

MAP
of the City of
BATH
SAGADAHOOC CO.
MAINE
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HOUSING MARKET SUMMARY, VISION & BEST PRACTICES

RECOMMENDATIONS FOR POLICY DEVELOPMENT

CITY OF BATH, MAINE

PREPARED FOR
THE BATH HOUSING DEVELOPMENT CORPORATION &
THE CITY OF BATH
BY LEVINE PLANNING STRATEGIES, LLC
JANUARY 2021



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INTRODUCTION

The Bath Housing Development Corporation (BHDC) is working to produce and preserve housing that serves the needs of Bath residents and workers. As part of that work, BHDC and the City of Bath wanted to better understand the housing market in the city at this time. This report includes three parts:

1. A summary of the current state of housing supply and demand in Bath;
2. A housing vision for the City; and
3. A summary of best practices in housing policy and planning.

It concludes with a set of recommended actions for Bath that applies appropriate best practices to the specific housing issues and vision laid out.

There has been past work completed related to this issue, most recently the 2014 Bath Area Housing Assessment. In 2018, the Bath Housing Authority and BHDC, working together, completed a strategic plan that focused on the four key issues of relationships, solutions, advocacy, and capacity building.

This strategic plan emphasized the need to be more than just a property manager, but a proactive member of the community,



SHIP BUILDING AT BATH, ME.

working with other organizations, developing & facilitating development of housing, and advocating for good housing policy. At the same time, the plan cited the need to have a work plan that can be completed given the available resources, while working to build that capacity when possible.

The City of Bath's current comprehensive plan, completed in 2009, contains proactive housing policy recommendations as well. It cited the age and condition of the housing stock as issues, as well as the cost of rental properties to tenants. It also noted the lack of housing production in the city, and recommended focusing of new housing production in certain areas, primarily near downtown. As the city begins to consider a new comprehensive plan, the information in this summary should be useful.

In developing this document, all available data sources were analyzed. Much of the necessary data was available at the City of Bath Assessor's Office, as well as via the U.S. Census. Some additional data collection was done, but was limited to key areas where additional information was important to the story being told in this report.

As with many reports, the analysis depends on the accuracy of the information provided. In many cases, as with many smaller cities, there is some margin of error in the data that was considered when producing this report. For example, most U.S. Census data in this report is from the American Community Survey. That source allows for more detailed, and much more recent, data, but is based on statistical samples and therefore is not definitive.

This report would not have been possible without the assistance of staff from both the Bath Housing Development Corporation and the City of Bath. However, any errors herein are the responsibility of the report author.

PART ONE: HOUSING MARKET SUMMARY

HOUSING UNITS IN BATH

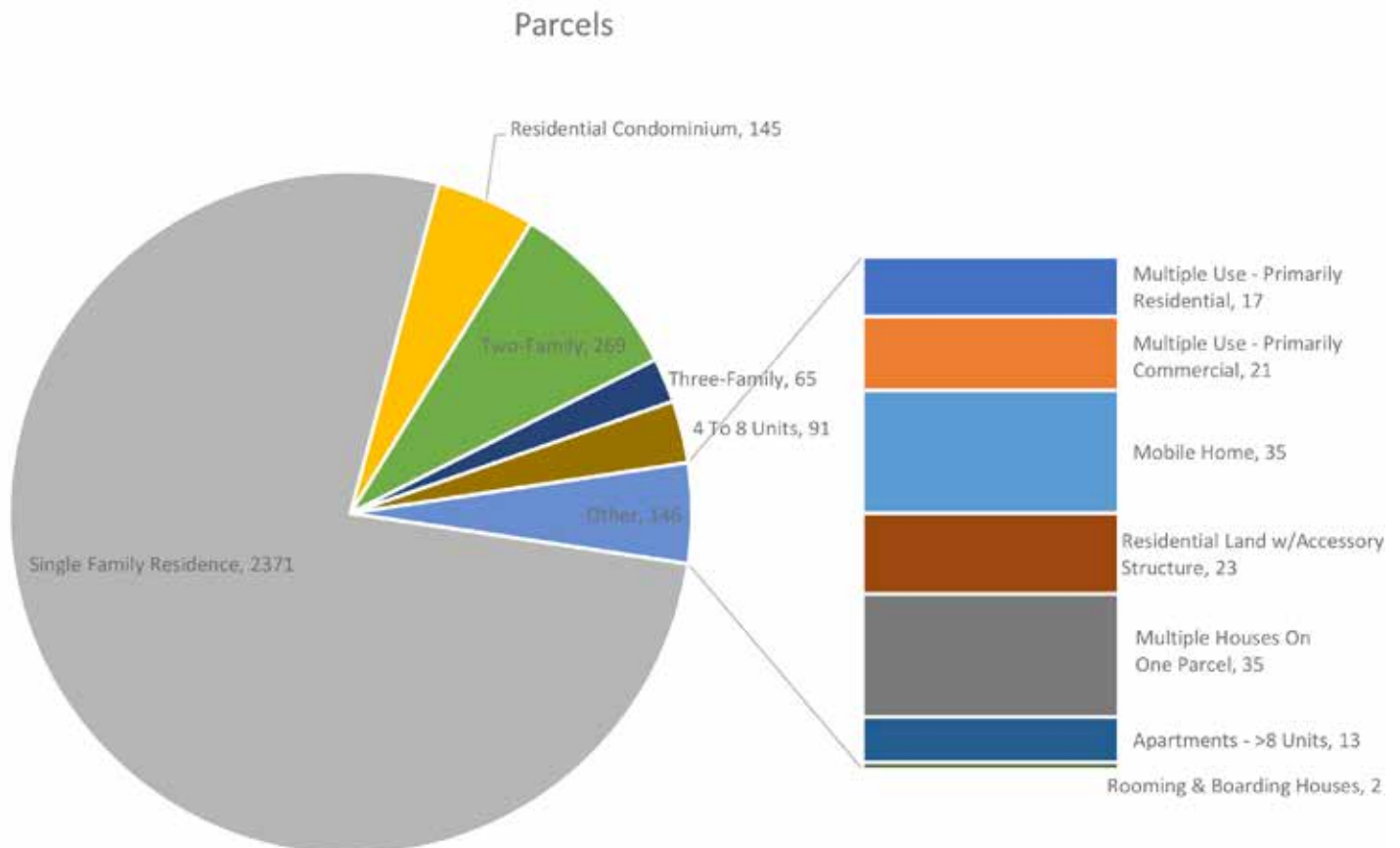
While it may seem like a simple data collection effort to determine how many housing units there are in Bath, it's actually challenging to get a precise number. According to the American Community Survey, there were between 4219 and 4683 housing units in the city in 2018. However, in the 2010 U.S. Census, there were 4,437 housing units identified. In the City's assessor's database, a total of only 4,090 units are identified in FY2018, a reduction of 63 from the total of 4,153 in FY2017.

The precise number is not critical. What is useful to know is that the number of housing units has remained fairly stable over the past 10 years, though with a small possible decline. In that time, the population has also remained fairly stable, listed at 8,514 in 2010 and estimated at around 8,329 in 2018.

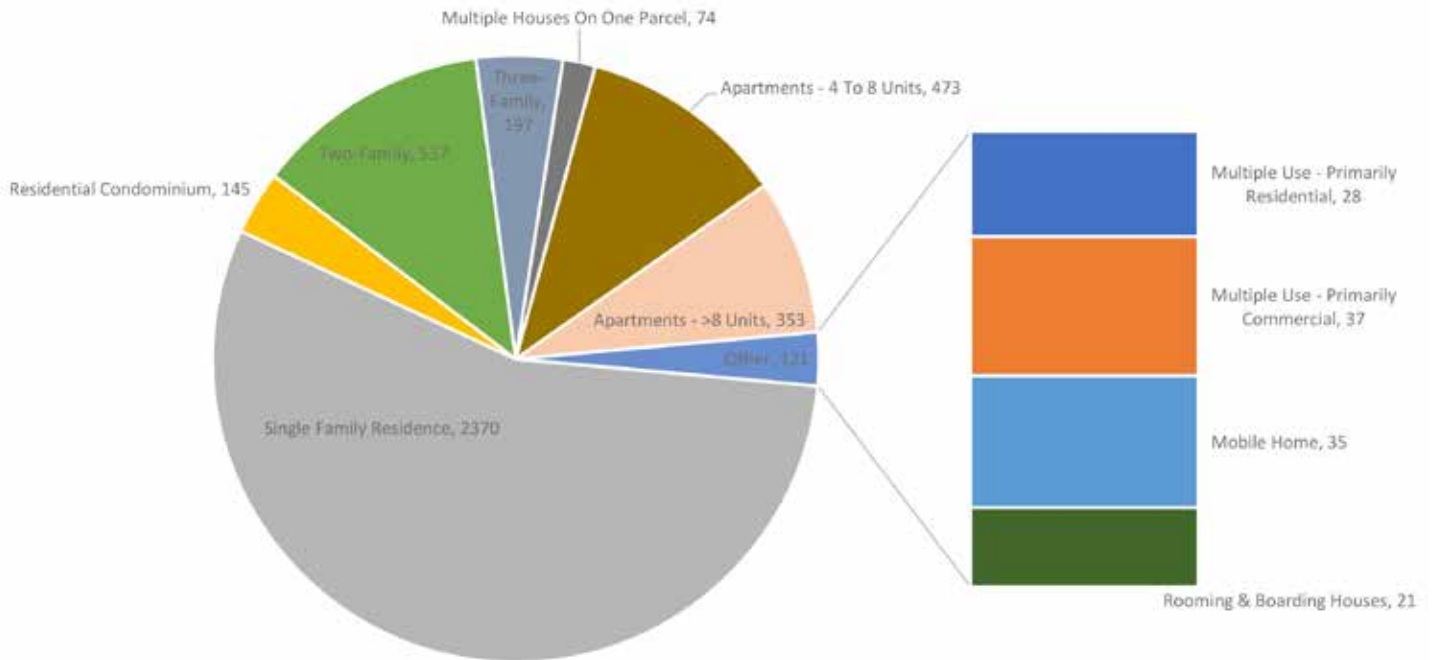
The housing stock in Bath reflects the variety inherent in an older New England city. Just over half of the housing units in the city are in single family homes, with the rest of the units in a mix of two-family homes, triple-deckers, apartment homes and other types. Only 35 homes in Bath are mobile homes. There are 145 condominium units.

