

Bates Street Senior Housing

An Affordable Senior Housing Rental Project

Located at

250 Bates Street, Lewiston, Maine

Dennis Lajoie

April 12, 2007

CED 794 Prof. Chuck Hotchkiss

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Approved by Professor Chuck Hotchkiss

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Abstract:

Community Concepts, Inc. (CCI) is developing 30 units of affordable rental housing for 30 seniors over the age of 62 whose incomes are below 60% of the area median income. The project will be built within census tract 201 at 250 Bates Street in Lewiston, Maine. This census tract has the highest concentration of low income seniors in the state. The project, known as “Bates Street Senior Housing,” will be a three-story building containing 35,000 square feet and will include an elevator, a community room, tenant storage and laundry. There will be 26 one-bedroom and 4 two-bedroom units. The community space will include a social area, community kitchen, meeting areas, and computer access. CCI will provide on-site resident service coordination.

In order to develop and operate the project as long term affordable housing we have secured Low Income Housing Tax Credits (LIHTC), Federal HOME funds, grant funds from MaineHousing, (the State Housing Finance Agency), a grant from Enterprise Foundation, a grant from NeighborWorks America, a portion of the development fee contributed, and the assessed taxes being returned to the project through an affordable housing tax increment (TIF) finance district. The project will not have any debt service.

Executive Summary:

Community Concepts, Inc. (CCI) is in the process of developing 30 units of affordable rental housing for 30 seniors over the age of 62 years old whose incomes are below 60% of the area median income. The project, known as "Bates Street Senior Housing," will be built at 250 Bates Street in Lewiston, Maine within census tract 201. This census tract has the highest concentration of low income seniors in Maine. The project involves construction of 30 units of senior housing and related community space. The proposed three-story building will contain 35,000 square feet and will include an elevator, a community room, tenant storage and laundry. The apartments will include 26 one-bedroom units and 4 two-bedroom units. The community space will include a social area, community kitchen, meeting areas, and computer access. CCI will also provide on-site resident service coordination.

In order to develop and operate the project as a long term affordable housing project the project will be financed utilizing the Low Income Housing Tax Credit (LIHTC) program, Federal HOME funds from the City of Lewiston, special set-aside funds from the State Housing Finance Agency, a green building grant from the Enterprise Foundation, a grant from NeighborWorks America, a portion of the earned development fee contributed to the project and the assessed taxes being returned to the project through an affordable housing tax increment (TIF) finance district. The project will not have any debt service.

Of the 30 units, 18 will be targeted to very low income households earning less than 50 percent of area median income. Rents will be restricted and will range from \$400 to \$450 for the one-bedroom units and \$475 to \$550 for the two-bedroom units, including all utilities. According to a rent study conducted by the Maine State Housing Authority in March 2005, rents in the downtown for one and two-bedroom units with all utilities increased during 2000 to 2005 from \$413 to \$584 for a one bedroom unit and from \$517 to \$733 for a two bedroom unit. We believe that rental rates will continue to rise due to a tightening of the rental market, rising taxes and heating costs. The project is designed to remain affordable to low income seniors for 90 years. The project will earn a development fee as part of the total development cost of the project. This fee will be paid to the developer, Community Concepts, in order to sustain its mission of developing additional affordable housing. We will evaluate the success of this project by determining the following:

- if the seniors rents are lower in this new development, when compared to their previous housing cost;
- if 100% of the units are rented within 180 days following construction;
- if a resident council is formed within the first year of operation;
- if CCI earns a development fee to sustain future affordable developments.

The project's original design is currently being revised due to the high construction bid received during the competitive bid process. The original four-story building design called for steel and masonry construction with a full foundation. The building was also planned to be physically connected with the future Headquarters of the host organizations, Community Concepts, Inc. (CCI). The new design will be a wood frame three-story building not physically connected to the planned headquarters. All of the project's financing is in place. The general contractor has been chosen. The

project's architect and development team are working towards a March 31st, 2007 construction closing. At the construction closing, CCI will purchase the site from the City of Lewiston and begin supervising the construction process. The marketing process has begun focusing on low-income seniors within the target market area. As of February 28, 2007 we have received 42 applications and have pre-approved 19.

Summary of Conclusions and Recommendations:

Conclusions

- The development of affordable housing using the Low Income Housing Tax Credit (LIHTC) Program is a time consuming and complicating process that does result in lower rents to the tenants, however the risks to the non-profit host organization need to be considered.
- The development of the project and the project financing is dictated primarily by the stakeholders who control the financing for the project. The host organization and the program participants do not have veto rights in the project.
- The future tenants in the project usually are not identified early on in the pre-development of the project. The formal application process for the tenants can only be certified 90 days prior to rent-up yet the project development has been on-going years earlier.

Recommendations:

- The Board of Directors of the organization must approve the project during the very beginning of the project development.
- The Executive Director and the Chief Financial Officer need to be kept informed of progress on the project as it moves forward or backward.
- The project manager needs to be in constant communication with the stakeholders to support the project during planning board and any public hearing processes.
- As real estate development is a slow grinding process; the project manager must pay attention to the hundreds of detailed decisions and tasks that need to be accomplished along the way.
- The host organization needs to have adequate cash reserves to carry pre-development expense for periods of up to two years. (Cash needs on this project during the pre-development phase is approaching \$200,000.)
- A strong development team is a must to assure the design and process will meet all rules, codes and expectations of authorizing entities.
- The project manager must have access to the CEO & CFO to assure consistency of message and problem solving.

I. Community Needs Assessment:

1. Community Profile

Lewiston is located 35 miles northeast of Portland and is the second largest city in Maine, with a population of approximately 39,000. The City was a major mill town and at one time was the nation's largest producer of textiles and footwear. During this time, seventy percent of the community's labor force worked in the mills. The decline in manufacturing jobs that started in the 1960's has had a major impact on many of the downtown neighborhoods. The loss of jobs (5,000 at the Bates Mill alone) and attendant infrastructure created a major gap in the City's downtown and riverfront areas. The City is in the midst of a long-term transition from a mill-based economy to a diversified economy and has made excellent progress with the necessary economic development. There is significant employment growth projected in Lewiston over the next several years and in particular in the downtown area led by investments in medical facilities, Bates Mill, and the Southern Gateway project.

Conditions have been improving in many neighborhoods in recent years. A significant combination of public and private investments in downtown projects such as Bates Street Senior Housing Project is expected to create a springboard for improving the livability of the area.

The site is located in the Downtown Residential District of Lewiston. This area of Lewiston has a population of about 6,000 and includes some of the city's poorest neighborhoods. The site contains frontage on both Bates Street and Blake Street. The former St. Dominic's High School is located on the site and is in the process of being razed by the City. The site has been subdivided for development of both senior housing and an office & service center. The location is a short walk to the downtown commercial area. The site is located adjacent to Kennedy Park (downtown city park) and is convenient to city hall and downtown businesses. St. Mary's Regional Medical Center has opened a new walk-in health clinic at the nearby B Street Community Center. The B Street Center is a full service community center that contains the medical center, a dental clinic, computer center, meeting space, and offices for various non-profit groups.



Housing in the downtown neighborhoods is mostly three and four -story wood frame tenements that were built within easy walking distance of Lewiston’s textile mills. Much of the housing stock is in poor condition and not suitable for seniors. Most of it is old, generally not handicapped accessible or served by elevators and not integrated with supportive services. Many of these downtown neighborhoods have a long history of disinvestment and out-migration. This degradation has been very costly to the City and has been an impediment to attracting new residents and investment.



2. Community Needs Assessment

The project will be located within a residential area that falls in two census tracts, 201 and 204, in the city of Lewiston. It is primarily a residential area. The poverty rate, according to the 2000 Census, was 46.3% in Census tract 201 and 37.2% in Census Tract 204 (U.S. Census, 2000). The two tracts deserve significant community development attention. They have suffered from disinvestment, low quality housing, high poverty rates, and associated social problems for more than thirty years. This project is located strategically in the center of census tract 201.

