolka*

Our proposal would lease the portion of the site dedicated to the Farmers Market and Playground to the Town of Camden for \$1 per year. We would still be responsible for the portion of taxes for that part of the site, but responsibility for the other expenses would need to be negotiated as part of the lease. Our lease would require that the Town include the leased land on their general liability insurance policy, and we would maintain a further blanket liability policy for the site and the parking lot areas.

Hours of operation would need to be negotiated, but our expectation is that it would allow for the current hours that the Farmers market is open to the public as well as the time required to set up and take-down the fixtures required for the Farmers Market on those days. The Playground would likely be limited to dusk to dawn use, so as to not impact our residents and the neighbors with after-hours noise.

5. *What entity will manage and maintain this property? Manager on the property? - S. Kandziolka*

We are likely to work with Realty Resources Management, an experienced property management firm based in Rockport with over 2,250 units under management. Realty Resources currently manages Northland's portfolio of workforce and subsidized housing, and is very experienced in managing housing properties of all types. They are based in Rockport and will have a manager and other staff, such as maintenance, on site several days per week.

The project will also pay for a resident services coordinator to be on site 1-2 days per week to assist tenants with any relevant services, such as childcare or technical assistance. The RSC also helps with activities and community-building within the project.

6. *Who builds and maintains the playground? If there is room, the playground will be included... why not include it from the start? - S. Kandziolka*

Our project would carry initial costs to build the playground. We would include that portion in the land lease to the town and turn-over ongoing maintenance to the town

following construction. Our proposal shows the ideal location in our minds, but we would work with the Town, the Farmers Market to refine the location and size of the playground as the development scope develops.

7. *How does the proposed lease with the town and farmer's market work if the town doesn't own the property it is leasing? - S. Kandziolka*

The town would have the right to continue leasing the site as long as the Farmers Market wishes to continue operations at the Apollo Property. The Town would have the right to sublease to the Farmer's Market with renewals that would mirror those listed in the Town's lease with our entity.

8. *Where are the walking paths connecting Washington Street across the site? - S. Kandziolka*

They are not labeled on the site plan but there is a straight sidewalk from the curb cut on Washington Street to the Riverwalk. There are also sidewalks ringing the building to enable pedestrian movement around the site.

9. *Where on Washington Street will those 22 spaces be (They do not appear to be marked on the plan)? - S. Kandziolka*

Correct, they are not marked on the plan, but in the process of visiting the site and the Farmer's Market and preparing the drawings we realized that there was a chance to improve the sidewalk along the south side of Washington Street and formalize/stripe the on-street parking there with either parallel parking or angled parking. The drawings show a new curb line that, by our count, could accept 22 or so cars along that stretch of the street.

10. *Is there parking for the farmers market and families at playground? – J.Babbitt*

Our experience is that 1:1 parking ratios are very marketable for family housing projects at these rent levels. Some household would have more vehicles, some would have fewer, but an overall parking ratio of 1:1 would serve the project well. The tenants that would end up renting at the project would self-select based on parking needs – I.E., if they have three cars that they need to park, they would end up finding another rental elsewhere. We would assign the parking spaces and provide placards so that we know whose cars are on the lot.

Based on 35-50 parking spaces allocated to the building tenants, we project that there will be ample parking (approximately 50-70 spaces, depending on our final unit count and the how the parking along Washington Street shakes out) along the west side of the parking lot, oriented to the Farmers Market and Playground area. These spaces will be open during the daytime hours when our residents will largely be at work. During the weekends our tenants will be instructed to park away from that side of the site unless absolutely necessary.

11. *Is there anything to prevent residents who have more than one car from simply co-opting the additional unassigned spots?*

Yes, once we finalize the unit count and dedicated parking, we will allow full-time parking only for residents with parking passes. We may have some spaces that tenants can park in off hours (overnight) only, but in general our leases will have rules stipulating that tenants are not allowed to park additional vehicles on site for more than, say, 24 hours. Therefore, if a tenant is violating the rules the management staff will have a basis to correct the situation.

12. *25 to 50 families with cars. Once parking space is not sufficient. Cars must be moved for snow removal. Most households have two working adults so must have space for two cars. Traffic impact on the neighborhood would be horrendous! – J. Bennett*

Unlike municipal snow removal, we can do this during the work-day when most vehicles are off the premises, which greatly facilitates snow removal. We will have the ability to store some snow on site and will plan to utilize the excess farmer's market parking for moving cars during plowing activities, as this parking will be less heavily used by outside parties during the winter months. This site would not generate any additional traffic or parking burdens for snow removal purposes.

13. *Will the property manager be a resident on site? – J. Bennett*

See responses above about property management procedures.

14. *Will subleasing be allowed? – J. Bennett*

No, the affordable housing programs do not allow any long- or short-term subletting.

15. Project is in the flood plain. How much is budgeted to meet federal flood insurance costs?

– J. Bennett

We have completed projects that are within the high-hazard zone before, and the costs for insurance are quite significant, so it is a good question to ask. A portion of the site is in a high hazard flood plain. We have situated the building outside the boundaries of the 100-year mapped flood plain. We will also have the opportunity to regrade the site to direct flood waters away from the building. The location of the building as shown in our proposal would eliminate the requirement to carry an excess flood insurance policy.

We have worked with our insurance carrier as we developed the conceptual site plan to confirm and avoid hazardous flood zone boundaries. Northland's Sanford Mill is located within a special high-risk zone, and the flood insurance policy costs are substantial. Similar premiums at this project would be incredibly burdensome, therefore we consciously avoided the problematic areas when we located the building footprint within the site.

16. Is that gray area all pavement or gravel? - J.Babbitt

The gray areas shown on the site plan are paved parking and sidewalk areas. We do not anticipate any major driveways or sidewalks to have a crushed stone finish surface.

We appreciate the opportunity to submit this information and we look forward to continuing the conversation with you and the Town about the best way to develop the Apollo Tannery Site.

Sincerely,

Northland Enterprises, LLC



Joshua Benthien

Dovetail Consulting LLC



Andy Jackson