HOUSING VALUES

Housing values are inherently informed estimates. Until someone sells their house in an arms-length transaction, there is no way to establish precisely how much a house is worth. The value of a house will also vary by person. Someone who has lived in a house their whole life, and never wants to move, will value a house highly, regardless of its market value. Similarly, someone who sees a house as an investment and will never step foot in it will be calculating as to the return on the house.



Housing Units in Bath by Type



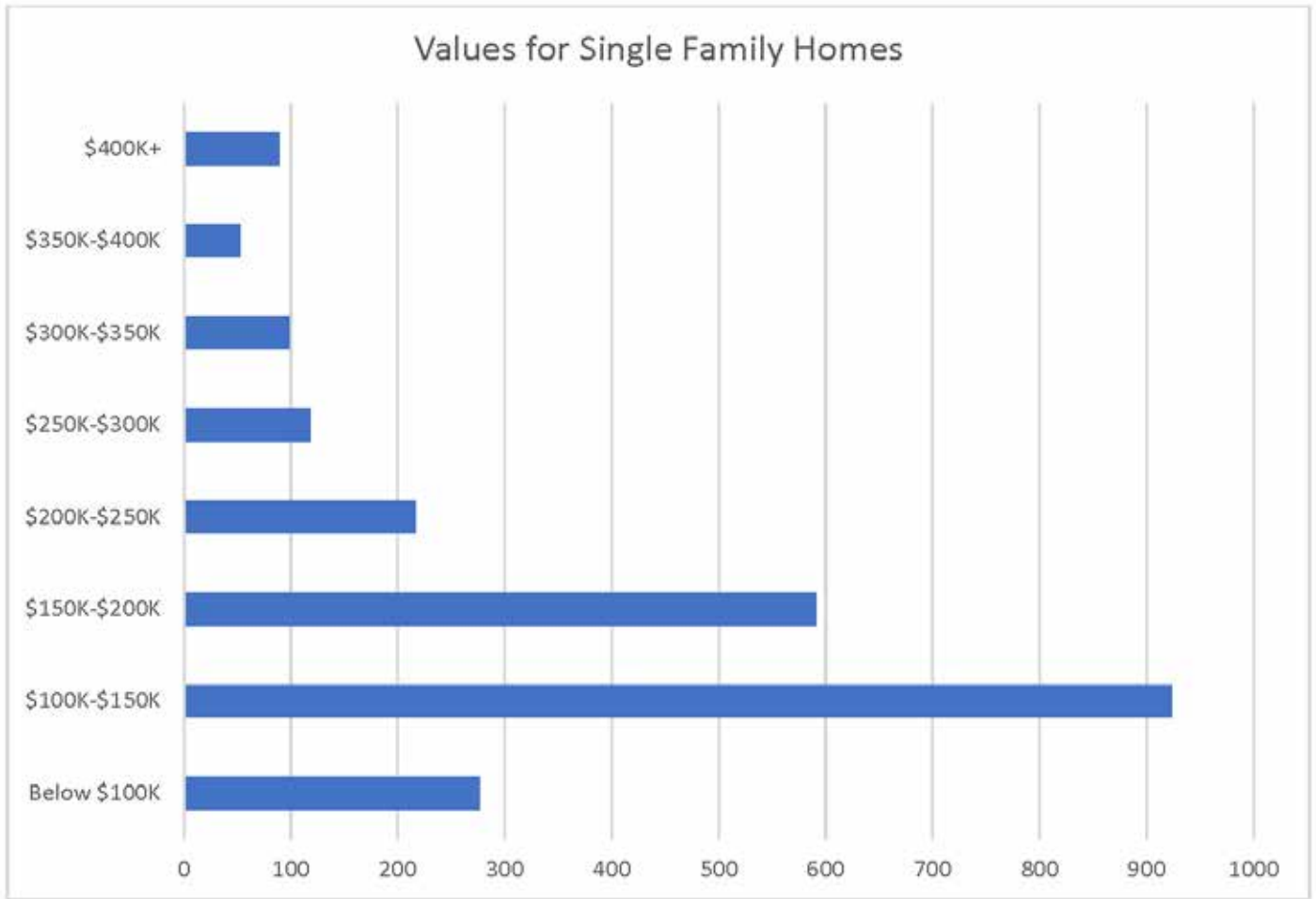
Having said all of that, there are a few ways to estimate the general value of a house other than selling it:

Assessments: Since Bath, like most cities, charges a property tax, they have to have a value on which to base that tax. That value, set by the city, is the assessment. Assessments provide a general sense of house values when updated regularly. However, they are also restricted based on state law and assessment methodology. For example, assessments tend to look at houses broadly, without significant regard for detail. A unique, historic home, for example, will probably not assess differently than a more typical home of that size and condition. In reality, that home may sell for a lot more than the more typical one. Assessments are required to be updated every 10 years under Maine law, although communities frequently often do so less often. There are incentives to conduct a City-wide reassessment, as the state will reduce state aid for cities where the assessed values are seen as too low. The City of Bath has just completed a revaluation project, undertaking a reassessment of the entire