According to the city of Lewiston’s 2005-2010 Consolidated Strategic Plan, “Over the next five years the City of Lewiston intends to focus its investment of Community Development (CD) funds primarily in the downtown area of the City. The Bates Street Senior Housing Project is located within this area slated for reinvestment. The goal is to have a visible and direct positive impact on the people living and

businesses working in this area of the City. CD funds will be used to capitalize commercial and housing loan and grant programs : provide project specific support that will leverage new commercial investment , expanding economic opportunity, and specific project support that will leverage investment in the rehabilitation or creation of affordable housing, the removal of blight and the provision of a suitable living environment. The goal is to foster an environment that provides opportunities to improve people's living conditions and opportunities for them to lift themselves from poverty.”

The city hired an independent organization to conduct a downtown housing study. The study area included census tracts 201 and 204. These two Census Tracts make up the heart of the downtown housing in Lewiston. A final report issued in October of 2002 recommended goals and objectives for the various neighborhoods that make up census tract 201 and 204.

The Downtown Residential neighborhood contains over 50% of the housing units in the study area, 1415 units. It is characterized by a low homeownership rate of 13%, a high vacancy rate of 17.4%, and little parking (City of Lewiston, 2002). The buildings in the Downtown Residential Neighborhood are typically very old, 3+ story, multi-family buildings. Many of the city’s larger apartment buildings, those containing more than 10 units, are found in this neighborhood. This neighborhood serves an important segment of the Lewiston housing market , offering affordable rental housing for families. It contains 60% of the city’s subsidized rental units. Finally, the neighborhood also has residents who lack jobs and skills, and some with anti-social behaviors which affects the quality of life for everyone living in the area.

The Downtown Residential Neighborhood needs to reinvent itself. On paper, it has several amenities that could be used strategically to improve the housing stock: a large park, proximity to downtown and the Androscoggin River, beautiful churches, walking distance from new jobs at revitalized mills, and workability. However, it needs less density, new construction, and more landscaping. Some areas have a “snaggle tooth” look, owing to gaps left by demolished buildings that remain vacant lots. The structural integrity of some of the larger apartment buildings needs to be assessed carefully. Large buildings are difficult to convert under the best circumstances . Large buildings that were built modestly and have a poor maintenance history may not be worth saving.

Three Strategies to Pursue:

- 1) Provide intensive social services for tenants and residents to promote employment and education, and build community pride and identity. To facilitate service provision, Community Concepts is planning to build its corporate headquarters on the same site as the Bates Street Senior Housing Project.
- 2) City public investments should focus on around strong neighborhood assets; build on the area’s strengths such as Kennedy Park, the Longley Elementary School, the new homes developed by the Sisters of Charity/Community Concepts, the churches and stores. Investment in these areas should improve public streets, sidewalks and landscaping. Codes should be enforce vigorously. Most of these public assets are within walking distance of the Bates Street Senior Housing Project.

3) In areas without such strengths, focus in the short term in assembling parcels into larger lots for potential sale to a developer in the future. The Project site that we are purchasing from the city contained three separate parcels that will become one.

Of the 52 cities and towns within the Community Concepts service area this area has the largest concentration of seniors living in poverty in inadequate rental housing. This project is the second large affordable rental project that CCI has undertaken in the last five years. The first project, which was located 2 blocks away, consisted of 16 newly-constructed townhouse-style rentals for low-income families. This project will be the first newly constructed affordable housing developed in the downtown for seniors within the last thirty years.

Bates Street Senior Housing Project

250 Bates Street

Lewiston, Maine

Census tract 201

	Numbers	Percent in 201	Percent in Lewiston	Percent in Maine	Percent in US
Individuals below poverty	609	<i>46.3%</i>	<i>15.5%</i>	<i>10.9%</i>	<i>12.4%</i>
Disability	711	<i>57.3%</i>	<i>26.6%</i>	<i>20.0%</i>	<i>19.3%</i>
65 Years and older	293	<i>22.2%</i>	<i>17.8%</i>	<i>14.4%</i>	<i>12.4%</i>

(US Census, 2000)

Together, census tracts 201 and 204 are designated as a Federal Enterprise Community (City of Lewiston, Empower Lewiston, 2003). Empower Lewiston is the 501(c)3 organization that administers the Federal Enterprise Community funds. The Executive Director of Empower Lewiston is a board member of Community Concepts, and is a resident of census tract 201.

Lewiston’s Comprehensive Plan, adopted in 1997, and was amended in 2001 to incorporate the Downtown Master Plan. The City has been working over the past several years to acquire and demolish the worst of the blighted housing stock. The Plan is focused on census tract 201 and 204. These tracts have been designated as “Qualified Census Tracts” (QCT) by HUD and contain very high poverty rates. The area was also designated an Enterprise Community (EC) by HUD in 1998 and there has been considerable focus on the area over the past few years. The EC program provides Lewiston with an annual federal grant of \$250,000 to assist in implementing a locally developed Strategic Plan. The Plan encompasses programs from health care to economic development and is coordinated by Empower Lewiston. Empower Lewiston is a non-profit community organization that was established in 1999 to implement the Plan and manage any federal funding. The goals include sustainable community development and the development of “safe, decent, adequate, and affordable housing”.

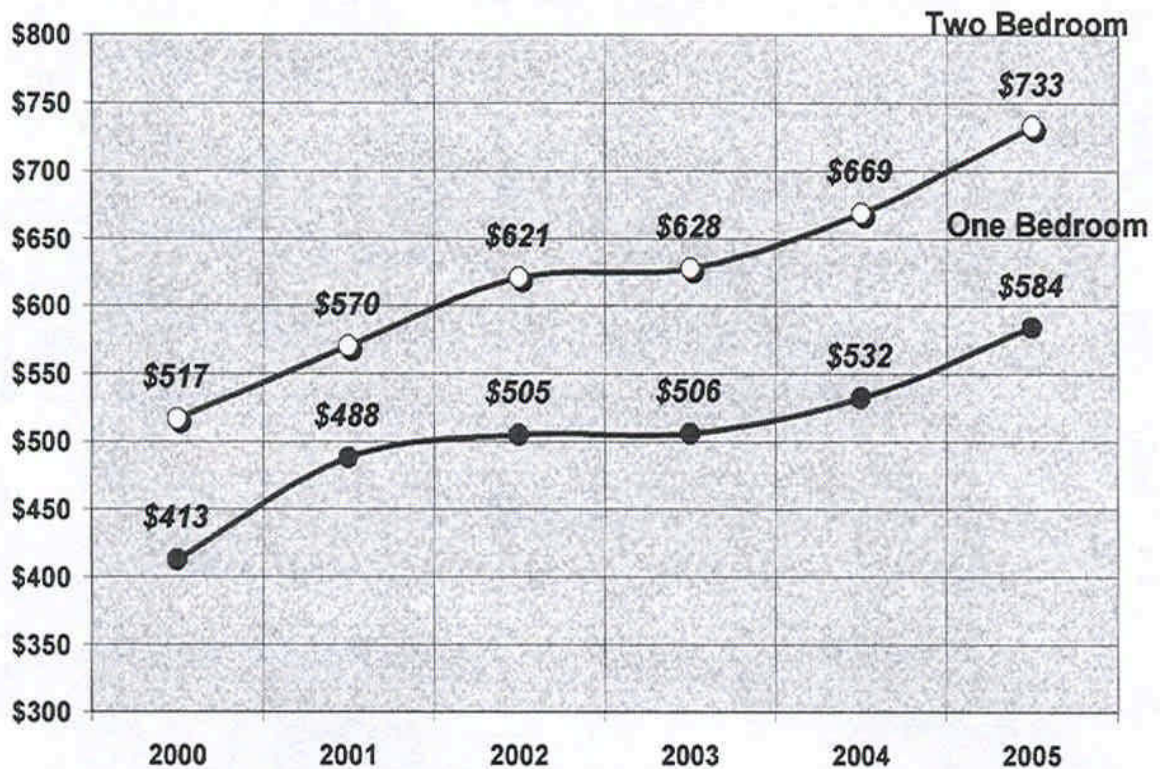
II. The Problem

1. Problem Statement:

Low-income seniors living within the inner city of Lewiston, Maine face mounting economic hardships due to the lack of affordable, quality, and long term rental housing with access to social services. Seniors are concentrated in Lewiston's Downtown Residential District, described in the Community Needs Assessment, above. Though the District has a number of advantages, including a major park, proximity to City Hall and downtown businesses, it has a number of problems. Many downtown neighborhoods have a long history of disinvestment and out migration that has been very costly to the City and has been an impediment to attracting new residents and investment. According to a 2006 housing rent study conducted by the Maine State Housing Authority rent levels in the City of Lewiston have been steadily rising over the past five years.

