FRYE SCHOOL
SENIOR HOUSING

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1/15/93
DEVELOPING A LOW INCOME ELDERLY HOUSING PROJECT

IN THE

MILL HOUSE NEIGHBORHOOD OF LEWISTON, MAINE

A FEASIBILITY STUDY

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A FEASIBILITY STUDY FOR THE DEVELOPMENT OF LOW INCOME ELDERLY HOUSING IN THE MILL HOUSE NEIGHBORHOOD OF LEWISTON, MAINE

My effort to advance the practice of community economic development is primarily focused through my employment with a regional, not for profit, community action agency. My organization, Community Concepts, Inc., operates programs such as Headstart and daycare, transportation, housing rehabilitation, home construction, micro enterprise lending, and youth drug use prevention. One of my primary responsibilities is the development of new programs. One area in which we have not been involved is larger scale low income rental housing. My CED project has provided the opportunity to move my organization ahead in this critical area of need. My CED Project has been to develop a plan for a large scale low income housing development using both the Low Income Housing Tax Credit and Historic Tax Credit Programs. The result has been a plan to develop the Frye School Senior Housing Project.

Community Concepts, Inc. (CCI) serves a large geographic area of some 2500 square miles from semi wilderness to the second most populous area in the state. Lewiston is Maine's second largest city. With its twin city, Auburn, across the Androscoggin River these two cities comprise the second largest metropolitan area in the state. For my CED project, I have defined my community as the Mill House Neighborhood of Lewiston, Maine.

The Mill House Neighborhood is probably the poorest city neighborhood in the state of Maine with 87% of its residents classified as very low income (below the 50% of median income level or income of less than $13,150 per year for a family of two.). While a superficial look might lead to the suspicion that this is a transient neighborhood this is not the case. Over half of these families have lived here over twenty years and 41% of the households are elderly households.

Mill House Neighborhood housing is generally in poor condition and expensive relative to local family incomes. Because of the conditions and considerable need I have focused my CED Project on the housing needs of the Mill House Neighborhood.
I. A NEEDS ANALYSIS

Beginning in the fall of 1991, I undertook an extensive needs analysis of the Mill House Neighborhood. I used historic, census, and city information, as well as information gathered through a city telephone survey of Mill House residents to construct a comprehensive assessment of this neighborhood. The problems are extensive and deep rooted. There are serious problems of unemployment, lack of education and skills, poor quality and often unsafe housing, crime, and generally a sense of hopelessness among those who live in the neighborhood.

Reflecting its mill town history Lewiston is predominantly a city of multi-family housing with 59% of its housing units in rental apartments. Within the central area surrounding the old mills 96% of the housing is tenement style older wood frame structures. This central area, the Mill House Neighborhood, is now home to the poorest of Lewiston's families. Over one half of the residents of Mill House receive public assistance benefits and 87% are very low income. Within the boundaries of this neighborhood only 32% have graduated from high school, 40% report health problems which prevent them from working, and 41% are elderly poor.

As part of my effort to understand the dynamics of the Mill House Neighborhood, I studied a community survey which the city had conducted in 1991 asking questions on economic status, housing need, and community needs. In addition, I developed a survey tool and scheduled appointments with parents participating in the local Headstart Program for the purpose of assessing the deeper feelings and values of neighborhood residents (See Appendix A for an in depth discussion of both surveys and the needs analysis).

The Community Survey conducted by the city provided extraordinary insight into the conditions and economics of poverty within Mill House. My survey provided insight into the hopelessness and despair felt by many within this neighborhood. The surveys provided a graphic reality to the numbers I had assembled over the preceding weeks.
One clear impression left after my interviews was the distinct lack of hope among these parents. When asked how they felt living in Mill House they responded with descriptors such as "humiliated", "sad", and "stupid". CCI currently employees a social worker who has recently begun work in this neighborhood as part of a support team to a CCI Transitional Housing Project. She confirms that these feelings, experiences, and conditions are common place among many residents of Mill House. These findings along with the information reported by the City’s Community Survey draw a picture of a neighborhood in despair.

Additional discussions with the staffs of the area agency on elderly, and area mental health agency confirm that these feelings are prevalent among many of the elderly in this neighborhood. Poor housing conditions and fear have combined to make the elderly feel hopeless and unable to see their lives as successful.

II. HOUSING NEEDS ASSESSMENT

At the beginning of 1992, I conducted an extensive housing needs analysis of Lewiston based on the recognition that one of the major problems in the city was the lack of safe and affordable housing for its many low income residents. This work clearly showed that housing conditions within the Mill House Neighborhood were the worst in the city. Unsafe conditions, poor maintenance, and high rental costs relative to income were common place. Many apartments that my staff and I visited, were in dangerous condition and many had visible code violations.

A significant finding was the level of need among elderly residents of the Mill House Neighborhood. While a significant portion of young single parents in Mill House have rental subsidies through the HUD Section 8 program this is not the case among the poor elderly of the neighborhood. 41% or 248 households in Mill House are elderly poor households. Most do not receive rental assistance (see Appendix B for the complete Housing Needs Analysis).

Through this work it became apparent that there was a great need for appropriate and affordable housing for the poor elderly residents of the Mill House Neighborhood. This fit well with one of the findings of the city's Community Survey where 30% of the neighborhood residents citing the need for elderly housing
within the neighborhood as a top priority. Based on the needs analysis and the neighborhood's expressed desires I concluded that I would build my CED project around developing a low income elderly housing project.

It is important that the reader recognizes that I have also spent considerable time with other groups in the neighborhood organizing around a meals program, an after school program, a community center, a drug use prevention program, a community policing program, and a home ownership program. Among these groups are the neighborhood steering committee, the Episcopal Church, the community police team, the Montello Elementary School staff, city development staff, the YWCA Street Program, and Adult Education staff. My low income elderly housing project is only one facet of a much broader strategy to bring revitalization and opportunity to the Mill House Neighborhood.