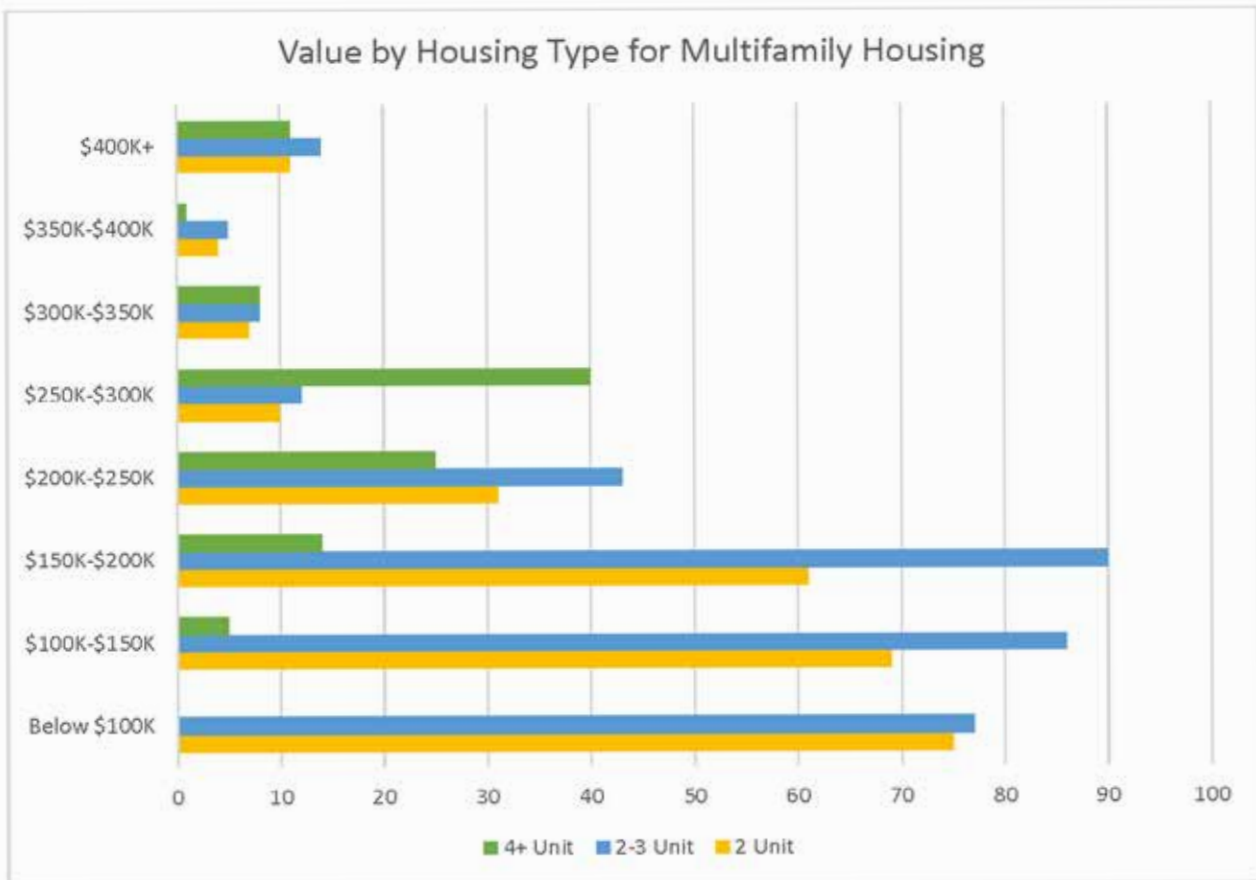
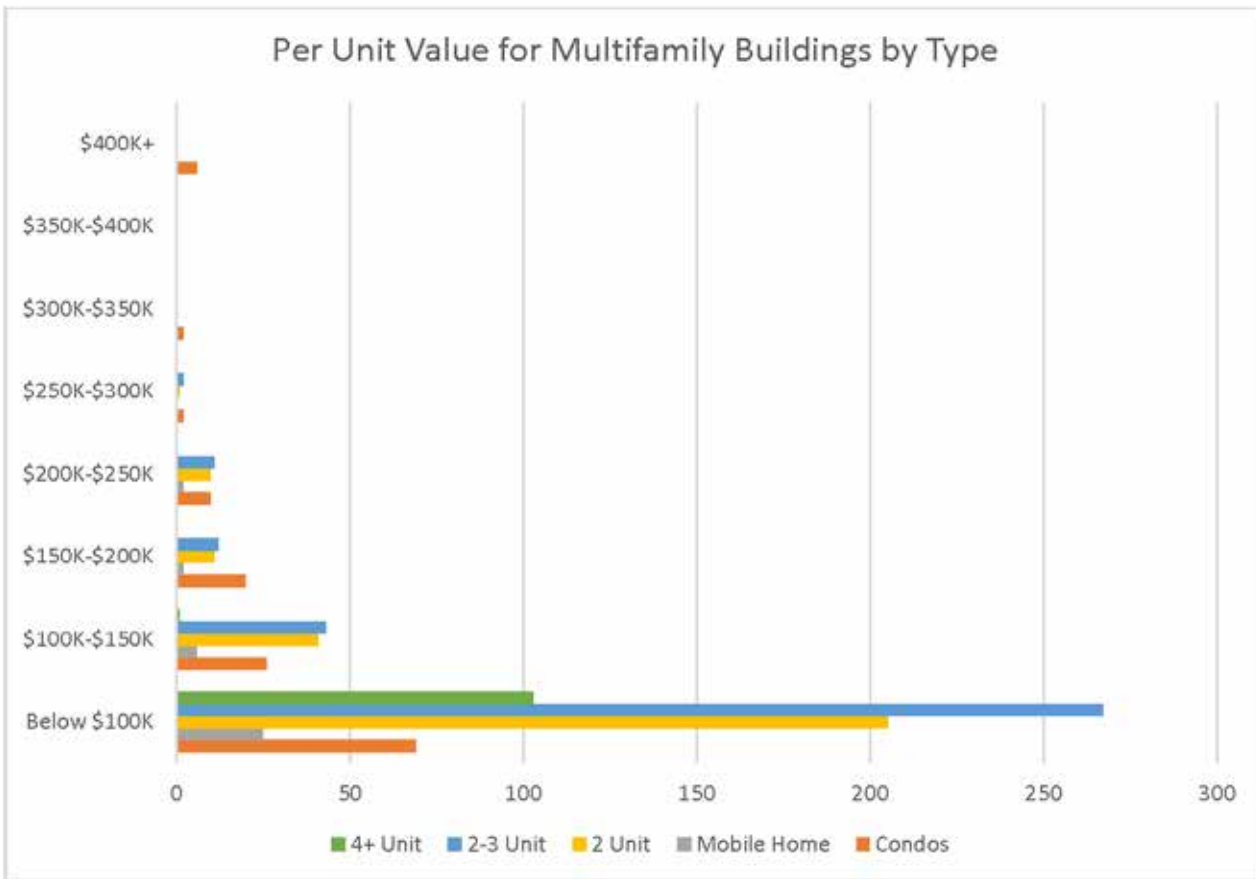
City to establish new baseline of values (more on that below.) Those revaluation numbers provide a reasonably good baseline of housing values to work with.

U.S. Census Values: As part of their American Community Survey (ACS,) the Census Bureau conducts annual surveys of various demographic issues with a randomly selected subset of the population. Those surveys, small by themselves, are combined with surveys over the past few years to create a statistically valid sample of the community. This data, while subject to some margin of error, is far more current and comprehensive than the decennial census, which was last completed in 2010. As part of the ACS, the Census Bureau asks respondents the value of their house. This data is somewhat skewed by being both self-reported and estimated, but provides another data point for looking at housing values.

Recent Sales Data: Through real estate brokers, it's possible to analyze recent actual sales in a city to determine housing values based on real transac-



Per Unit Value	Single Family Homes	Condos	Mobile Home	2 Unit	2-3 Unit	4+ Unit
Below \$100K	280	69	25	205	267	103
\$100K-\$150K	925	26	6	41	43	1
\$150K-\$200K	590	20	2	11	12	0
\$200K-\$250K	217	10	2	10	11	0
\$250K-\$300K	119	2	0	1	2	0
\$300K-\$350K	99	2	0	0	0	0
\$350K-\$400K	54	0	0	0	0	0
\$400K+	84	6	0	0	0	0
TOTAL BUILDINGS	2368	135	35	268	335	104



tions. This is probably the most reliable way to determine values. However, the data sample is often small, because only so many sales take place in one year. You may find, for example, that no houses of a particular type or in a certain neighborhood have been sold recently, so you need to do some educated guesswork. Recent sales data can also be broken down more finely by building type, number of bathrooms, and other details not easily available elsewhere.

Looking at the three approaches above results in three different median single-family house values in Bath. Recent sales data is also shown below, divided by type of housing.

Determining the most reliable value of a particular house is best left to a professional real estate appraiser. An appraiser will look at recent sales, as well as the possible income you could get from renting a house and the actual cost of constructing that same house. Using those three approaches, an appraisal can come close to the market value of a house. However, that sort of in-depth analysis is impossible to conduct for an entire city.

VARIATION IN HOUSING VALUES

The median house value only tells one part of the story. There is a wide range of housing types in Bath, of various sizes and qualities. As shown in the chart below, according to the ACS, estimated values for single family homes are generally below \$250,000, but are not dominated by one value range. A similar pattern is seen for multifamily housing. These widely-ranging numbers reflect the range of quality and location in the housing stock, as well as the likely poor shape of some multifamily rental properties.

Looking at the multifamily data on a per-unit basis reveals a little about the actual value of those individual housing units. As might be expected, the per-unit values are generally lower than those for single-family homes. Multifamily homes appear to still be a cost-effective way to enter the home ownership market for those willing to handle renting out the other units in a building.

CONDITION AND AGE OF HOUSING

Bath’s housing stock is generally old and in need of repair. While there is no easily accessible data on the condition of the buildings, there is good data on their age. As seen on the next page, more than half the housing in Bath was built before 1940. The age of the buildings is not a direct indicator of housing condition, but in general the older a building the more it is in need of repairs and updates.

This proportion is constant across occupancy types. A majority of both owner-occupied and renter-occupied housing units were built before 1940. A slightly smaller majority of renter-occupied units are that old, with the difference generally represented in housing built between 1940 and 1959.