MSHA Rent Survey Data – 2000 to 2005

AVERAGE GROSS RENT IN LEWISTON - 1 BR AND 2 BR UNITS



Source: Maine State Housing Authority Rent Surveys

Most housing in the District consist of three-and four story wood frame tenements constructed many years ago to house the families of workers at the nearby mills. Most of the housing was inexpensively built and inadequately maintained. Few

buildings are handicapped accessible. They generally lack elevators and make no provision for support services. Consequently, much of the housing is inappropriate for low-income seniors.

Beyond residents' attachment to the area, there are good reasons to provide housing for seniors within the District, rather than trying to relocate seniors to better housing in other neighborhoods. St. Mary's Regional Medical Center has opened a new walk-in health clinic at the nearby B Street Community Center. The B Street Center is a full service community center that contains the medical center, a dental clinic, computer center, meeting space, and offices for various non-profit groups. Community Concepts also has an office within the B Street Community Center. The staff person working at B Street is supervised by Dennis Lajoie, the project developer. Her role is to meet with low income seniors to assess their current and future housing needs.

Community Concepts has previously developed a 16-unit family project in census tract 201 in 2002. The project, Maple Street Housing, was financed with City of Lewiston Federal HOME Funds, the Low Income Housing Tax Credit Program and funds from NeighborWorks America. This project was the first new construction affordable rental housing family project within the last 30 years.

The causes and consequences of poverty for seniors vary. However, as Tables 1 and 2 illustrate, as people age they tend to get poorer, and the older people are the more they tend to pay more for health care. The added expense further disadvantages poor seniors.

TABLE 1: CAUSES

TITLE OF STUDY OR ARTICLE	SOURCE (Author[s], Date, Book or Journal, Publisher, page numbers)	CAUSES
Do Medical out of pocket expenses thrust families into poverty?	Brett O'Hara, PhD Journal of Health Care for the poor and Underserved 15.1 (2004) 63-75	Out of Pocket expenses for medical care that are not reimbursed.
In City, Growing Older and Poorer Often Go Together.	Kleinfield, N.R. The New York Times Sept. 3, 2003 pB1 col 02 (38 col in)	Weak economy, raising cost of living expenses and fixed incomes.
The Council of Economic Advisers on Work and Retirement Among the Elderly.	The 1999 Annual Report of the US Council of Economic Advisors. Population and Development Review: Vol. 25, No. 1, p189-195	As the population increases more and more people are elderly and people are outliving their retirement benefits.

TABLE 2: EFFECTS OR CONSEQUENCES

TITLE OF STUDY OR ARTICLE	SOURCE (Author[s], Date, Book or Journal, Publisher, page numbers)	EFFECTS or CONSEQUENCES
Independence and economic security in old age	Denton, Frank T; Fretz, Deborah; Spencer, Bryon G. Vancouver, UBC Press 2000 viii,380p.; 24cm.	As we age we face reduced income, increases in health care expenses and increased disabilities.
Poverty and Income Maintenance in Old Age: A Cross-National View of Low Income Older Women	Smeeding, Timothy M; Sandstrom, Susanna; Center for Retirement Research, Boston College January 5, 2005	Seniors become dependant on social insurance and social assistance programs.
Will Policymakers agree on prescription drug benefits?	Betteleim, Adriel CQ Researcher August 22, 2003, Volume 13, Number 28	Increase in out of pocket expenses for prescription drugs forces seniors to choose between the drugs and other necessities.

2. Target Community:

The project target community is low-income seniors whose incomes are below 60% of the area median income who need quality affordable rental housing with social services and who want to stay or relocate to the downtown. On November 3, 2005 CCI staff conducted two focus group meetings with low income seniors within the 201 and 204 Census tracts. The seniors who participated in the focus groups were very pleased to be asked for their input. Many of the seniors talked about their current housing situations and things that they would change if they could. They want a bigger community room, tenant storage, transportation to local events and a role in decision making in the operations of a project. The Bates Street Senior Housing Project development team has planned to include all of these in the project. After rent – up and during the first year of operation a tenant council will be formed.

3. Stakeholders:

- A. Future Residents;
- B. City of Lewiston Development Department;
- C. Lewiston Housing Authority;
- D. Maine State Housing Authority;
- E. The Enterprise Social Investment Fund;
- F. Bangor Savings Bank;
- G. NeighborWorks America
- H. Community Concepts, Inc.

The participation of the various stakeholders varies based on level of involvement and which parts of the process requires their input. Currently, 17 low income seniors are on the waiting list for this project. The project team is in discussions with the Lewiston Housing Authority (LHA) for assistance in project-based rental assistance. LHA has hundreds of low-income seniors on waiting list for affordable housing. The City of Lewiston has already purchased the site on our behalf, invested \$850,000 in acquisition, demolition and cleanup and assisted us in gaining planning board approval. The city has worked with us to secure a tax increment financing (TIF) district around the senior housing project that returns a portion of the taxes to the project over the next 20 years. The city also has committed \$300,000 in Federal Home funds. We are working out the final details with the equity investor, Enterprise Social Investment Fund, which has committed to invest approximately 5 million dollars in the project. The Maine State Housing Authority (MSHA) is the allocation agency for the State of Maine for the Low Income Housing Tax Credit Program. Notification was received on December 23, 2005 that the request for Credits has been approved. MSHA has also awarded the project a capital subsidy in the amount of \$600,000. We also have received grants from NeighborWorks America for the project totaling \$90,000. Bangor Savings Bank is the project construction lender; this project will assist the bank in meeting its Community Reinvestment Goals. All of the stakeholders recognize the urgent need of the project within the City of Lewiston for the target population.

4. Project goals in CED Terms:

The proposed 30 unit senior affordable housing project will be the first new constructed senior project built within census tract 201 in 30 years. We have had input from City Officials, Empowerment Lewiston, the Lewiston Housing Authority and have held two focus group meetings with seniors. Both focus group meetings were held on November 3, 2005. The first focus group meeting was conducted within an existing subsidized senior housing project located in census tract 201. The second focus group meeting was held at the city's multi-purpose center during a senior lunch program. We received feedback on the proposed building and site, social services that seniors would like, and activities that seniors would like to attend. Transportation came up in both groups as an issue, specifically, transportation to grocery shopping and to

area activities. The seniors were very pleased to have been asked for their input into this project. We plan to have a resident council for the residents once the building is rented up. We would also like a member of the resident council to serve on the Board of Directors for Community Concepts.

(a) Outline of goals:

1. Rents affordable to the residents;
2. Social Services available to the residents;
3. Resident Council for the project ;
4. One resident on agency's Board of Directors ;
5. Community Concepts, Inc. receives development fee ;
6. City of Lewiston tax revenues increase ;

(b) Define the outputs:

1. Residents paying rent 30% or below their income;
2. Weekly interaction between 50% of residents and Resident Services coordinator;
3. Monthly resident council meeting;
4. Resident voted on agency Board of Director's ;
5. Community Concepts, Inc. development fee of \$720,000;
6. City of Lewiston receives tax revenues of \$44,000;

(c) Assess the feasibility of the outputs:

1. Community Concept's property management staff have the experience in analyzing potential residents income and expenses to ensure that the 30% or below income ratio is met;
2. Community Concepts will be hiring a resident service coordinator whose duties and responsibilities will be to assist residents;
3. Community Concepts will work with NeighborWorks America to assist us in setting up the resident council;
4. Community Concepts plans to build its corporate headquarters next door to this senior project ;
5. Community Concepts' development team is in place and has worked together successfully on past projects;
6. Tax Increment Financing Agreement with city is in place.

(d) Verify towards achieving the outputs:

1. Resident rent to income ratio's documented ;
2. Resident services coordinator will document all meetings with residents;
3. Monthly minutes of meetings will be recorded;
4. Documentation of fee earned ;
5. Real Estate taxes paid to the city.