III. PROJECT GOALS

If nothing is done during the next 12 months, 248 low income elderly people of the Mill House Neighborhood will continue to find a shortage of safe and affordable apartments.

This problem statement expresses the great need for low income elderly rental housing within the Mill House Neighborhood became clear in several ways. First, an analysis of the numbers as cited above points directly to the need. Second, the neighborhood residents themselves identified this need. Third, my own experience and that of other agencies clearly recognizes the terrible condition of a substantial number of apartment units within this neighborhood. Fourth, the study done by the city shows that elderly families in the neighborhood have a desire to rent rather than own.

My project goal has been to identify a suitable site for development within the immediate area of Mill House Neighborhood and undertake a feasibility study to determine if development was possible. Requirements for the project would include development of a suitable elderly facility with appropriate services and amenities such as social services, security, and elevators while keeping monthly rents in the $300 to $350 range. I also set community participation as a goal in the planning
and in the operation of the project. Finally, the ultimate goal of my CED project was to produce all of the necessary information so that I could move to finance and construction of the project.

As minimum objectives, I set the following:

1) substantiate need
2) recruit local advisory committee
3) receive city support
4) conduct a survey of potential sites
5) identify a site and initial walk-through estimate
6) develop preliminary proforma for feasibility
7) negotiate property option for study period
8) find pre-development funds
9) hire architect
10) recruit service providers for tenant services
11) develop service plan
12) identify service plan funding
13) hire legal/accounting services for syndication
14) develop costs of construction and operations
15) complete architectural drawings

As maximum objectives I set the following six objectives:

1) secure necessary city approvals
2) develop final cost estimates
3) identify potential limited partner investors
4) develop final operating pro formas
5) secure financing and equity commitments
6) set ground breaking date

During the past year, I have been able to achieve all of the minimum objectives and I am currently working on the maximum objectives. My feasibility study has shown that the site selected can be developed with the proper
combination of equity and debt financing. There is every reason to be hopeful that the project construction will begin in the spring of 1993.

My project outcome was to have developed all of the necessary information to finance and construct a project creating a significant number of supportive, appropriate, safe, and affordable housing units for low income elderly residents of the Mill House Neighborhood. My project addresses the very real need for better housing by providing new units within the neighborhood and by providing a model which also offers supportive services to the elderly tenants. Further, it is a response to the stated needs of the community members and will have enrolled the community in the development process and in the operation of the development through the project advisory groups and later through a tenants' group.

IV. STRATEGIES AND METHODS

The methods and strategies used in undertaking this project can be broken down into four general categories. These are community, political, technical, and organizational. Each one of these was important to the project and each presented its own challenges.

Community Strategies

In order to arrive at a clear definition of a specific neighborhood problem, it was necessary to carefully study the community. The Mill House Neighborhood is a result of many problems coming together over many years. Low income is one problem; poor housing another; crime another; poor education another; drugs another. All of these are intricately woven together such that it is unnatural to attempt to separate any single problem from all of the associated problems. Likewise it is difficult to separate one effort to resolve these problems from all of the associated efforts at resolution. Therefore, while I have attempted to separate my project for descriptive purposes, it is important to recognize the inter-relationship of this project with the other efforts mentioned earlier. My CED Housing Project is only one small piece of the overall effort underway. Singly each one of these efforts would have little impact on the neighborhood. However, each effort as part of an overall strategy will play an important role in re-energizing the neighborhood.
My first strategy has been to make certain that my particular project is an integrated part of a greater and broader effort (See Appendix C for more on the overall Mill House Community effort).

My second strategy was to become as knowledgeable as possible about the community, its history, its economics, and its residents. Since I am not a resident and this neighborhood represents a small piece of my organization’s overall service area this knowledge has been extremely helpful in beginning to understand the neighborhood and its residents (see Appendix A for the complete background research).

Mill House is not a neighborhood of drug dealers, prostitutes, and law breakers. It is predominantly a neighborhood of very poor people of young age and of old age who are generally under educated and afraid. Through my learning effort, I have been able to be successful in moving ahead several projects with which I and others are involved. At the same time I have the ability to confront bias and misinformation as it arises so that all involved can keep their focus on the issues rather than false suppositions. Through this understanding, and along with the efforts of the other groups mentioned above, we have begun to open the doors of action and change. Our real challenge will be to empower the neighborhood residents to the extent that they will provide the sustaining energy once the CED practitioners are gone.

My third strategy was to design a project which specifically creates a solution to a problem identified by the community. My CED project represents a direct attempt to address the community problem of inadequate housing. It also is a direct attempt to strengthen the self reliance of neighborhood residents who have felt powerless in the past. The project is in response to the resident’s own request for appropriate elderly housing and will demonstrate that they do have the power to change conditions when they work with the right partners and organize around an issue which has broad neighborhood support.

My fourth strategy was to keep the pressure on local and state politicians and agencies to make resources available to the Mill House Neighborhood. My project and the other efforts in the neighborhood have been high profile projects not only because of their nature but also because we have spent time making them
visible. The positive visibility of the Mill House projects is counteracting the high visibility of the negative aspects of the community. The Mill House neighborhood is a very well known neighborhood all around south and central Maine first because of negative press and now because of many positive community efforts underway. It has been part of our overall strategy to keep this visibility high. Public recognition of the conditions makes our efforts to correct the problems politically relevant. A picture in the newspaper with the city politicians next to a successful project is certainly better than the mayor explaining why the media should not be calling the neighborhood the "drug capital" of Maine. High visibility against the negative stories of the past insures that the politicians work right along with us to solve the problems, at least publicly.