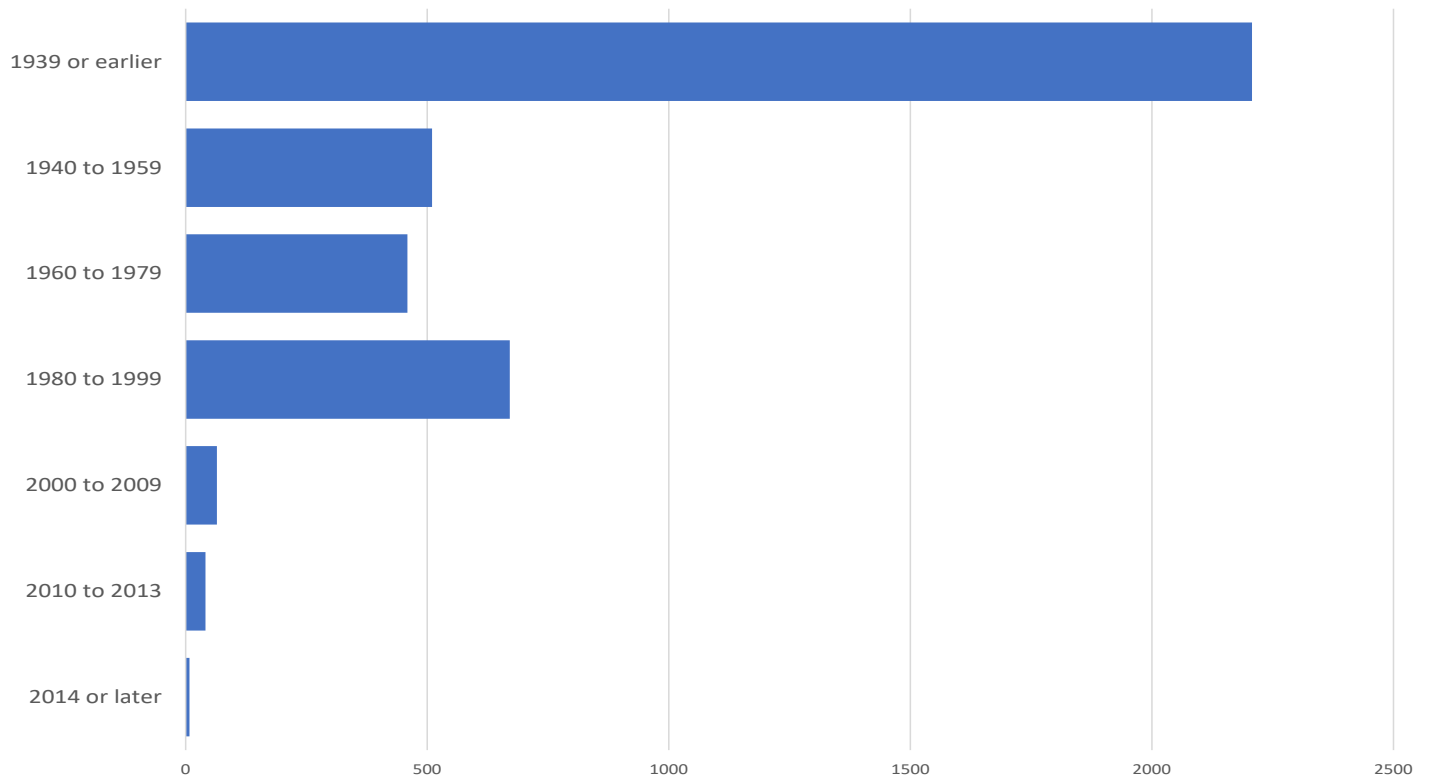
Regardless of the details, the age and condition of housing in Bath appear to be an issue in looking at the housing market in general. It is likely that existing units need upgrades and perhaps major repairs.

2019 REVALUATION

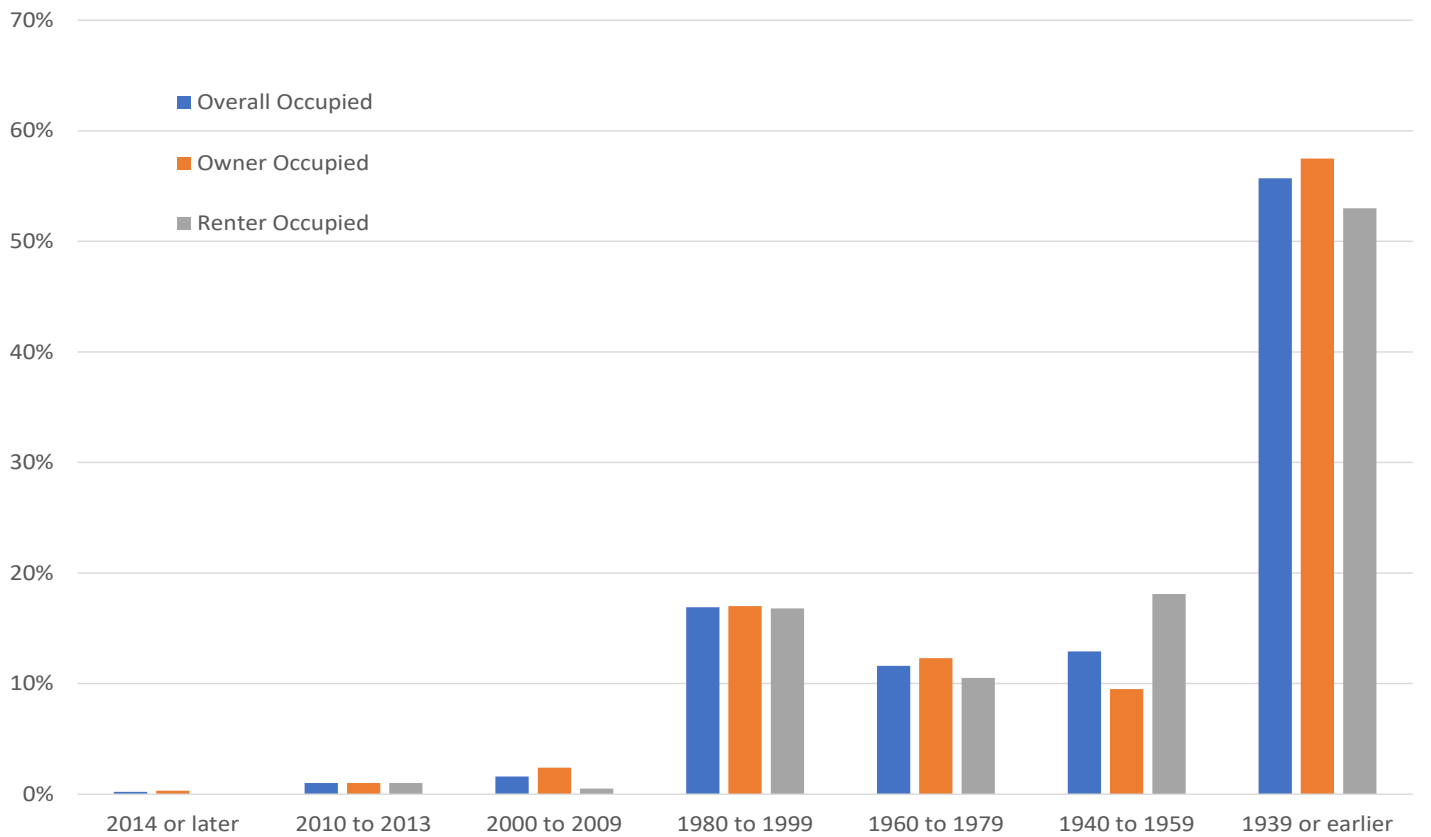
In 2019, the City of Bath conducted a revaluation, re-assessing all properties in the City. These revaluations, in addition to being required periodically under state law, allow the property tax impacts to fall more regu-

	2019	Single Family	Multifamily	Condominiums	All Sales
Median Price		\$ 200,000	\$ 188,250	\$ 165,000	\$ 196,500
Mean Price		\$ 237,909	\$ 232,069	\$ 274,665	\$ 241,207
Number of Sales		141	26	21	188
<i>Source: The Vitalius Group</i>					

Year Built of Occupied Housing Units in Bath (2018 ACS)



Age of Housing Stock by Type of Occupancy (2018 ACS)



larly based on the values of individual properties, by updating those values based on the current market.

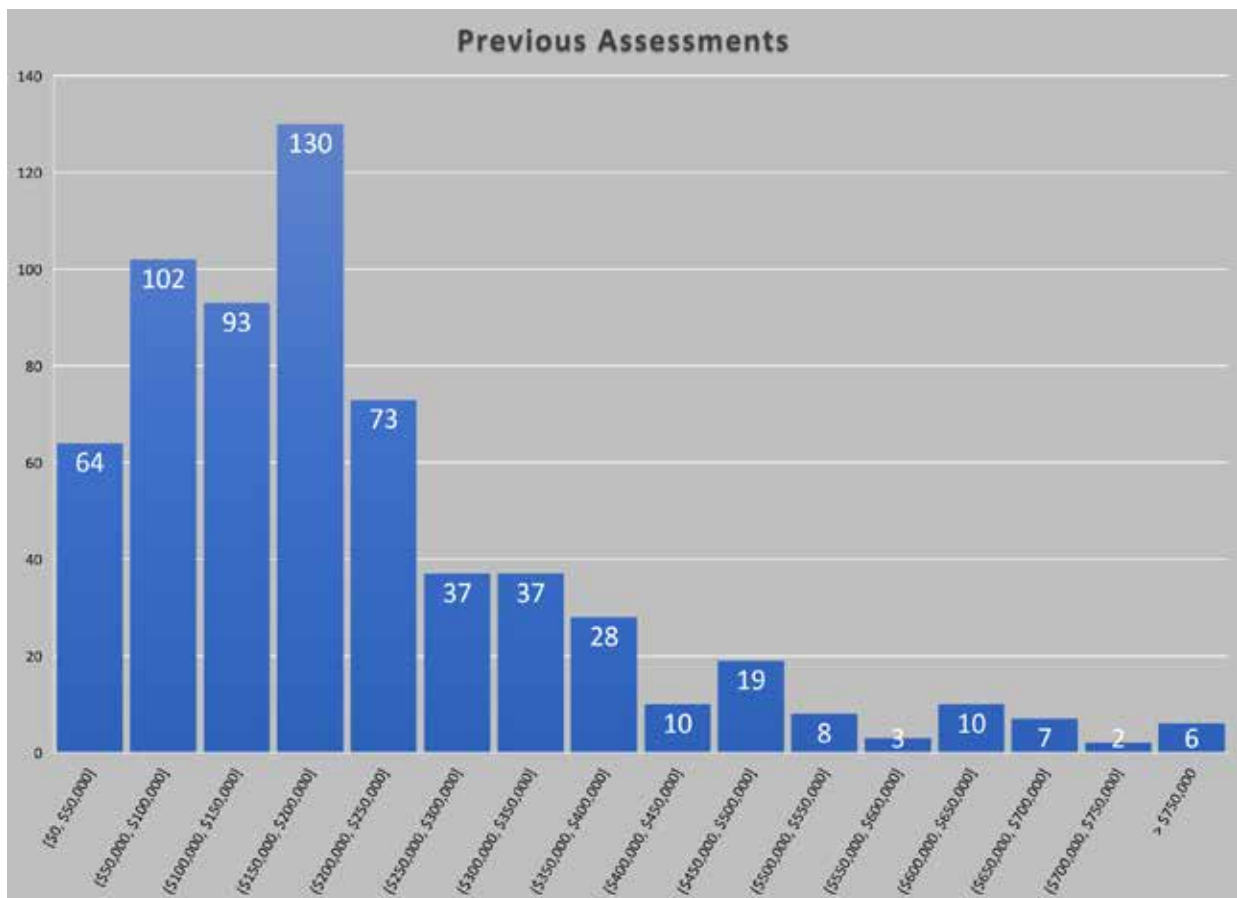
It is often assumed that taxes will go up after a re-valuation. While that can happen, there is no reason why it necessarily does. As property assessments are adjusted, the total valuation of all property in the city will go up or, less frequently, down. Some properties will be assessed much higher than before, some will be more or less the same, and some may be assessed at a lower value. In the absence of any unusual change in city operations or capital investment, those revised valuations will in turn affect the tax rate (or “mill rate.”) If the overall city valuation went up, the mill rate would go down accordingly. The effect on an individual property might be higher taxes – in theory because the property is worth more based on the re-assessment. On the other hand, for a property that is assessed at the same amount as before, the property tax bill would likely go down.