5. Project objectives:

A. Seniors have an increase in disposable income by 10% by renting one of these apartments by April 2008 (Seventeen low-income seniors are pre-approved and waiting for a unit.);

B. Community Concepts earns a Development Fee of \$720,000 by April 2007 (Budget in Place);

C. City of Lewiston Receives Tax Revenue of \$44,000 by December 2007 (Agreement in place with City Council); and

D. Resident council in place by December 2008.

**Bates Street Senior Housing
*Project Activities***

Activities	Time Frame	Responsible Party
Identify Community Need	4/1/2005 - 6/1/2005	Dennis, ED & Board
Review Sites	6/1/2005 - 7/1/2005	Dennis & Consultants
Development Agreement with City signed	8/15/2005	Dennis, ED & Board
Hire Market Study	8/15/2005	Dennis
Environmental Review	8/30/2005	Consultants
Site Plan to planning board	9/30/2005	Dennis & Consultants
Apply to NR for funds	10/1/2005	Dennis
Apply to enterprise foundation	10/15/2005	Dennis
Market Study Completed	11/1/2005	Consultants
Focus group meetings	11/3/2005	Dennis
Planning Board Approval	11/15/2005	Dennis & Consultants
Construction Lender chosen	11/30/2005	Dennis & Consultants
Apply for LIHTC	12/2/2005	Dennis & Consultants
City clean site Notification of LIHTC	12/30/2005	City of Lewiston
Start working	12/23/2006	State
Drawings	1/10/2006	Dennis & Consultants

Bid		
Process/Negotiation	8/15/06-2/15/07	Architect
Construction		
Contract Signed	3/1/2007	Dennis & ED
Construction		
Closing	3/30/2007	Dennis & ED
Construction		
Meetings	Monthly	Dennis & Consultants
Start Formal		
Marketing	1/1/2007	Dennis & Property Management
Construction		
Completion	2/28/2008	Architect
Open House	3/1/2008	Dennis & ED
100% Rented up	6/30/2008	Property Management
Tenant Council	12/30/2008	Dennis

III. Design:

1. Review of the Literature:

According to the Department of Housing and Urban Development (HUD), the most widespread and urgent housing problem facing elderly households is affordability. About 3.3 million elderly renter households in the United States have very low incomes (50 percent or less of area median income). One program, the Section 202 Supportive Housing for the Elderly Program provides capital advances (grants) to nonprofit organizations to develop affordable rental housing exclusively for these households. (GAO report 2003) The Housing Act of 1959 (P.L. 86-372) established the Section 202 program, which began as a direct loan program that provided below-market interest rate loans to private nonprofit developers, among others, to build rental housing for the elderly and people with disabilities. In 1990, the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625) modified Section 202 by converting it from a direct loan program into a capital advance program. In addition, the 1990 act created Section 811, another capital advance program, to produce housing specifically for people with disabilities and limited Section 202 to housing for the elderly. (GAO report 2003). Both of these programs, Section 202 and the Section 811, have been used in Maine during the past years. In fiscal year 2005 Maine received one Section 202 project and two 811 project. (News Release, HUD's Webpage October 25, 2004). The host organization, Community Concepts, has never applied for either of these funding sources. Neither program allows for the project sponsor/developer to earn or build a development fee into the project development expenses, potentially hindering the organization's sustainability.

The Low-Income Housing Tax Credit (LIHTC) has been the major federal program for producing affordable rental housing since its creation as part of the Tax Reform Act of 1986 (TRA). The LIHTC represents a partnership among a variety of public and private sector actors. The basic premise of the LIHTC is to offer federal tax credits to private investors in return for their providing equity for the development of affordable rental housing. The program is administered by state (or, in a few cases, local) housing policy makers who set goals for the program, review projects proposed by for-profit and nonprofit developers, monitor the reasonableness of project costs, and take responsibility for ensuring that projects

stay in compliance and that approved projects receive only the tax credits necessary to make the project viable. The Internal Revenue Service (IRS) is responsible for monitoring compliance and state performance. By bringing these various actors together, the LIHTC program is designed to bring the efficiency and discipline of the private market to the building of affordable rental housing. Investor participation is expected to add further oversight to the program, since return to the investors is dependent on the project maintaining compliance. By allocating the tax credits through the states, the program provides the flexibility to build housing that meets local market needs. While the LIHTC program may not have been designed to reach the poorest renter households, it is effectively the only federal production program. As a result, there may be considerable pressure from housing advocates and state and local policy makers to use the program to serve lower -income tenants. (Fannie Mae Foundation, 1999)

2. Program:

The Bates Street Senior Housing project will include 30 new units of senior housing and related community space. The proposed three-story building will contain 35,000 square feet and will include an elevator, a community room, and a community kitchen. The apartments will include 26 one -bedroom units and 4 two -bedroom units. The one-bedroom units will contain 620 square feet and the two -bedroom units will contain 820 square feet of finished living area. The community space will include a social area, kitchen, meeting areas, computer access, quiet room, and on-site laundry. CCI will also provide on-site resident service coordination.

The project will be financed under the Low Income Housing Tax Credit (LIHTC) program, Federal Home funds from the City, special set -aside funds from the State Housing Finance Agency, a green building grant from the Enterprise foundation, a grant from NeighborWorks America and the assessed taxes being returned to the project through an affordable housing tax increment finance district. The project will not have any must-pay debt service.

The host organization decided that the most reasonable way to develop and finance the project to meet its dual mission of providing low income seniors with affordable rental housing and building unrestricted resources for sustainability was by applying for the Federal Low Income Housing Tax Credit Program through the Maine State Housing Authority in the 2005/2006 funding round.

The mission statement for the project is “to provide affordable, safe, environmentally friendly apartments with social services for low income seniors within the downtown of the City of Lewiston”.

3. Participants:

Thirty low income seniors who need long term affordable housing with social services will participate in this project. As of December 31, 2006, 36 senior households have applied. Seventeen have been pre-approved. Twenty-six of the 36 currently live in Lewiston; 14 are single individuals and 22 are married couples. The seniors who have applied for the program range in age from 59 to 88. Their annual incomes range

from \$0 to \$34,200. Ten of the 36 applicants have incomes below what would be necessary to afford the lowest proposed rent. During the interview and application process the staff learned that many applicants are attracted to this project because they went to the high school that was previously on the site. The staff person who is interviewing applicants is a low-income senior who was raised in Lewiston and speaks Canadian French. Many of the applicants are also French Canadians. Discussions have been ongoing between the Executive Director of the Lewiston Housing Authority and Community Concepts. The Authority will assist us in targeting some of the units to low-income seniors who are on the ir waiting list for rental assistance.

4. Community Role:

Focus group meetings were held on November 3, 2005. The first focus group meeting was conducted on November 3, 2005 at 9:00 am within an existing subsidized senior housing project located in census tract 201. The second focus group meeting was held on the same day at the city's multi-purpose center during a senior lunch program. Feedback was received on the proposed building and site, social services needs, and social activities. Transportation came up in both groups as an issue, specifically, transportation to grocery shopping and to area activities. The seniors were very pleased to have been asked for their input into this project.

Stakeholders:

- A. Future Residents;
- B. City of Lewiston Development Department;
- C. Lewiston Housing Authority;
- D. Maine State Housing Authority;
- E. The Enterprise Social Investment Fund;
- F. Bangor Savings Bank;
- G. NeighborWorks America
- H. Community Concepts, Inc.

The participation of the various stakeholders varies based on the level of involvement that each brings to the table and what areas that they are involved in. Currently there are 17 low-income seniors who are on the waiting list for this project. Discussions between the development team and the Lewiston Housing Authority (LHA) for assistance in project base rental assistance are on-going. LHA has hundreds of low-income seniors on its waiting list for affordable housing. The City of Lewiston has already purchased the site on behalf of Community Concepts, invested \$850,000 in acquisition, demolition and cleanup and assisted Community Concepts in gaining planning board approval. The city has worked with the project development team to secure a tax increment financing (TIF) district around the senior housing project that returns a portion of the taxes to the project over the next 20 years. The city also has committed \$300,000 in Federal Home funds. The development team is working out the final details from the equity investor, Enterprise Social Investment Fund, which has committed to invest close to 5 million dollars to the project. The Maine State Housing Authority (MSHA) is the allocation agency for the State of Maine for the Low Income Housing Tax Credit Program approved the request for low-income housing tax credits

for the project. MSHA has also awarded the project a capital subsidy in the amount of \$600,000. Community Concepts has received grants from NeighborWorks America for the project totaling \$90,000. Bangor Savings Bank is the project construction lender; this project will assist the bank in meeting its Community Reinvestment Goals. All of these various stakeholders recognize the need for the project within the City of Lewiston for the target population.