My strategy for community involvement has been one which offers housing development as a piece of a broader CED strategy. By continually remaining focused on the broader strategy which offers a wholistic approach to the neighborhood's problems the community members have an opportunity to participate fully. There may not be much interest in a particular project such as financing a housing development with tax credits but there are other opportunities within the scope of our overall effort. There's the Sunday meals program run entirely by local volunteers. There's the community center project just getting underway. This past year there was an outdoor teenage dance sponsored by the community police unit and other neighborhood events are being planned. This broad strategy approach has allowed the neighborhood residents to energize the overall effort. While I and others may provide the "technical" skills, the neighborhood is learning to provide the community skills and the energy. This approach is a marked change from past city efforts which were driven by planners at city hall and involved single projects with no community involvement and no integrated strategy.

In summary, my strategy for community involvement has evolved to building strength within and projecting strength outward. It has made it easier for people to find a way to join forces with us.
Political Strategies

The City of Lewiston is governed by a mayor and a city council. The mayor is elected city-wide and the councilors are elected from wards within the city. In our efforts in the Mill House Neighborhood it was clear from the start that we would need to deal with the politics of city government. This particularly meant we needed to deal with the competing interests of the different city wards as well as the personalities, beliefs, and political careers of the individual city politicians. My first political strategy was to assess each of the key political players with the idea of discovering how each might be persuaded to support my CED project. For each on my list I asked myself why each of them would support my project. Negatives are easy to discern but I needed reasons why each could be persuaded to support the project.

My first task was to enlist the help of those within the city which could be convinced that a broad community development effort in the Mill House Neighborhood was necessary, important, and achievable. I first went to the city planning department were I have known the director for many years. I discussed with him the possibilities for the neighborhood and my project and enlisted his support. I also spoke to him about the political support that was needed and enlisted his help in paving the way. It was clear that the director would see a success in Mill House as a personal and career success for himself. He had no problem using me and my project as a way to this success.

Next the mayor and the Mill House ward councilman were needed to support my effort. Past politically initiated attempts to address the problems of the neighborhood had failed but I needed their support to move forward. I explained the CED approach in contrast to past approaches. Although they were not necessarily overly impressed they were eager to try something new. At the time the Mill House Neighborhood was getting statewide television coverage of its many problems. They looked bad politically. Having political jurisdiction over the "drug capital" of Maine was something they could do without. The mayor has his aim on a run for governor in 1994. The ward councilman has a real interest in the neighborhood being a long time resident himself. Both would like to be able to claim success in the poverty stricken Mill House Neighborhood. My project and our
other efforts have received strong support from the mayor and the ward councilman.

I then needed to get the support of the rest of the city council. Ultimately, a majority of them would be needed to support the effort if we were to seek city financial support as well as the necessary permits for construction. I and my staff made an early presentation to the council requesting city funds to support a staff person to explore general housing improvement within the Mill House Neighborhood. I had the opportunity to describe our past assistance to the low income residents of Lewiston and was able to make a direct connection between our services and the city’s lessened need to provide welfare payments. With support of the mayor and city planning staff, we successfully were able to show the council that our efforts in the city resulted in the savings of tax dollars. Several councilmen were not necessarily politically "friendly" but the sound of tax savings is a very strong persuader. Philosophy and biases gave way to the weight of property tax savings.

I finally wanted the support of the code enforcement people and the city fire and police chiefs. With each, I developed reasons why they should support our efforts. With code enforcement they simply wanted to appear pro-active, and alliance with my CED project made them appear that way. There are numerous code violations within the city but strict enforcement has been difficult on several levels. They are understaffed. Landlords are unable or unwilling to comply and condemnation is expensive and leaves poor people without a place to live. The code enforcement office has been a strong supporter of our efforts.

The police chief has a great interest in lowering complaints from the Mill House Neighborhood where 50% of the city’s arrests are made. He has been under pressure from the community and the city council to make a difference in this neighborhood. He had recently taken a bold step in starting his bike riding community policing unit which has received strong support from the neighborhood residents. But he has had great difficulty obtaining adequate funding. In return for his support I pledged to support his efforts in the community and with the city council. We also included his community officer in the neighborhood planning meetings and organized young people around the volunteer activities of the police officers. The police strongly support our efforts.
The fire chief's greatest interest is in the prevention of a catastrophic fire within the neighborhood. The wood frame three and four story buildings are often only a few feet apart and the potential for a devastating fire is present all of the time. The chief's position is that the potential for fire is significantly lessened if abandoned buildings are torn down, green spaces created, and existing buildings are in good repair. Part of our effort is to support these same goals. The fire chief was a natural ally. He strongly supports our effort.

My only real political threat at present is with the Lewiston Landlord's Association. This is a lose knit group of small rental property owners who are very concerned with our proposed project. This derives from the fact that we currently have several smaller projects which we have developed over the past two years. The Association feels that they are being subjected to a competitor which has government subsidy and has as its goal the eventual control of rental property in the central city area. This is not the case. Much closer to the truth is that many of these landlords own less than desirable properties and charge too much rent because they bought the buildings at inflated prices during the 1980's. The result is that they have high vacancies and inadequate funds for maintenance and repair. They are also becoming under greater scrutiny by code enforcement people. The Association would like to see us stop our housing efforts.

I have been have unsuccessful at gaining the support of this group and unsuccessful at finding the "carrot" which would make them supportive of my project. However, we are members of the Association and regularly attend meetings hoping that at least we will not be faceless threats. The Association continues to voice its opposition to my project and at a recent public hearing on the Community Housing Affordability Strategy (CHAS) made public comments in opposition to my project. They have recently threatened to go to the city council to voice their opposition. Our plan has been to stay away from the public debate because we seem to have solid support from the community, the city council, and other city departments. For now this will continue to be our strategy. We'll continue to work the inside and avoid the emotion of the public forum.