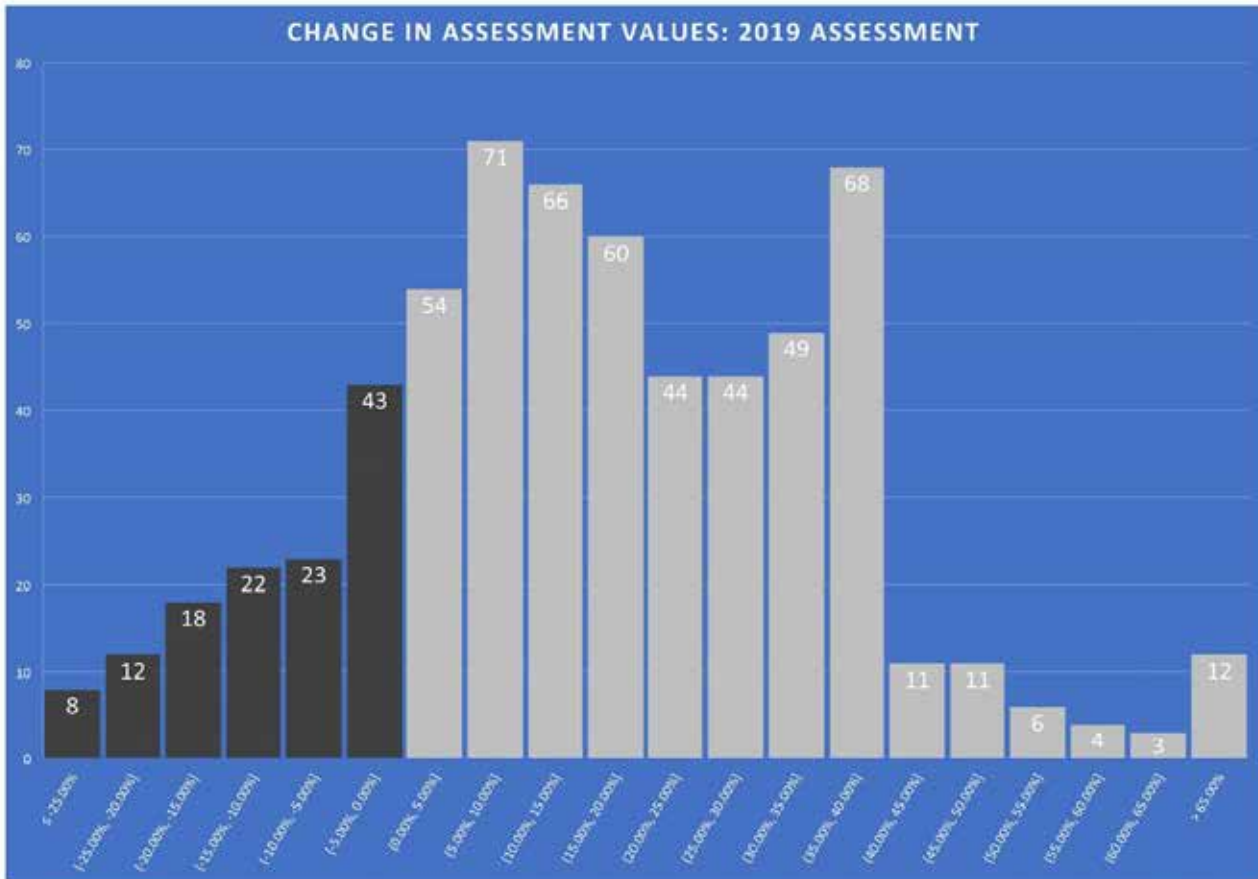
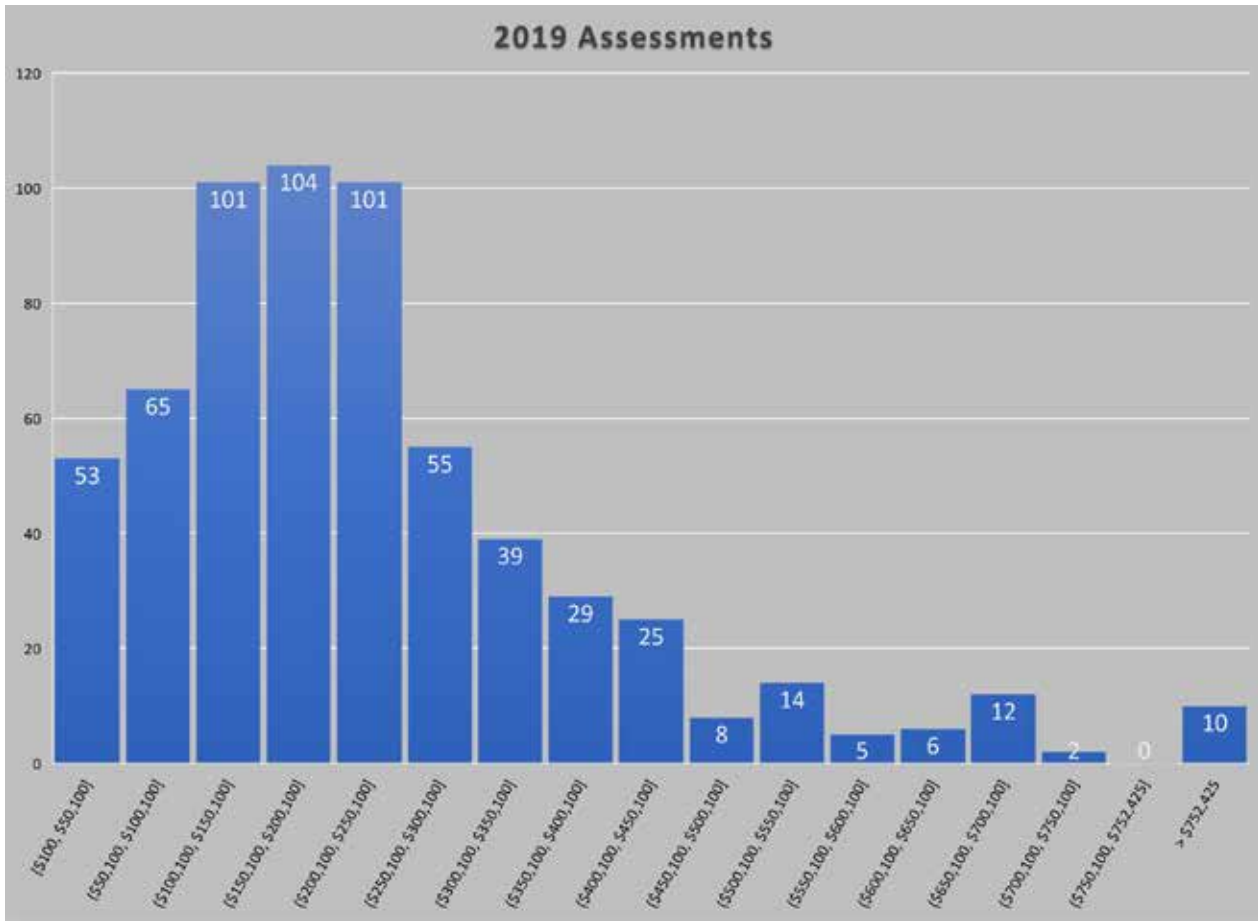
The assessment changes, put in place for FY2020 tax

bills, are shown in the charts below. In general, assessments went up between 0% and 20% for most properties. There is a significant subset for which that adjustment was higher, and some properties that saw lower assessments.