Stakeholder	Describe Participation		Impact of participation		Plan
Low Income Seniors	Focus group meetings, Resident Council & Board Member		Preferences for services, unit amenities, activities, and unit configuration		Development surveys and focus groups to seek input about the project.
Community Concept's board and staff	The Board approves the project and has fiduciary responsibility over the project		If the board feels that the project is not needed or will not be economic sound – the project will not move forward.		The board has approved the project at it's November 2006 board meeting.
City of Lewiston Tax payers	We are planning to establish a Tax Increment Financing district for the project		The Taxpayers can petition the city council not to grant the establishment of the district		Tax Increment Financing plan approved.
Lewiston Housing Authority board and staff	Early meetings on the need, size, and amenities for the project.		Can help with operating numbers, marketing and possible rental subsidy		Keep working relationship strong by meeting and sharing information with them
Private Investors	Discuss with the investors their willingness to invest.		No Money – No Project		As project moves forward investors become more involved
The State Finance agency	Agency scores and awards LIHTC application. We have had a series of meetings with staff to seek input on scoring.		Buy in at the state level for project support.		Invite Executive Director of Finance agency to a briefing and site visit of the project

City of Lewiston's Development Staff	Development staff members have been involved from the very beginning of the project and have been involved in site planning, funding, and site acquisition.		The City Development Staff has played a vital role in the process. Members have conducted public meetings, worked with us on zoning issues and have agreed to purchase the site, raze the building and sell us the site ready for development.	Keep in weekly contact with key City development staff.
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5. Host Organization:

The host organization is Community Concepts, Inc., (CCI) a community action program (CAP) formed in 1965 to provide services to low-income people in Oxford and Androscoggin counties. While these two counties still represent CCI's primary service area, the agency operates select programs throughout western Maine. The overall agency mission is "bringing together and focusing resources to help people in need build opportunities for a better tomorrow". The organization has a wide array of programming including transportation, children's services, family assistance, and housing. Its governing board includes community members representing private sector entities, public officials, and low-income individuals. In fiscal year 2007 CCI employs a staff of 375 with an annual budget of 36 million dollars. In recent years the agency has become increasingly active in housing development and management and has successfully developed six tax credit projects. CCI currently manage over 200 apartment units. The Maple Street project completed in 2004 was the first new housing project developed in downtown Lewiston in 25 years.

Although CCI operates a wide range of anti-poverty programs, this project covers only its housing programs. Housing is a critical component of CCI's programming as low-income people struggle to find affordable units to rent or purchase, and to stretch their incomes to cover utilities, heat, and maintenance and repairs. As a result, Community Concepts has developed a number of housing-related programs.

The table below lists the programs or areas of activity and total production from 2002 through 2004.

Table 1 Programs/Activities	Year Started	Production			Total
		FY 02	FY 03	FY 04	
Weatherization	1970	125	150	150	425
Central Heating Improvement (CHIP)	1965	50	85	85	220
Self Help housing	1992	12	18	18	48
Home repair and replacement (FY 04 includes emergency loans)	1977	50	75	60	175
Rental housing development and management	1990	18 new units	16 new units	16 new units	50
Homebuyer Counseling	2000	419	429	527	1375
Homebuyer education	2000	200	200	200	600
Lending ⁽¹⁾	1986	65	41	48	154
Buyer-broker services	1995	12	15	15	42
Lead testing, design, and construction management ⁽²⁾	2000	247 ⁽²⁾	545 ⁽²⁾	490 ⁽²⁾	1,282
Affordable (single family) housing development	1986	8	6	8	22

⁽¹⁾ Loans include RD/Bank partnership loans, AHP loans, loans closed in a Lewiston project, DP & CC loans, and CCI 1st mortgage loans

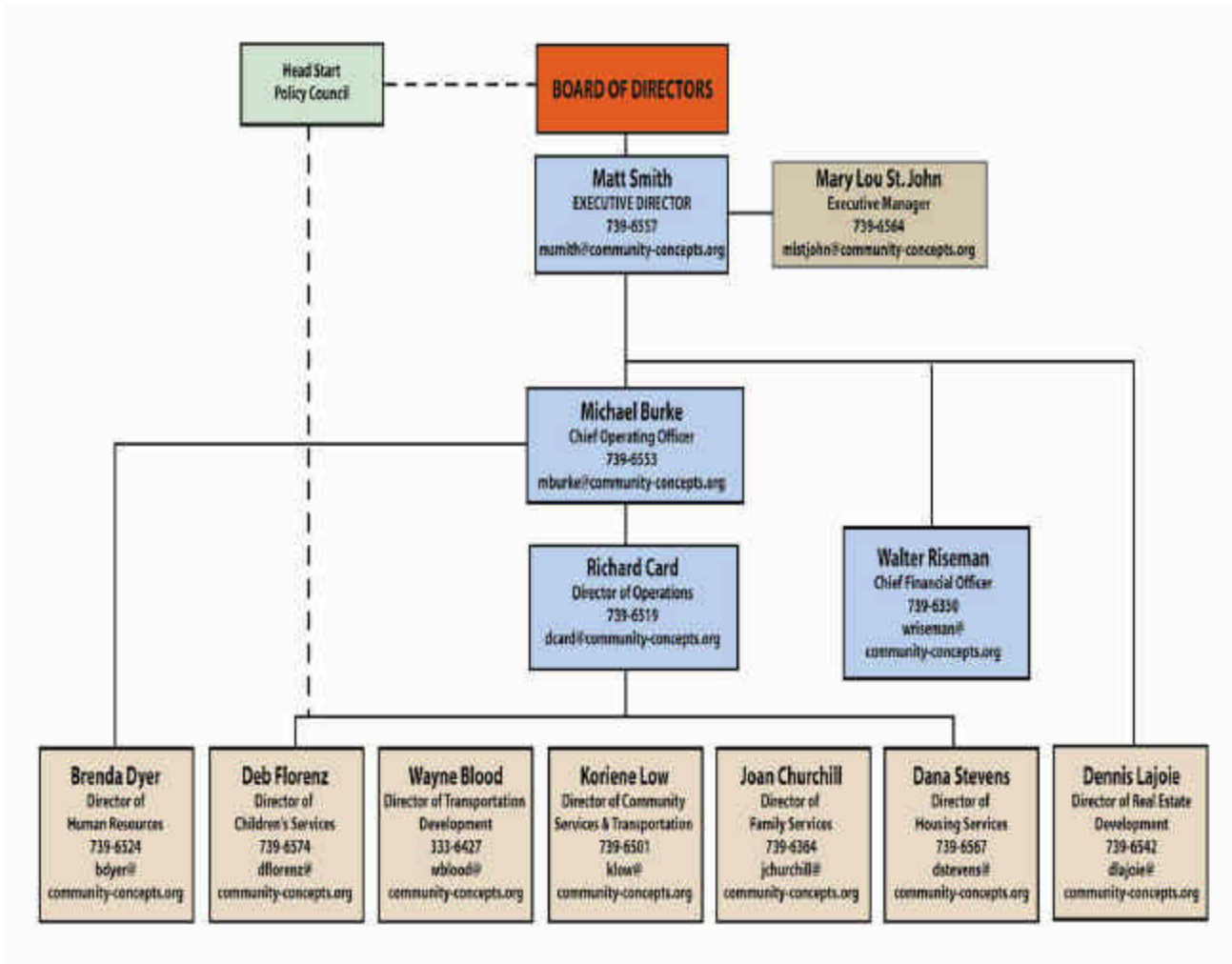
⁽²⁾ Numbers represent units of service, not individuals or households served

In recent years, CCI has reached beyond its CAP roots to obtain national certification and funding as a Community Development Financial Institution (CDFI), and an affiliation with the national NeighborWorks® America network. As a NeighborWorks® America member, CCI has joined NeighborWorks America's Multi-Family Initiative, and Rural Initiative. CCI has recently been awarded a \$50,000 financial fitness grant. Many staff members take advantage of a wide range of capacity building training available at the NeighborWorks® America Training Institutes.