In summary, I have worked the political connection by assessing the individual players and providing a reason for them to support my efforts. I continue to watch the Landlord Association and feel as though they continue to be their own
worst enemies. However, the Landlord Association may become a troublesome political opponent. The city council has been supportive and this support continues to strengthen since the chosen site for my CED Housing project is an old school which is city owned and abandoned. The city council has unanimously given us an option on the Frye School property, has recently extended that option, and has agreed to make low interest city loan funds available for the rehabilitation of the Frye School.

Technical Strategies

The technical strategies can be broken down into two areas - construction and finance. My staff has considerable expertise in construction although in smaller projects. They have a good understanding of how to deal with contractors, architects, and code enforcement people. Additionally, they are very familiar with detailing projects to HUD and Maine State Housing Authority (MSHA). Even so, a project of this size calls for additional help. My first strategy in this area was to find funding to pay this staff as well as outside professionals. I needed funding to support a complete development team which would include an architect, engineer, lawyer, and accountant, as well as my own staff.

Early in the process of assessing the viability of developing a very low income project in the Mill House Neighborhood, it became clear that the only significant financing mechanism that was available was the Low Income Housing Tax Credit (LIHTC) and the Historic Tax Credit Program (HTC). Because of the cost of renovation, operations, and the low effective gross income of a low income development a completed project would not be possible without a significant equity investment. An important task was to become very knowledgeable about the LIHTC and HTC and their requirements. This has been and continues to be the significant challenge of this project from a technical standpoint. My second strategy, then, was to become competent in the use of the housing tax credit programs.

The technical strategy from the beginning involved assembling a competent development team and putting them to work to find a suitable site for development.
It involved finding the funds to pay this team. It involved the personal development of the skills necessary to finance the project using the LIHTC and HTC programs.

Organizational Strategies

Community Concepts, Inc. (CCI) is a community based non profit organization which has operated many anti-poverty programs for many years. My challenge was to convince the board of directors that we should be doing more in the area of larger scale housing projects. Of course the larger the project the greater the risk. A project of the size I was considering would be five times larger than any housing project we had previously done. My strategy was to be sure that the board was fully aware of the need for this project and fully aware of the staff’s competence in this area of development. Further, at each point of decision I planned to have a consulting opinion either by our attorney, accountant, or others as required to bolster my position and show prudence in my decision making.

It was also necessary to involve and get support from the key senior staff of my organization as we are very much a team oriented group. My strategy was to form an in-house team that would review and comment on development activities. In using this strategy I felt that all of the senior staff would have ownership in this project while providing support and guidance to me.

V. PROJECT RESULTS

The project results can be broken down into five areas. They are: organizational support; community organizing and support; site identification and control; project design and specifications; and project finance planning. In general, the results of my effort have been successful. All of the minimum project objectives cited earlier have been met as well as three of the maximum objectives. The remaining maximum objectives are underway leading to implementation of the development plan in the spring of 1993. The strategies outlined in the preceding section have also proven to be successful.
With a few exceptions the objectives were met as first envisioned. As the project developed, however, some changes were made. These changes will be addressed below within the appropriate category of project results.

**Organizational Support**

Using the strategy outlined in the previous section, the CCI organizational support was easily gained. The board has been very supportive relying on its advisory committee to make recommendations for approval. I have often directly involved the board president in our development activities to continually insure his support even though this is generally not a common practice in our organization. Since the Frye School is our first project over one million dollars his participation allows him to be continually informed on my progress and continually comfortable in giving his support.

The staff committee has worked very well. It has allowed seven senior staff in social services, housing services, development, finance, and operations to be part of the project. The group has improved my effort as well as strengthened their support for this venture. They are now part owners of the project and I feel stronger for their support. The strategy worked well and the CCI team and board is fully behind my efforts.

**Community Organizing and Support**

Community support is strong for all of our efforts in the neighborhood including the Frye School Project (my CED project). Support for our project and the others has been expressed informally through neighborhood channels as well as officially from the local ward councilman, the city council, the mayor, and the police and fire chiefs. While support is strong, local participation is not as great as many of us had hoped it would be. Nevertheless, there is a growing group of residents who are beginning to involve themselves regularly in the area activities.

My Frye School Project will represent a significant accomplishment in fulfilling a need recognized and asked for by the community. The Frye School is
only one piece of an overall strategy which involves ongoing efforts with Head Start, Habitat for Humanity, the church Sunday Dinner Project, the community center, the "Study Buddy" after school project, the city planning department, and the city community police unit. Every thing is in place to move this effort forward. It will be now a matter of sustaining the energy by involving more and more neighborhood residents. A recently formed neighborhood steering committee will offer more opportunity for local participation and improve the chances for the development of a sustaining energy.

The principle piece of community involvement which was incorporated into the Frye School Project plan was for an advisory group to be formed. This was accomplished but in a manner different from initially envisioned. My organization's board of director's appointed the advisory committee from its own membership rather than setting up a separate advisory committee directly from the neighborhood. My board appointed the advisory committee to deal with all housing development projects including the Frye School Project. In hindsight this worked well from a technical and organizational point of view given the complexity and risk of the project to my organization. While I was initially concerned that this would have a limiting effect on neighborhood involvement the appointed committee were all either currently or in the past from the neighborhood or working in the neighborhood providing social services to the residents. (See Appendix D for meeting notes of the Advisory Committee).

The committee included a geriatric mental health worker, a social worker involved with the local food bank, a past state and local government official living in the neighborhood, a low income representative to my board, and a finance person from a local social services agency. While the advisory committee was not made up entirely of local residents of the neighborhood it was at least made up of people with extensive experience and interest in the Mill House Neighborhood. The president of my board, the vice chair of the advisory committee, and another member of the advisory committee grew up in the neighborhood and two of them attended the Frye School as high school students. The local political representative has lived and continues to live in the neighborhood.