Again, these changes to individual valuations don’t necessarily result in higher taxes overall, as the tax rate would adjust to the new overall value of property in the city. Taxes may go up based on the increased cost of providing labor and services, as would happen in most years. On the other hand, those who own particularly valuable properties, perhaps with water views or other amenities, might see a more significant tax increase, while others would only see the one they might normally see.

In fact, in Bath, the overall revenue generation from property taxes budgeted went down from FY19 to FY20, when the revaluation took effect. The FY19 estimate for property tax collection was \$7.16 million,





while the FY20 estimate was \$6.86 million, a reduction of over \$280,000.

Revaluation, while often misunderstood, is an important part of understanding the housing market in any city, as it will still cause some churn in the housing market. Those who own homes that have amenities they don't want or need, or can't afford, will be challenged with higher tax bills. Others will see no effect, or perhaps see some tax relief if their house was previously "overassessed." The most likely effect of reassessment will be additional sales in the following few years, as owners evaluate whether they want to continue owning homes based on their revised property tax bills.

HOUSING SIZES AND HOUSEHOLD SIZES

Most of the housing units in Bath have two or three bedrooms. While that is typical of housing types generally, which are often built for nuclear families, it does not match well with the household types in Bath. The most common household size is one person, with the next most common being two people.

This change in household sizes is caused by a number

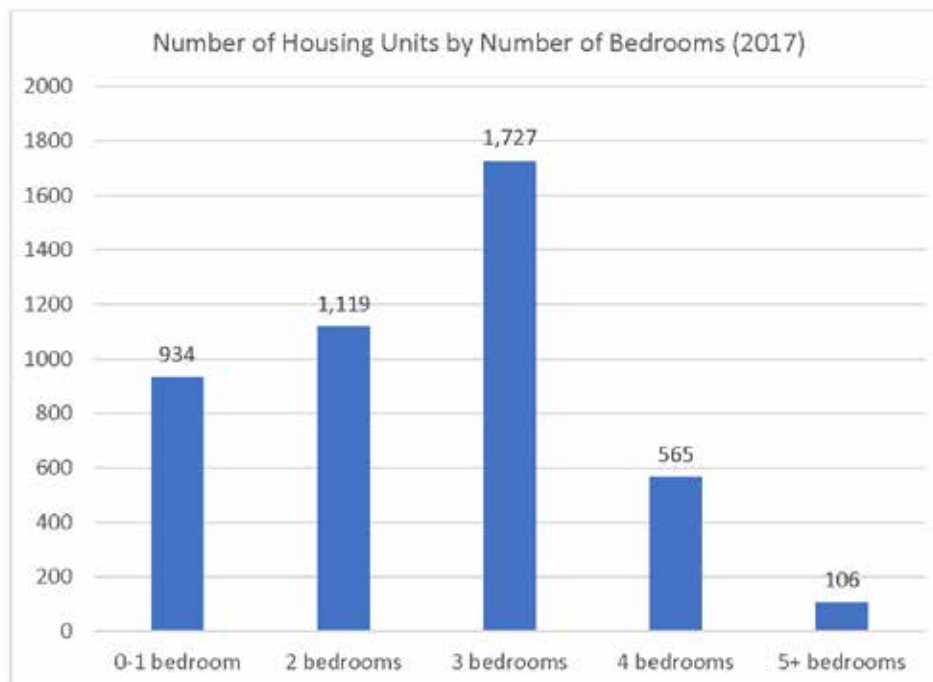
of factors. Smaller family sizes for traditional families, new types of families, and retiree households all contribute to this trend.

Households of this size typically do not need three-bedroom units, and will likely incur unnecessary housing costs if they are in a larger unit than they require. These additional housing costs include:

- Higher rents
- Increased heating and cooling costs
- In the case of owner-occupied units, additional maintenance costs

On the other hand, an extra bedroom may provide an opportunity to get additional income by renting it out. However, that additional household member would generally be factored into the household sizes shown, and therefore it appears that most households are not taking advantage of that opportunity.

It is possible that some of these extra bedrooms could be rented out as short-term rentals, which would not show up as increased household sizes. However,



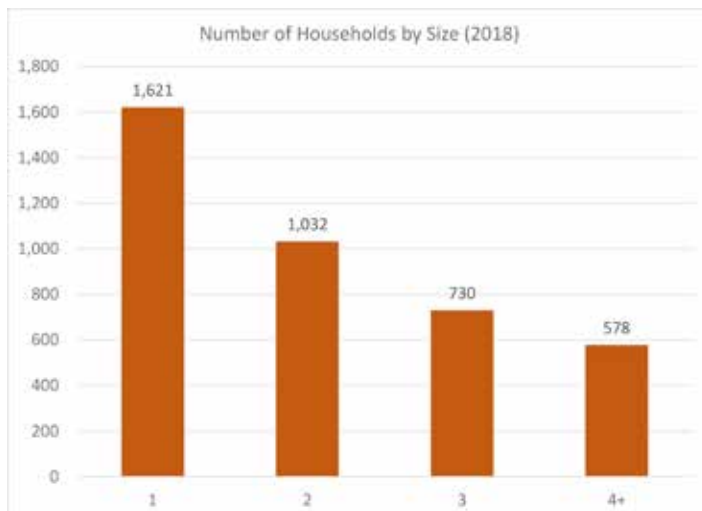
according to AirDNA, a web site that collects information on short term rentals, there are only eight rooms being rented out on a short-term basis in Bath.

COMMUTING PATTERNS, MIGRATION AND HOUSING MARKET AREA

Bath’s housing market does not exist in a vacuum. There is a larger regional market that affects housing costs and decision making. If someone who works in Bath can’t afford a home in the city, they may look farther afield and drive to their work. Sometimes people will prefer living somewhere other than where they work. In today’s two-income households, sometimes a location decision is a “halfway” point between two workplaces.

The 2014 Housing Assessment Study completed for the Bath Housing Development Corporation analyzed commuting patterns and identified a Housing Market Area (HMA) for Bath. That area represents a reasonable set of comparable communities that potential Bath residents often look at when thinking about where to live. While it is not comprehensive, it shows the larger market that is worth thinking about. Their map of the area, below, also shows the Housing Authority Area (HAA) that is served by the Bath Housing Authority.

Federal resources are often based on a larger housing market area. In the base of Bath, the market is often assumed to be all of Sagadahoc County (see below for more information on this approach.)



One piece of data that is relevant is how far people in Bath drive to work. As shown to the left, the commute times for Bath residents is actually fairly short compared to many parts of the state. That may be because they work locally. Another possible reason is that, as shown in the other chart below, the times leaving for work vary. Over a quarter of the workers in Bath leave for work after 9 am.

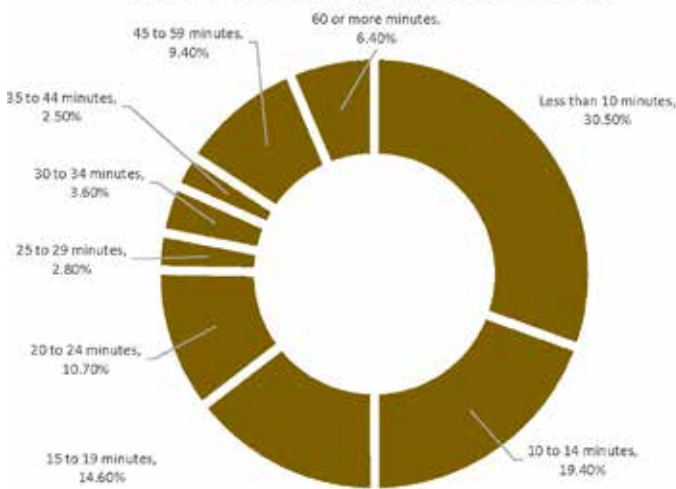
Bath is an employment center, as shown by the fact that many more people commute into the city to work than leave to work elsewhere. For the most recent time period where data is available (2011-2015),

an estimated 7,446 workers came into Bath for employment, while 2,095 Bath residents commuted to other places to work. In all, only 1,669 workers both live and work in Bath.

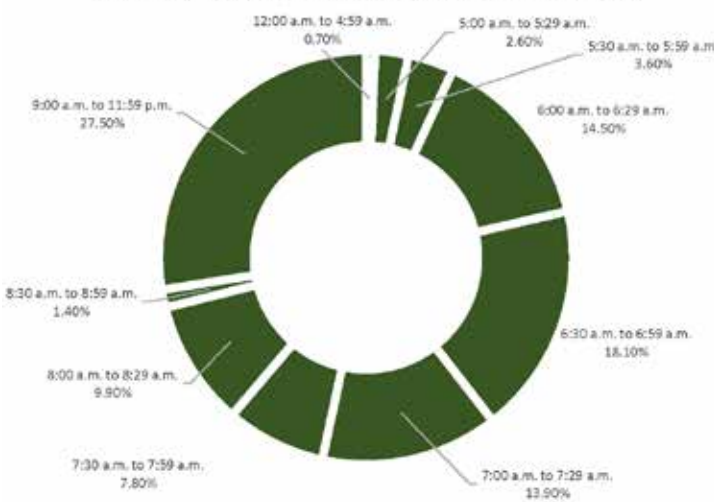
This means that there is likely some demand for additional housing in the city that would meet the needs of some of those 9,115 workers who live elsewhere, although it is difficult to determine an exact number of workers who would choose to live in Bath were the opportunity presented to them.