The Director of Real Estate and Subsidiary Operations, Dennis Lajoie, is leading this project for the host organization. Dennis works with an external

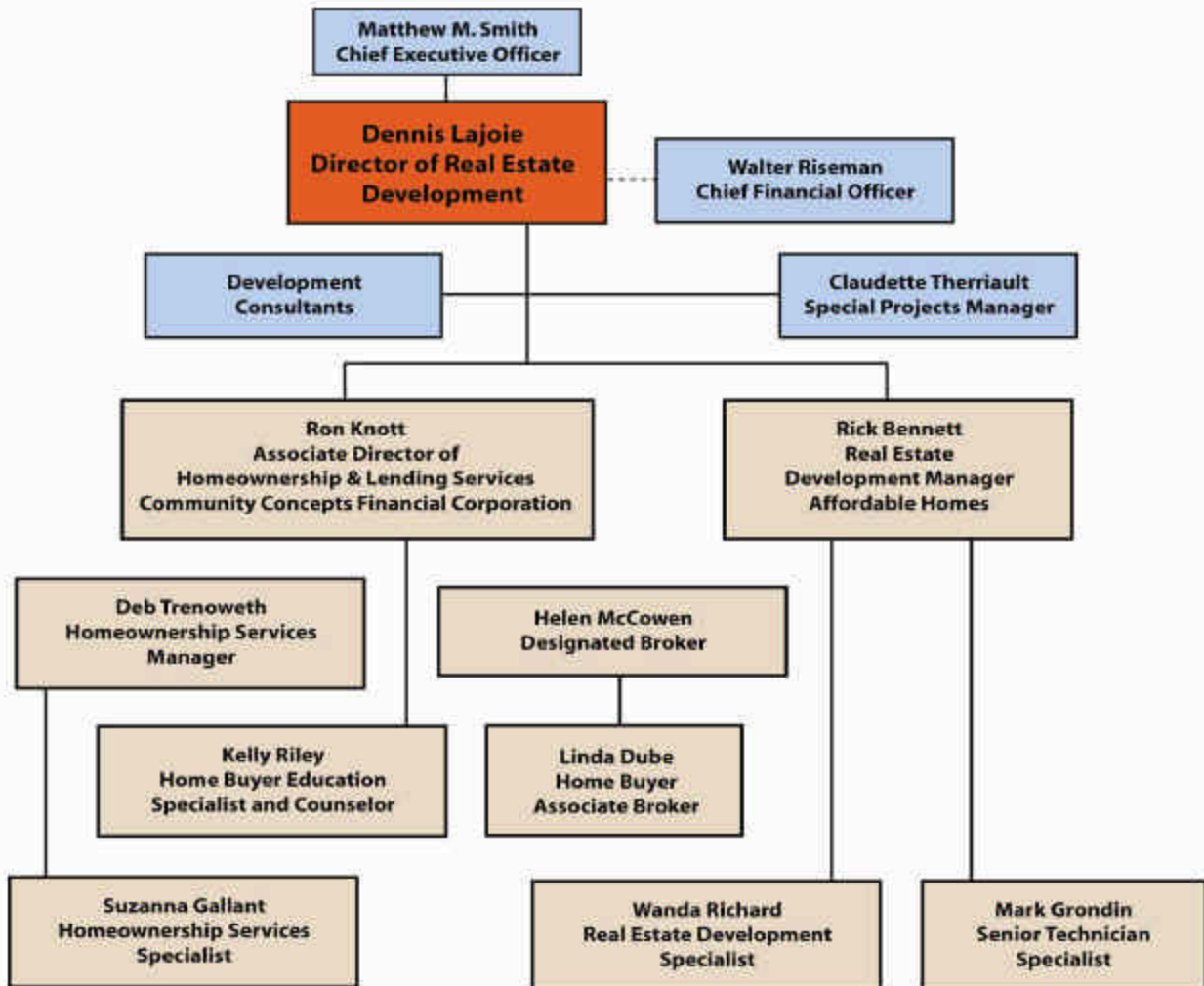
development team to champion this project to completion. His duties are described in more detail in the “Staffing Pattern” below and within his attached Job Description.

6. Organizational Chart: Full Host Organization



Organizational Chart: Department.

Real Estate Development Organizational Chart



7. Method:

Community Concepts will be creating a 30 unit affordable housing complex located in the heart of downtown Lewiston, Maine. Leverage funds are being secured from the Maine State Housing Finance Agency, the Enterprise Foundation, Neighbor Works America, and the City of Lewiston. The development team is collaborating with the Lewiston Housing Authority for project based rental assistance to assist very low-income seniors. The funds leveraged for this project allows the project to keep rents at an affordable level for the program participants. The project will have no mortgage payments.

8. Products & Outputs by April of 2007:

- a. Agreement with the city on site control
- b. Market Study completed
- c. Two Focus group meetings
- d. Tax Increment Financing Agreement
- e. Construction Loan Agreement with Bangor Savings Bank
- f. Partnership Agreement with Enterprise Social Investment Corp.
- g. Plans & Specifications
- h. Permanent Financing Agreements
- i. Final site plan
- j. Final Planning Board Approval
- k. Bid Documents
- l. Construction Contracts
- m. Contractor Chosen
- n. Construction Started
- o. Development Fee earned by CCI
- p. Management Agreements in place
- q. Marketing Plan
- r. 20 pre-approved participants

IV. Implementation:

Project Planning:

The Director of Real Estate Development & Subsidiary Operation, Dennis Lajoie, leads the development of all real estate activities for CCI. The host organization operates under a 5 year board approved strategic plan. The Real Estate Development Department operates within this plan and prepares a two year operating plan to work towards the goals set out in the organization's strategic plan. The development of affordable senior housing was a goal listed in the organizations strategic plan. Dennis works with an external development team that has been together for the past 10 years. This team has developed 200 units of affordable housing. The project team has a strong working relationship with Development and Leadership staff within the City of Lewiston. The strong working relationship with city staff and others within the community led to the initial creation of this project. A professional market study confirmed the need.

The Chief Finance Officer and Director of Real Estate Development work closely to ensure that new units developed are underwritten to perform over the long term.

1. Implementation Plan:

- A. Seniors have an increase in disposable income by 10% by renting one of these apartments by April 2008 (17 low income seniors pre-approved and waiting for a unit);
- B. Community Concepts earns a Development Fee of \$720,000 by April 2007 (Budget in Place);
- C. City of Lewiston Receives Tax Revenue of \$44,000 by December 2007 (Agreement in place with City Council); and
- D. Resident council in place by December 2008.

Project Activities

Identify		
Community Need	4/1/2005 - 6/1/2005	Dennis, ED & Board
Review Sites	6/1/2005 - 7/1/2005	Dennis & Consultants
Development		
Agreement with		
City signed	8/15/2005	Dennis, ED & Board
Hire Market Study	8/15/2005	Dennis
Environmental		
Review	8/30/2005	Consultants
Site Plan to		
planning board	9/30/2005	Dennis & Consultants
Apply to NR for		
funds	10/1/2005	Dennis
Apply to enterprise		
foundation	10/15/2005	Dennis
Market Study		
Completed	11/1/2005	Consultants
Focus group		
meetings	11/3/2005	Dennis
Planning Board		
Approval	11/15/2005	Dennis & Consultants
Construction		
Lender chosen	11/30/2005	Dennis & Consultants
Apply for LIHTC	12/2/2005	Dennis & Consultants
City clean site	12/30/2005	City of Lewiston
Notification of		
LIHTC	12/23/2006	State
Start working		
Drawings	1/10/2006	Dennis & Consultants

Bid		
Process/Negotiation	8/15/06-2/15/07	Architect
Construction		
Contract Signed	3/1/2007	Dennis & ED
Construction		
Closing	3/30/2007	Dennis & ED
Construction		
Meetings	Monthly	Dennis & Consultants
Start Formal		
Marketing	1/1/2007	Dennis & Property Management
Construction		
Completion	2/28/2008	Architect
Open House	3/1/2008	Dennis & ED
100% Rented up	6/30/2008	Property Management
Tenant Council	12/30/2008	Dennis