My board committee represents the community well and also has the decision making authority which I needed so much during the development stages.
The community is represented in the Frye School Project through the members of this advisory committee and after completion resident involvement will be incorporated in the form of a tenant's association.

The idea of tenant participation in the completed Frye School Project led to the innovation of incorporating a tenant services component into the operating budget of the development. One of my objectives was to design a service component using an advisory group of service providers such as the local home health organization and similar groups. While this is still part of the objectives for the project a change was made to delay the development of this tenant services plan. This was originally scheduled to be done during the summer of 1992, but has been delayed until recently. This delay was simply in response to the slowness of progress on the technical side. CCI social service staff have service models available but to pull together the services group so early would not have been sensible. I have waited until the project is much closer to start up to bring together the group of service providers. The group has been identified and contacted. All have accepted the invitation to participate and have adopted a draft services statement (see Appendix E).

I developed my project objectives to move the effort toward the development of a package ready for financing and construction. One of my tasks was to enlist neighborhood support and provide for neighborhood involvement in the process. I believe I have generated strong support within the community but direct day to day involvement has been limited. Although I have indirectly involved the neighborhood residents through my advisory committee, day to day involvement has been difficult to incorporate.

This difficulty of day to day community development has come about for several reasons including my board's position, the technical nature of the project, and the long time frame. This has not been a good project for every day community participation. Nevertheless, the project is a response to a stated resident need, there is the CCI advisory committee, and finally, there will be a tenant's association.

Again it is important to view the Frye School Project as part of a broader effort. While direct community participation in the Frye School Project is less than I
had hoped for, there continues to be growing participation in the other efforts within the community. Of the several projects underway each has varying degrees of local participation depending on the nature of the project. The project with the highest level of participation is the Sunday Dinner Program which is operated by neighborhood volunteers with the support of a local church. The least day to day participation is with the Frye School Project.

Site Identification and Control

Once I had established need and gathered the community support, it was then the time to locate a suitable site which would accommodate an elderly project of 18 to 28 units. I had become very familiar with the area and my staff is familiar with renovation projects. In my search, one site stood out from all of the rest. It was a city owned parcel of land on the edge of the Mill House Neighborhood. It was the abandoned Frye School building. Proximity to the Mill House Neighborhood and to needed services, as well as good parking and size made this site ideal. It also had the distinction of being eligible for the Registry of Historic Buildings because of its age and architectural significance. Contact with the city and a preliminary walk-through supported our hope that this site could offer a prime location for a low income elderly housing development.

In discussing the possibilities with the city we found them eager to develop the property. It has become a central eye sore and the target of vandalism since being closed a decade ago. The city is prepared to sell the property for $50,000 and provide Community Development Block Grant dollars for partial financing of the project. The city has also agreed to provide a very low interest construction loan. The city will also give us a significant tax break on the finished project as well as allowing the purchase price to be paid over a period of six years. The city has optioned the building to us and has recently extended that option.

The objectives around site selection and site control have been met. I now have a property under control along with much needed financial support from the city (See Appendix F).
Project Design and Specifications

After the site was located, the effort turned to putting together the development team. I engaged an architect who has had experience on similar projects. I also engaged an accountant and lawyer with backgrounds in tax syndications since we knew that the Low Income Housing Tax Credit (LIHTC) and the Historic Tax Credit (HTC) were the only available means of raising significant funding for a low income development where rents would be affordable. Referral to the architect was made through an inquiry at the Maine State Housing Authority (MSHA). The lawyer and accountant were acquaintances of mine who were also highly regarded by MSHA staff for their experience with tax syndication projects.

My first real challenge came at this time when I began to recognize the considerable pre-development costs I would incur. In order to bring the project to the point of financing, we needed architectural drawings including specifications, considerable legal and accounting work to prepare for syndication, as well as, various other services such as surveys and engineering studies.

Our pre-development budget came to $40,000. I approached MSHA and through their Pre-Development Loan Fund I was able to obtain the money. The terms are less than desirable from our point of view because if the project ultimately does not go forward my organization may be responsible to pay back the money. It is left to MSHA to make the determination. If the project does go forward the pre-development loan is paid back through permanent financing. My task was to convince our Board of Directors that the risk was worth taking. They accepted the $40,000 risk and on April 29, 1992 the Board approved the pre-development loan. With this loan commitment, I was able to begin serious development efforts (see Appendix G for this action and the pre-development loan commitment).

My initial objective was to get a quick and least expensive review of the costs of renovations in order to verify our initial opinion that the project was feasible. I assigned one of my long time staff members to assist me in the further development of this project. Part of his time was charged to the Pre-Development Loan from MSHA.
Our first step was to bring in our architect to do some preliminary floor plan layouts. We then brought in an engineering firm to assess the structural integrity of the building and to determine if anticipated floor loads would be tolerable. The architect also brought in a specialist in slate roofing to assess the condition of the roof and a specialist in historic restoration to recommend the proper treatments for the structure's masonry walls and stonework. With the exception that the roof trusses would need additional bracing to meet modern standards, the building passed the initial review.

We then moved to the next phase of development which called for the more detailed design and the inclusion of city code enforcement people, the city fire department, and the State Historic Trust. Several problems with fire code compliance were successfully resolved as were issues around utilities services. The major negotiations came with the Historic Trust and continue today. The last remaining concern is over the replacement of the windows of the building. The existing windows are of a double glazed, double hung style which apparently have historic significance. We consider the windows inappropriate for elderly housing because of difficulty in use. This view is shared by MSHA who will be likely lenders in the project. We continue to work to have the Historic Trust approve the replacement of all windows.