There is a perception that people moving to Bath from more expensive markets - like Portland - are affecting housing prices and supply. While the data is not definitive, there does appear to be some net in-migration from Portland and Cumberland County to Bath and Sagadahoc County. This in-migration is somewhat off-set by out-migration to Portland and Cumberland County, but overall it appears that more people are moving into the area than out to those areas. There is the possibility that the COVID-19 pan-

Travel Time to Work, Workers 16 and over (2017)



Time Leaving Home for Work, Workers 16 and over (2017)



Migration to Sagadahoc County		
From	Gross	Net
Cumberland County	857	94
Rest of Maine	960	-80
Elsewhere	589	-369

Migration to Bath	
From	Estimate
Portland	61
Elsewhere	886

(Source: American Communities Survey)
Totals are annual based on 2013-2017 survey data

Bath Workers by Place of Residence 2011-2015 American Community Survey	
Residence	Workers
Bath	1,669
Brunswick	966
Topsham	581
Woolwich	385
Lewiston	373
West Bath	333
Wiscasset	328
Phippsburg	268
Lisbon	243
Portland	202
Dresden	198
Buxton	174
Bowdoin	157
Bowdoinham	145
Litchfield	144
Harpwell	139
Richmond	123
Other Communities	2,687
TOTAL	9,115

Bath Residents by Place of Work

2011-2015 American Community Survey

Workplace	Workers
Bath city	1,669
Brunswick town	686
Topsham town	266
Georgetown town	118
West Bath town	105
Augusta city	87
Woolwich town	82
Freeport town	77
Lewiston city	71
Portland city	53
Other Workplaces	550
TOTAL	3,764

For example, as shown below, a household earning \$35,000 to \$39,999 would be able to afford a house or apartment that cost \$937.50 a month or less. At the median household income in Bath in 2017 of \$50,160, a housing unit costing \$1,254 would be considered affordable.

The concept of “low-income” is based on generally accepted federal terminology that defines that term based on 80% of the “Area Median Income (AMI).” The area used for this in Bath is the Sagadahoc County Housing & Urban Development (HUD) Metropolitan Fair Market Rent Area (HMFA). HUD uses thresholds at 30%, 50%, 60% and 80% of AMI for various funding programs. The exact amount of these threshold levels is further defined by the number of people in the household, as shown on the chart at the end of this report.

demographic may increase this net migration, as people seek places outside of larger cities to live and work.

AFFORDABILITY AT DIFFERENT INCOMES

“Affordable housing” is often confused with low-income housing, because it is often used as a shorthand way of saying “housing that is affordable to low-income households.” In fact, what is considered affordable depends on a household’s income.

In general, housing is considered affordable to a particular household if its overall cost of housing is at or below 30% of its overall income.

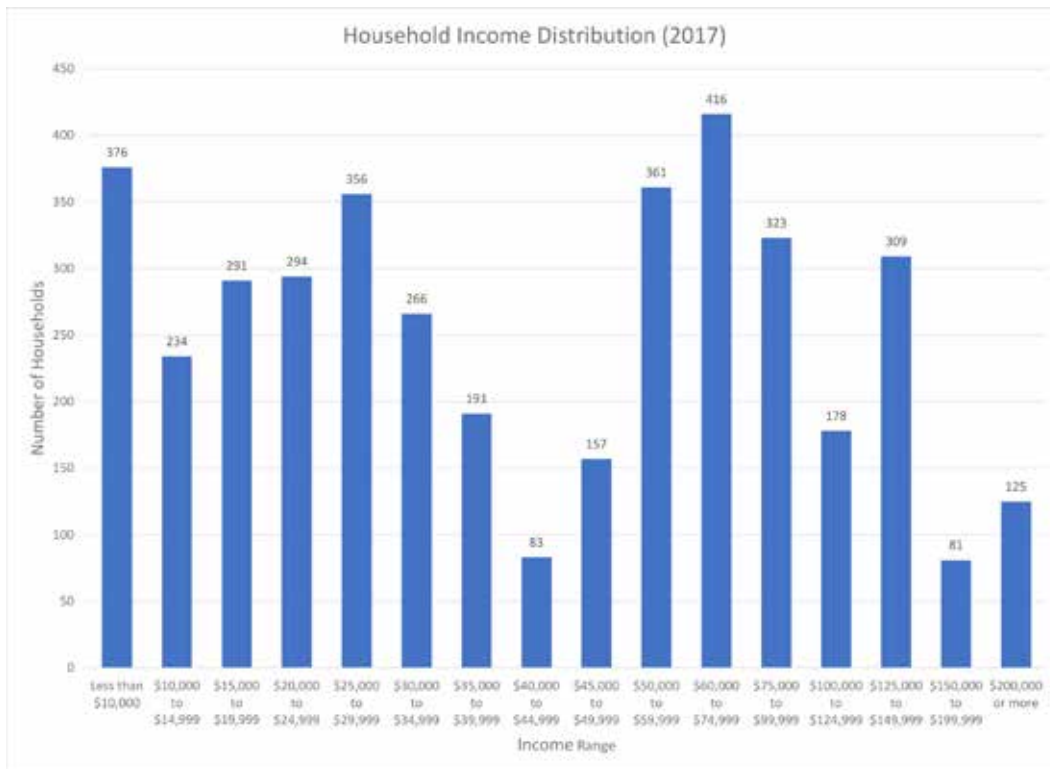
If the unit is owner-occupied, that would mean that the household’s mortgage, insurance, taxes, utilities, and other housing-related expenses. It does not generally include the mortgage interest deduction available to many home owners.

If the unit is a rental, that would mean that the household’s rent, utilities and other housing-related expenses are at that level. For condominiums, the association’s fees and special assessments would be included in this amount.

In return for restricting housing units to households at or below those levels, agencies can utilize federal programs for development funding. For example, the HOME funding program generally requires that units be affordable at 60% of AMI or below.

While these income levels are broad, it is possible to

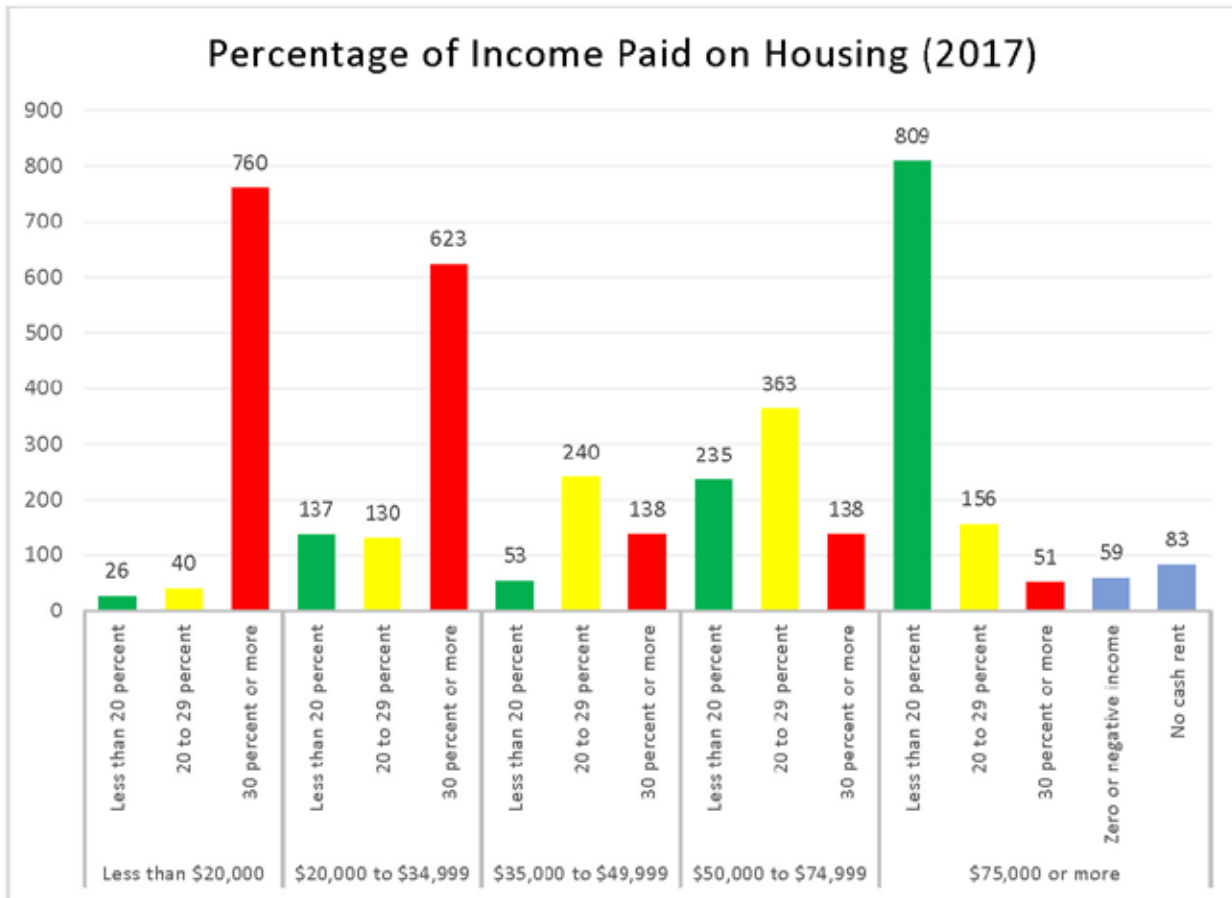
Household Income (2017)	Number	Housing Cost Affordability
Total:	4,041	
Less than \$10,000	376	\$ 187.50
\$10,000 to \$14,999	234	\$ 312.50
\$15,000 to \$19,999	291	\$ 437.50
\$20,000 to \$24,999	294	\$ 562.50
\$25,000 to \$29,999	356	\$ 687.50
\$30,000 to \$34,999	266	\$ 812.50
\$35,000 to \$39,999	191	\$ 937.50
\$40,000 to \$44,999	83	\$ 1,062.50
\$45,000 to \$49,999	157	\$ 1,187.50
\$50,000 to \$59,999	361	\$ 1,375.00
\$60,000 to \$74,999	416	\$ 1,687.50
\$75,000 to \$99,999	323	\$ 2,187.50
\$100,000 to \$124,999	178	\$ 2,812.50
\$125,000 to \$149,999	309	\$ 3,437.50
\$150,000 to \$199,999	81	\$ 4,375.00
\$200,000 or more	125	\$ 5,000.00