2. Inputs:

Activities	Inputs
Identify Community Need	20 hours of Demographics research, 20 hours of reviewing community documents
Review Sites	20 hours site search and on site reviews
Development Agreement with City Signed	5 -2hr meetings with City Staff. \$5,000 legal work.
Hire Market Study	4 hour meeting with Market Professional on Project
Environmental Review	30 min phone call to Environmental Company
Site Plan to planning board	30 hours of engineering on site plan.
Apply to NR for funds	25 hours of Dennis's time writing application
Apply to enterprise foundation	15 hours of Dennis's time writing application
Market Study Completed	3 hours reviewing market study
Focus group meetings	4 hours prep & 2 - 2 hour meetings
Planning Board Approval	3 planning board meetings
Construction Lender chosen	5 hours negotiation with lender
Apply for LIHTC	60 hours drafting, writing and packaging application
City clean site	\$400,000 in site clean-up
Notification of LIHTC	Maine Housing review and scoring process
Start working Drawings	\$160,000 contract with architects
Bid Process/Negotiation	20 hours architect time on bidding process
Construction Contract Signed	4-3 hour meeting with Contractor
Construction Closing	20 hours gathering documents for closing
Construction Meetings	4 hours per week for 40 weeks
Start Formal Marketing	4 hours drafting Marketing Material, 2 site signs, 6 hours per week of staff time to meet with seniors interested in apartments
Construction Completion	8 hours punch list inspection, 8 hours final inspection, 20 hours gathering all final documents
Open House	4 hours arranging open house, 4 hours on site hosting.
100% Rented up	4 hours per new tenant certifying incomes and signing lease docs
Tenant Council	4-3 hour meetings with new residents

- Architect/Engineering 100,000.00
- Misc. Expenses 5,000.00

The total pre-development expenses prior to construction that will need to be paid out by the host organization are \$154,831.73. Of this amount the host organization did receive a 0% deferred loan of \$60,000. The balance of 94,831.73 will be funded by unrestricted resources.

5. Project Implementation Report: (Actual)

The project timeline is off approximately six months due to two major factors:

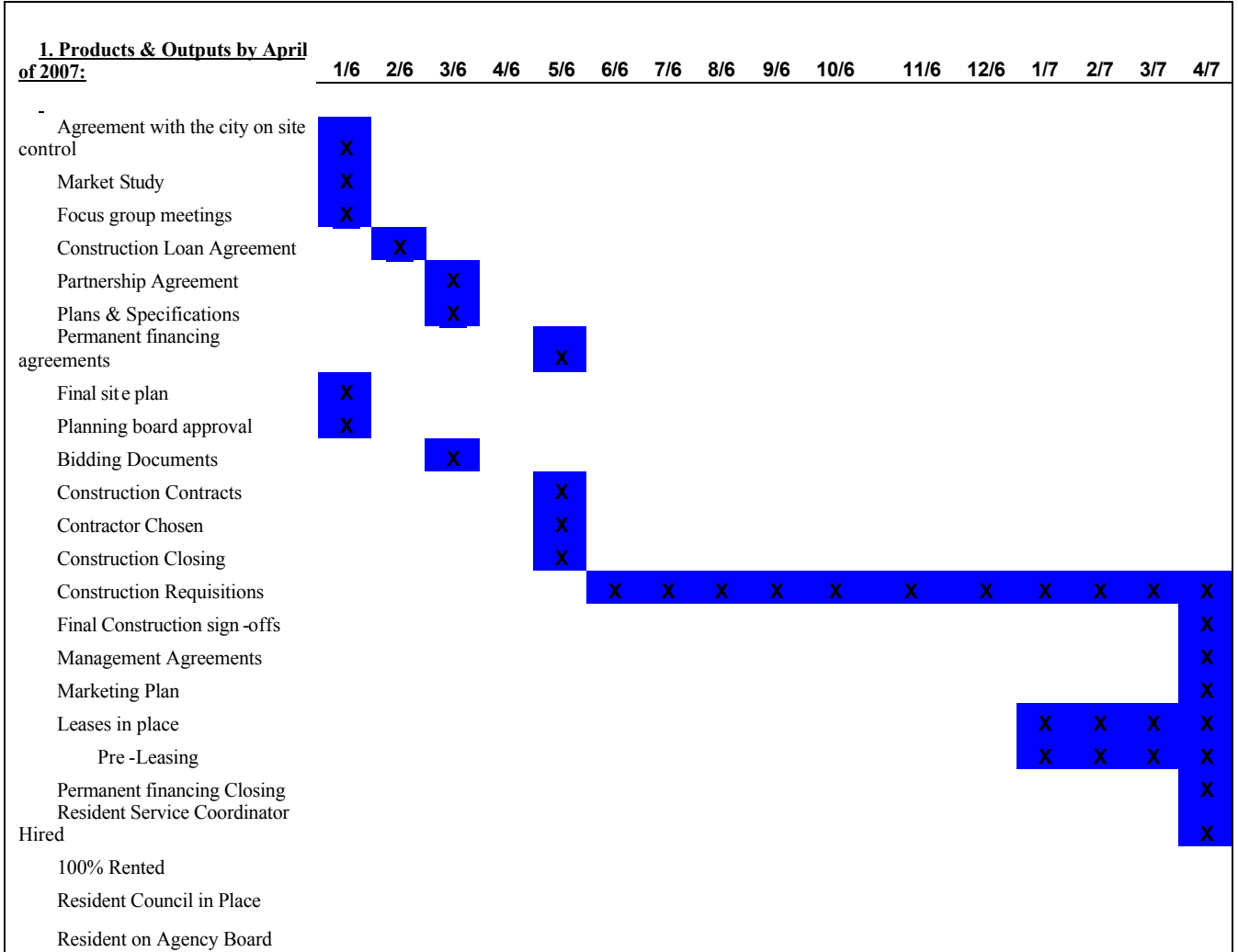
- The development of architect plans and specifications took longer than expected;
- The construction bid amount exceeded the development budget.

The host organization successfully competed for the Low Income Housing Tax Credits and in December of 2005 the Maine State Housing Authority issued a “Notice to Proceed”. This document outlines all of the requirements that the successful applicant needs to complete before any construction work can begin. The Tax Credits are “Set-Aside” until all items are completed. One of the items that a developer must complete is a set of construction drawings and bid documents signed off by the Architect, State Fire Marshal’s office and the technical staff at Maine State Housing Authority. The architect was authorized by Dennis Lajoie on January 2, 2006 to begin the construction drawings and bid documents. The project construction drawings are required to meet the construction guidelines set forth by Maine State Housing Authority. The Maine State Housing Authority had recently had a change of leadership in both the Executive Director position and within the Technical Division. The new leadership requested a total rewrite of all the construction guidelines currently in place.

During the next 6 months of working drawings and reviews, major structural and design changes were required. The project went out to bid on October 12, 2006 with the bid opening on November 9, 2006. The low bidder’s bid exceeded the construction budget by \$1,000,000! Discussion between the development team and the low bidder revealed that the cost of materials; concrete, steel and copper had doubled within the last 4-5 months and that the project was too costly to build in its current design. During the next 3 weeks the development team, architect and contractor held a series of meetings to save the project. The resulting design changes reduced the bid by \$500,000. The development team raised \$250,000 in additional cash, leaving a \$250,000 shortfall. If the Maine State Housing Authority granted \$25,000 in additional credits the host organization could raise the \$250,000 and close by December 31, 2006. This did not happen. The development team and Maine State Housing Authority eventually agreed to change the design of the project to a wood framed 3 story building while still providing the 30 units of senior housing and all amenities in the originally proposal. Maine State Housing Authority agreed to keep in place the original funding and contractor (no rebid required) and to work to ensure a spring 2007 construction start date.