Despite this outstanding concern about window replacement the state Historic Trust staff has received approval from their national office in Philadelphia for the Frye School to be placed on the National Historic Register provided we meet the historic renovation requirements proposed in our development plan (but not including window replacement). This designation enables the Frye School to be eligible for the Historic Renovation Tax Credit Program. This eligibility is crucial to my ability to raise adequate equity to develop the project as very low income housing.

As of November 1992 we have completed the OUTLINE SPECIFICATIONS for the project and we are now putting together final construction costs based on plans which call for 22 single bedroom units, an elevator, activities room, laundry, parking, and green space (see Appendix H to view architectural drawings, specifications and related reports). The minimum project objectives with respect to the project design and specifications have been met. The maximum objective of
developing cost estimates and construction bids is underway. The next major challenge is project financing.

Project Financing

Total project costs are estimated to be $1,154,800 or just over $52,000 per unit. This is considered a reasonable cost for adaptive re-use projects by MSHA and other potential sources of financing. The problem we have faced is that it is impossible to fully debt finance a project like this and still maintain affordable rents. Simply stated the project can not generate enough income to cover operating costs and debt service despite even an accommodating interest rate. Our project will rent to low income elderly people at an affordable $325 a month. After operating expenses only $14,311 is available for debt service. Even at a favorable interest rate of 6% and a 30 year term this will only cover a debt of approximately $200,000 - far short of the $1.2 million required. In fact, with a conventional financing package rents would be about $650 a month - a long way from affordable.

In developing a financing plan it was necessary to make use of the only available mechanism, which can work - an equity investment which is available through use of the (LIHTC) Low Income Housing Tax Credit program and the Historic Tax Credit Program (HTC). These programs will allow us to raise approximately $650,000 in equity funds. This becomes the major source of funds for the project. Added to this will be city Community Development Block Grant (CDBG) funds, several grants through CCI's programs, and funds through the Federal Home Loan Bank, the National Historic Trust (see Appendix I for complete financials ), and MSHA.

The key at this time is to firm a commitment from a limited partner investor. The use of the LIHTC and HTC programs have required that I spend a considerable amount of time learning the programs. It has been a long and arduous task because the information is very complex and seems to be very well guarded by those in the state who know the program. Nevertheless, during the past year, I have become very well educated. I have recently visited with the Enterprise Foundation's Social Investment Fund and they have been in Maine to visit us. I have given them a preliminary package on the Frye School. Their initial response has been one of
interest. They have asked for more details and seem interested in working with us on the Frye School Project.

Our familiarity with Enterprise comes from some work we had done in the past with them in Maine and because of a recent partnership that we formed with a private developer as an off shoot to our Frye School work. This partnership, Court Street Senior Housing Associates, also involves the use of tax credits and is a project which we, as partners, will have under construction this winter. It has allowed us to renew Enterprise contacts and become understudies with a developer who has knowledge in the area of LIHTC financing. I will reflect more on this outcome in a following section.

In summary, I am at the point in the project where I am looking for limited partners as equity investors. I will be preparing the state application for Tax Credit Reservation for a March deadline and have been told by MSHA that carryover credits are available and they expect that our project will be awarded those credits. In the meantime the hunt for an equity investor will move into high gear after the first of the year. Our first choice is to sell the credits locally possibly to several banks in the area. We have chosen this avenue because a higher equity raise is possible. As a second choice, we will work with Enterprise or the local Initiatives Support Corporation (see Appendix J for documents relating to LIHTC & HTC. A full listing of sources is included in Section VII - NEXT STEPS).

VI. PROJECT ANALYSIS AND RECOMMENDATIONS

I believe my effort in developing the Frye School has been successful. I have of the necessary work completed to now go to investors in search of funds. The ground work has been laid with the neighborhood, the city, with the Maine State Housing Authority, and with the Board of Directors of Community Concepts for the development of 22 units of affordable low income elderly housing using the Low Income Tax Credit and Historic Tax Credit Programs as the major financing mechanisms.

A success, however, does not mean that there were not disappointments and frustrations during the way. For example, this type of project required that I
gain considerable technical knowledge of the tax credits programs and that I spend considerable time coaxing the project through the various bureaucracies at the local level and state level. The architectural, engineering, and cost estimating were straight forward when compared to dealing with city codes, fire codes, hazardous waste, asbestos and lead requirements, the Historic Trust, and Maine State Housing Authority. At times this maze seemed nearly impossible to negotiate but nearly a year later my project is close to reality.

In deciding on this particular project a year ago I did not come close to realizing the amount of time that would be required to move such a project ahead. I did a poor job of identifying the lengths of time before the project could be moved from one step of the bureaucracy to the next. In fact, most of the time on the project has been devoted to technical and bureaucratic issues. My biggest disappointment was that there was less direct community involvement than I had hoped for.

As I mentioned earlier, the project is in response to a stated neighborhood need but from that point forward the project entered a 9 month long period of technical evolution. There was really only participation by the "experts". Community involvement primarily consisted of briefings of the advisory committee. On the other hand the community was involved and supportive in a political sense. My project enjoyed and still enjoys the support of the neighborhood and city government.

One very favorable and unexpected outcome of the project was the exposure that my organization has received from pursuing this project. Because of the complexity of such a project we have been recognized as very credible developers. This recognition has led us to form a partnership with a for profit developer. This partnership is currently constructing a 28 unit low income project in the city of Auburn. The project is financed with a variety of sources including a $704,000 tax credit equity investment by the Enterprise Social Investment Corporation of Washington, D.C.. Through the partnership I have visited the Enterprise Foundation in Washington, D.C. and met with their investment people and legal advisors. In forming Court Street Senior Housing Associates and playing a key role as co-general partner, I have received an extraordinary education in developing tax credit deals. While the Frye School awaits its turn at financing I
have been able to join forces with another developer to bring to Auburn, Maine a modern and affordable housing complex (See Appendix K for more on the Court Street Project).