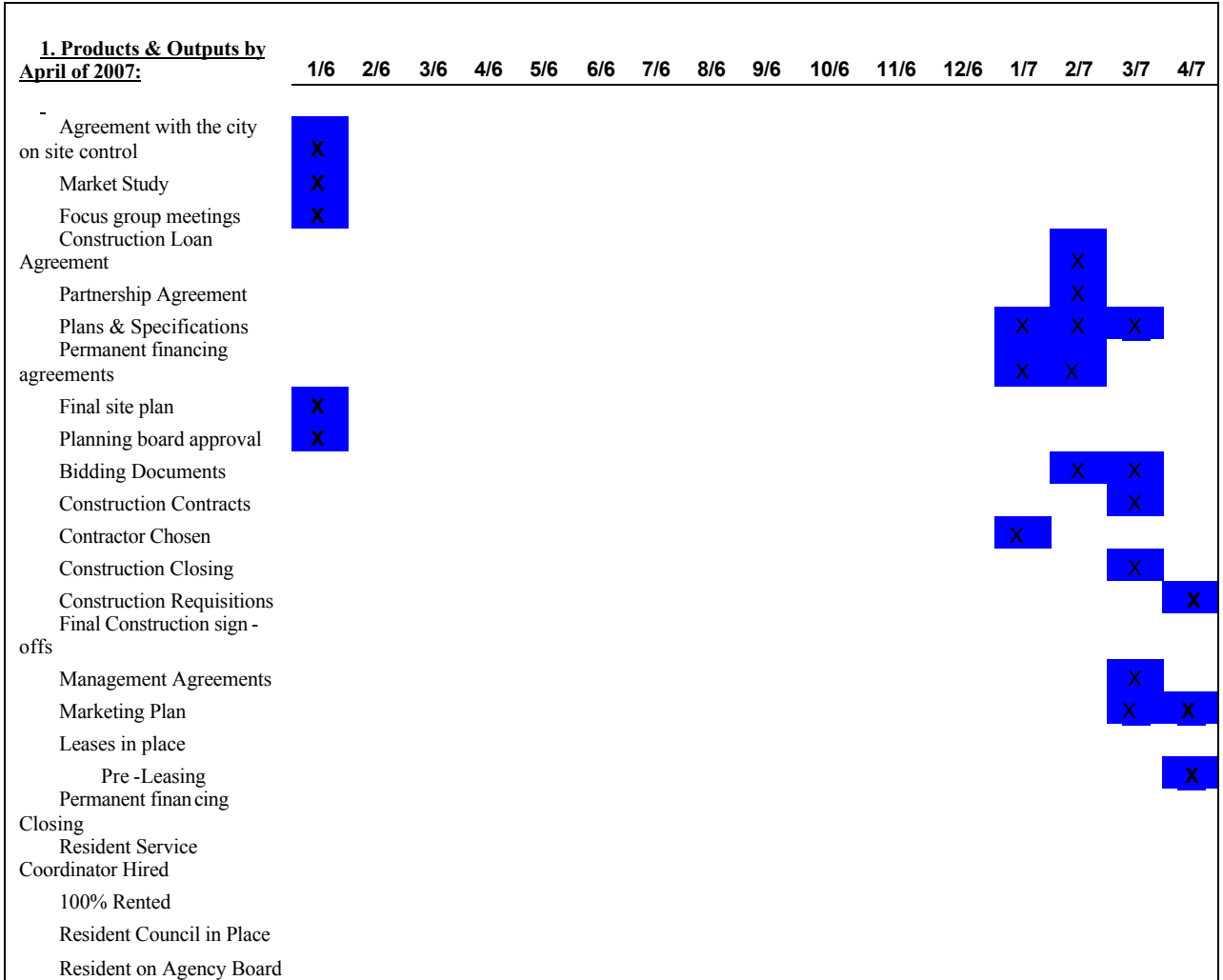
6. Project Implementation Gantt chart (Original)

**Implementation Chart -
Original**



Project Implementation Gantt chart (Actual)

Implementation Chart- Actual



V. Monitoring and Evaluation:

Bates Street Senior Housing Logic Model

Inputs	Activities	Outputs	Outcomes		
			Short -term	Intermediate	Long -term
List of sites to review, 40 hours of staff time	Visit and analyze sites	Report on sites	Site Selected	Site approved for development by planning board	City Receives Tax Revenue
60 hours of meetings with architects and engineers	Review and approve draft designs	Final design	100% Construction Drawings	Project Built to Code	Credibility Enhanced with Funding Sources
80 hours of staff time, funding applications	Draft funding applications	Applications completed and submitted	Funding approved	All funds Spent on approved activities	
4 hours drafting focus group meeting materials	2 focus group meetings	List of items that seniors would like incorporated in design	Items incorporated in final design	Project built	Organization Receives Development fee for sustainability
60 hours of staff time	Gathering documents for construction Closing	Construction Closing	Pre-Construction Conference		
20 hours of staff time monthly	Site Inspections and Construction Billings	Inspection Reports and Monthly Billings	Project Completed and bills paid	Pay off Construction Loan	
20 hours of staff time	Draft marketing material	Marketing Material	50% rent-up	100% rent-up with waiting list	Seniors have more money

Monitoring

1. Management Information System:

The project manager has been gathering and categorizing all project documents for the last 18 months. He keeps detailed records of all pre-development and development records. Once the project is under construction all project expenses will be approved on a monthly basis and compiled into monthly requisitions billings to the construction lender. Copies of all requisition are retained by the host organization finance department and another copy by the project manager. A complete record of all documents is turned over to the property management department for long term assets management. Documents that are collected include:

- Site searches and final site selection;
- Legal Description of site and purchase and sales agreement;
- Site plans and approvals;

- Environmental site reports;
- Engineering and architectural agreements;
- Market Studies;
- Community Needs Assessments;
- Board approvals:
- Plans and Specifications,
- Appraisal;
- Funding applications;
- Construction Loan Agreements;
- Bid document and process;
- General Contractor contract and insurance documents;
- Payment and performance bonds;
- Marketing material;
- Pre-development, development and operating budgets;
- Progress reports;
- Meeting notes;
- Copies of all expense invoices;
- Rent – up reports;
- Tenant applications and approvals;

2. **Summary Monitoring Table:**

Bates Street Senior Housing			
Hypotheses	Variables	Indicators	Data-Gathering
If tenants rents are lower, then they will have more discretionary income	IV: Lower Rents DV: Higher Discretionary Income	IV: Amount of Rent DV: Percent of Increase	Survey or Questionnaire
If Project is built on time, then tenants will want to rent	IV: Building Built DV: Marketing Material	IV: 30 Units built DV: Project Budget	Lease-up Records
If Marketing Material was Developed, then Tenants will apply	IV: Marketing Material DV: Tenants will apply	IV: Rental Application Requested DV: # of applications Received	Completed Rental Applications
If Financing for project is received, then project will be built	IV: Financing Received DV: Building to be built	IV: \$ Received DV: Amount from all Sources	Letters of Commitments
If site selected and optioned, then we can apply for funding	IV: Site Selected DV: Funding	IV: One Site DV: Dollars applied for	Legal Site Control

Sustainability:

1. Sustainability Elements :

- The project is designed to provide for affordable rents for 99 years.
- The project development budget includes \$468,000 in reserves.
- The project operating budget includes funds for social service staffing.
- The project development budget includes \$720,000 in a development fee to be paid to the host organization for future affordable housing projects.
- The host organization has earned goodwill from all stakeholders.

2. Sustainability Plan:

All of the elements of the project are in place during the pre-development of this project. Legal documents have been drafted and are waiting approval. Development and Operating budgets have been approved by the host organization, and investors. Final sign-off is pending by the Maine State Housing Authority.

3. Institutional Plan:

The host organization will be signing all of the legal documents at a construction closing by March 31, 2007. The organization has property management and maintenance staff in-house. The completed project will be shifted from development to property management. The project manager will stay with the project during the rent-up phase though the first year of breakeven. The project manager will be available to help resolve any long-term asset management issues.

VI. Conclusions & Recommendations:

Conclusions

- The development of affordable housing using the Low Income Housing Tax Credit (LIHTC) Program is a time consuming and complicating process that does result in lower rents to the tenants, however the risks to the non-profit host organization need to be consider.
- The development of the project and the project financing is dictated primarily by the stakeholders who control the financing for the project. The host organization and the program participates do not have veto rights in the project.
- The future tenants in the project usually are not identified early on in the pre-development of the project. The formal application process for the tenants can only be certified 90 days prior to rent -up yet the project development has been on-going years earlier.

Recommendations:

- The Board of Directors of the organization must approve the project during the very beginning of the project development.
- The Executive Director and the Chief Financial Officer need to be kept informed of progress on the project as it moves forward or backward.
- The project manager needs to be in constant communication with the stakeholders to support the project during planning board and any public hearing processes.
- As real estate development is a slow grinding process; the project manager must pay attention to the hundreds of detailed decisions and tasks that need to be accomplished along the way.
- The host organization needs to have adequate cash reserves to carry pre-development expense for periods of up to two years. (Cash needs on this project during the pre-development phase is approaching \$200,000.)
- A strong development team is a must to assure the design and process will meet all rules, codes and expectations of authorizing entities.
- The project manager must have access to the CEO & CFO to assure consistency of message and problem solving.