As a direct result of my efforts in planning the development of the Frye School I was able to bring my organization into a partnership creating another low income housing project. Our new found credibility in this complex world of tax credits will continue to serve our communities well in the future.

My project really evolved from an affordable housing project to a project about using low income tax credits as a housing finance tool. It is in this area that I have had a considerable learning experience. To readers who are contemplating the use of this financing method I can offer a considerable amount of advice as follows:

1.) **Time** - understand that these projects take a considerable amount of time and intense work. The Frye School project is about nine months into the process and if all goes well will be ready for occupancy in the fall of 1993. My Court Street project in Auburn is just over a year old although we did not enter the partnership until late summer of 1992. We have just begun construction, and we expect occupancy in the summer of 1993. These types of projects can easily use up a year of time. An organization undertaking one of these projects must have the capacity in staff and money to dedicate the time necessary to bring such a project to completion.

2.) **Money** - in many cases time means money and in tax credit financing its very true. The expertise needed to put together a project like this is great. Expertise means costs. Qualified staff people as well as architects, engineers, accountants and lawyers. I estimate the Frye School project will cost $40,000 before construction begins. I estimate just legal fees on Court Street will be in excess of $12,000. I should add here that this work is very specialized and time consuming. I expect that competent pro bono work would be very hard to find especially in such rural states as Maine.

3.) **Community participation** - because of the nature of these projects it is difficult to involve and sustain direct neighborhood participation through the whole process. At the same time, however, the length of the project development phase gives
ample opportunity to those opposed to the project to build momentum so it is essential that community support be strong. Building community support for the project should be a first step in this kind of project and should be based on a broader strategy of CED which incorporates significant opportunity for participation among neighborhood residents.

4.) **Personal expertise** - architectural and construction expertise is readily available and can be purchased. However, tax credit expertise is not so easily found and is well guarded by those who know. Significant knowledge must be gained by any organization contemplating this type of project. The issues are very complex and my own personal experience demonstrates that in order to know the right questions to ask it is imperative to have a good knowledge about tax credit programs. During my CED project period I read various publications, worked with NHC CED Program staff, and worked with our own attorney and accountant. I also attended a training sponsored by the Enterprise Foundation (See Appendix L for suggested readings).

   Although I felt I had gained considerable knowledge it was not until joining with our Court Street project partner that I got a real hands on learning experience. Part of my agreement with our partners, who had done several tax credit deals, was that I would be directly involved in all negotiations pertaining to the project. This put me directly in the loop of information. Now I can say that I can read and understand a tax credit agreement of limited partnership. By working with my attorney and the limited partners' attorneys, I understand the language and the meanings as they effect the liabilities and responsibilities of the general partners. Working closely with a skilled partner is clearly the best way to take the giant leap to tax credit financed projects.

5.) **Politics** - my observation here is that this is a critical area which must be cultivated. I feel I was successful here because I took the time to understand where each key political entity could find room to support the project. I had a pretty firm base of political support going into the project although that base was not necessarily out of the fact that my organization helps poor people. Its very much more a pocketbook issue which has gained us support. My organization provides 100's of thousands of dollars in benefits and provides 35 jobs in the local area. We also provide an extensive and well liked elderly transportation program
which is easily supported. Political support had been groomed for years before my project came along.

In the absence of this long term basis of support it is even more important that a group contemplating a project like mine be very careful to study the reasons why the project should be supported. As well, every effort should be made to satisfy the needs of the political bodies involved.

In the Frye School project I spent far less time on the poor condition of existing housing than I did on the fact that this was a chance to get an abandoned building out of city ownership. I also negotiated early in the discussions to pay property taxes and leave some of the land for local parking. I did not push the city to the wall on the purchase price and accepted the very reasonable offering price of $50,000. I reminded them of the local jobs the construction and supporting companies would receive from a million dollar job. Finally, I reminded them how happy the very powerful senior voting block would be with their support of the project.

In short, I have been able to hold off opponents to my project because I have been able to build a strong case in the minds of the city politicians. The mayor will be able to stand in front of a beautiful historic building and claim success for his administration, the city council can collect more taxes and some elderly votes, and the city development staff can enhance their resumes with a tax credit deal for which they can claim credit. Finally and most truthfully, the neighborhood can see that their desire for a new elderly complex can really happen if the right pieces are put together. All in all the political strategy should be to make as many winners as possible.

6.) Organizational issues - During any major undertaking a strategy should be developed to gain support of the organization's board and staff. I find that both the board advisory committee and the staff committee worked very well. Each required a considerable amount of work but each offered strong support at every step of the way. A large scale project such as Frye School inherently has risk both in terms of costs and credibility. It is important that these are shared by those in the organization because as resources are used in this project they are unavailable for other projects. In attempting a project such as Frye School it is important to create
an environment in which staff and board become owners of the project. This ownership provides the sustaining energy for what is a long and arduous process. ever underestimate the requirement of this support.

VII. NEXT STEPS

The development work on the Frye School is now ready for presentation to financing sources. The next steps will be to prepare the various financing applications and prepare for syndication of the project. There are 10 funding sources needed to fund this project. Each of these sources has its own process and application. Each has its own application deadlines. My experience has been that each source will want to see the commitment of another source before making the commitment themselves. The whole process of putting together the various financing sources will be a major challenge.

Since the city has made an initial commitment and CCI has committed to providing two grant sources there is at least a base from which to work. Other players will include the Federal Home Loan Bank, the Historic Trust, and three sources through the Maine State Housing Authority (MSHA).

Of course the major financing will come from the syndication of the project and the Low Income Housing Tax Credit. My first step will be to secure the tax credit reservation by making an application to MSHA. A preliminary application was filed but since the project would not be undertaken in 1992 it is being held over. Private indications from MSHA is that the project will receive the reservation from accumulated non profit set-asides. My next step will be to actually form the limited partnership entity as well as update the existing application. The credit reservation will be made in March of 1993.

During January of 1993 I will begin to discuss the project in detail with potential local investors known to me through my attorney and accountant. I will also further my discussions with the Enterprise Foundation as soon as the final closing on the Court Street project is completed (January 14, 1993). I will also explore several other potential investment groups such as the National Equity Fund of the Local Initiatives Support Corporation.
The following are the various financing sources to be used in the Frye School project, the requested amounts, terms and application deadlines:

1.) LIHTC and HTC Equity Investment - Approximately $650,000 in equity will be raised through placement of this investment. The critical first step is to satisfy the requirements for the tax reservation to be made by MSHA. Regardless of congressional action the State of Maine has adequate carry over credits to meet expected project demand. The deadline for the next round of reservations is March.

2.) Land Acquisition Program (MSHA) - These funds are available to non profit housing developers through the issuance of state bonds. The fund is very flexible and payments can be deferred for up to 15 years. Typically a 3% interest only payment structure is negotiated during the first 15 years. An application for $100,000 will be presented to finance Acquisition and some associated site improvements. The deadline for the next round of applications is March, 1993.

3.) HOME Program (MSHA) - These are federal funds which are available up to $10,000 per unit but not to exceed $100,000 per project. The funds are just now becoming available and rules have not yet been developed. We believe the funds will be very flexible and include grant provisions. An application will be presented to maximize this opportunity when we know the program rules. Any funds available from this source will be used to offset the less favorable Rental Loan Program.

4.) Rental Loan Program (MSHA) - These are federal funds available from HUD which carry an 8% interest only payment for the first 15 years and then a 15 year principal and interest payment based on a 30 year amortization schedule. Final determination of the actual loan amount will be made after all other funds are allocated to minimize the use of this source. The application deadline is March, 1993.

5.) Central Heating Improvement Program (CCI) - These are grant funds available through my own organization derived from a state set aside of HHS Energy Assistance funds. CCI is prepared to grant $10,000 to the project.
6.) **Weatherization Funds (CCI)** - These are federal grant funds available to my organization for use in low income housing energy conservation projects. CCI is prepared to invest $24,000 in the project.

7.) **Home Repair Program (CCI)** - These are federal funds available to us through a set-aside of HHS Energy Assistance funds. CCI will grant $12,000 to the project.

8.) **National Historic Trust** - This is a very competitive fund available to fund projects of historic significance. Since our project will receive historic designation we are eligible to apply. Since these are difficult funds to acquire we will not structure the project requiring these funds. If we are successful we will replace a portion of the RLP funds described above. We will request $50,000 by the deadline of September, 1993.

9.) **Federal Home Loan Bank of Boston (FHLB)** - We have been successful in securing funds from the FHLB on our Court Street project and hope the same will be true for Frye School. We have been successful at establishing a good relationship with the FHLB in Boston as well as with the Androscoggin Savings Bank which sponsored our last application. We will seek a direct subsidy but will be willing to move to a low interest loan if necessary. The funds would be to replace the RLP funds above. We will seek $50,000 by the February deadline.

10.) **Community Block Grant Program** - Through the City of Lewiston we have available to us $164,500 at yet to be negotiated terms. We expect that 2% interest at a 30 year term is likely but we can also expect a deferral of principal payments if the project ultimately requires it. These funds are somewhat flexible and the terms can be adjusted to reflect the need of the project. There is an open application for these funds.

In summary, my next steps will be to establish the legal entity for the limited partnership, update and renew our currently pending application for the tax credit reservation, seek out a potential equity investor, and submit all of the funding applications. Now that the planning work is completed I begin the long and arduous task of weaving together ten potential sources of financing. My financing work is cut out for me over the next couple of months.
In addition to the financing work I will also put our Tenant Services Advisory Committee into high gear. With the Court Street Project due for completion this summer and the Frye School Project to be ready in the autumn, we can begin the task of putting together the social side of the development equation.

VIII. CONCLUSION

The Mill House effort, the Frye School Project, and now the Court Street Senior Housing Partnership has been a year long learning experience for me and for my organization. I have become very skilled at tax credit financing. I have become skilled at city politics. I have gained skills in organizing neighborhood support. I have enhanced my persuasive skills with my board and staff. I have gained credibility for myself and my organization as able non profit developers. As this paper is presented I will have begun the construction of Court Street Senior Housing Project - 28 units of low income elderly housing with an out of state equity investment of $704,000. Finally, by spring of 1993 I should be starting the construction of my Frye School Project for an additional 22 units of low income housing with $650,000 of equity financing.

I feel very good about my CED project and its outcome. I feel even better about the entire Mill House effort which involves so many more people and projects. To have been part of the beginnings of these efforts has been rewarding, if somewhat frustrating at times. My greatest disappointment has been the slow progress in local participation. I had hoped for a quicker response to our efforts. It seems that I did not fully recognize the depth of despair in this neighborhood even though the words used to describe living in Mill House were clear in their meaning. "Humiliated", "stupid", and "sad" have deep meaning when used by a person to describe their home. These words reflect hopelessness and despair.

The Mill House Neighborhood effort continues. Each week a few more residents participate in one of the ongoing projects. Each week a few more volunteer at the Sunday Dinner site. There are more kids in the Study Buddy project and there is more interest in Headstart. I will continue to work on Frye School and on a youth drug program. I will continue to put energy and hope into
this devastated neighborhood with the belief that in the future the energy will come from within and be sustained by those who make their home in the Mill House Neighborhood of Lewiston, Maine.