CITY POLICIES

The 2009 Bath Comprehensive Plan proposed the following actions on housing policy and planning:

- ➔ Promote housing development unlike what already exists... and allow and encourage mixed-use, mixed-income, and mixed-age housing developments.
- ➔ Strive for at least 10 percent of all new housing to be affordable to first-time homebuyers and support such efforts of the Bath Housing Authority.
- ➔ Continue renter-to-owner programs.
- ➔ Develop a children’s park, with young-family–friendly amenities.
- ➔ Improve neighborhoods, including urban neighborhoods, by improving infrastructure, utilities, and the public realm. Provide incentives to landowners who help preserve or increase a sense of neighborhood.
- ➔ Support the Bath Police Department’s Community Policing program.
- ➔ Implement locally if appropriate, and advocate for state level energy- and water-saving building and plumbing regulations.
- ➔ Encourage and assist Bath residents and property owners to implement the Recommended Actions for the Bath Community and Residents listed in the “City of Bath Energy and Climate Action Plan.”



also look more specifically at households in Bath and how much of their income they spend on housing. As seen below, in 2018, there were 1,710 households in Bath that spent more than 30% of their income on housing costs, and therefore were not in affordable housing. Of that 1,710 households, 1,383 earned less than \$35,000. In all, 42% of Bath households are not in affordable housing.

The average income of an employee working in Bath in 2018 was \$57,824 (Maine Center for Workforce Research and Information.) At that income level, a household with one worker could afford \$1,446 in rent or mortgage payments (including utilities and other housing expenses.)

SHORT TERM AND SEASONAL RENTALS

Short term rentals via platforms such as AirBnB or VRBO, are generally the rental of some or all of a housing unit for less than 30 days at a time. Most short-term rental stays are for a few days. There is some concern among housing researchers that al-

lowing housing units to be used as short-term rentals have negative impacts on the long-term supply, and affordability, of housing units for permanent residents. According to AirDNA, an information clearinghouse on short term rentals, there are 40 active short-term rentals in Bath, with an average daily rent of \$173 and an average monthly revenue to the operator of \$2,040. Of those 40 rentals, 32 are entire units, while eight are rooms within a unit. Occupancy rates overall are estimated at 59%, with a peak at 90% in August and a bottom of 33% in January. It appears that their data set includes some units in West Bath, Arrowsic, and Phippsburg but most of these units are in Bath proper.

That number of short-term rentals amounts of less than one percent of the housing units in the city. While that level of activity seems very low, even a small reduction in the number of long-term rental units can impact a tight housing market. This issue is worth monitoring.

It is difficult to estimate the number of seasonal rent-

VACANT UNITS IN BATH (2018)	
For rent	146
Rented, not occupied	25
For seasonal, recreational, or occasional use	77
Other vacant	242
Total	490

als in Bath. The 2018 ACS data shows only 77 units out of over 4,000 identified as seasonal. However, it shows an overall vacancy level of 490 units, which is over 10 percent of all units in the City. It’s quite possible that some of these units listed as “other vacant” are used seasonally or as second homes.

Seasonal homes are a challenge for the year-round housing stock on the rental side. However, they can also present an opportunity for some residents who own their home. Moving out during the summer to rent out a primary residence seasonally is an age-old strategy in some parts of the country with a number of visitors, such as Cape Cod. Some families may be able to find other places to stay for part of the summer and collect enough seasonal rent to allow them to remain in their homes.

DEED-RESTRICTED HOUSING UNITS IN BATH

Federal programs fund a variety of housing units designed to be affordable at various income levels. These programs generally provide support for construction and development costs in return for a restriction on the property’s deed that limits who the units can be rented or sold to based on income. By lowering the cost of housing production, these pro-

grams make renting or selling units for less money feasible.

These affordability restrictions are usually time limited. In the early days of these programs, the restrictions were shorter – often in the range of 30 years. As a result, starting in the 1990’s, there began to be a number of developments for which the restrictions expired. These so-called “expiring use” developments resulted in the possibility of losing units that were affordable to low-income residents. While some did expire, in other cases there was discussion with the property owner that resulted in the affordability restrictions being extended. In most of those cases, those negotiations involved an addition influx of public resources to allow for renovation or improvement of the housing.

Deed restrictions can be generally categorized in two ways:

- **Target income levels.** Most federal sources are designed to assist households at 80% of Area Median Income or 60% of Area Median Income. Some other sources allow for higher incomes, such as the Maine Affordable Hous-

2020 INCOME LIMITS, SAGADAHOC COUNTY HMFA						
HOUSEHOLD SIZE	1	2	3	4	5	6
30% LIMITS	\$ 16,500	\$ 18,850	\$ 21,720	\$ 26,200	\$ 30,680	\$ 35,160
VERY LOW-INCOME LIMITS (50%)	\$ 27,500	\$ 31,400	\$ 35,350	\$ 39,250	\$ 42,400	\$ 45,550
60% LIMITS	\$ 33,000	\$ 37,688	\$ 42,413	\$ 47,100	\$ 50,888	\$ 54,638
LOW INCOME LIMITS (80%)	\$ 44,000	\$ 50,250	\$ 56,550	\$ 62,800	\$ 67,850	\$ 72,850

ing Tax Increment Finance program, which has target income levels up to 120% of AMI.

- **Rent levels.** In deed-restricted units, rents are generally set in one of two ways. The rent can be set at a percentage of the actual household income, or a maximum rent can be set based on a percentage of the target income level. In the first case, rents are often lower than in the second case, as many households are well below the maximum incomes allowed. However, that lower rent can sometimes translate into lower levels of funding for maintenance and improvements. Shown below are the approximate maximum affordable rents at each of these income limits and household sizes.

The deed-restricted developments in Bath are listed in the table below. There are a total of 22 developments with 558 deed-restricted units in Bath today. Approximately 60% of those units (337) limit their rent based on the income of the residents, while the remainder set rents based on the target income levels.

An emerging practice is to include market-rate, or unrestricted, units in developments with deed-restricted housing. That allows for a more natural diversity in a development as well as helping internally subsidize construction and operations. In addition, sometimes a deed-restricted unit is developed in an existing market rate building. In total, these 22 developments include 86 unrestricted housing units.

While there are no deed-restricted developments with expiration dates in the next couple of years,

there are some developments with expiration dates in the next 10 years. Most notably, Maritime Apartments (sometimes called Northwood Court) has 134 deed-restricted units, with the deed restriction expiring in 2029. The Elmhurst Group Home on High Street, which provides supportive services for eight households – and includes a ninth unit that is currently not being used due to code issues – has a deed restriction that expires in 2024. Looking ahead to the 2030’s, there are other of deed restrictions that will expire. Getting ahead of these expirations will be important to avoid losing these important deed-restricted units, as it often takes several years to come to agreement with a property owner regarding extending restrictions.

IMPACTS OF THE COVID-19 PANDEMIC

There are a lot of organizations and academics researching what impacts there may be on the housing market as a result of the current pandemic. On the one hand, some think it may reduce housing prices as households consolidate or move to less expensive locations. On the other hand, some think that places with high qualities of life, like Maine, may see external demand increase housing costs, as households leave larger urban areas to work remotely.

To date, there have been no clear impacts of either sort on the market in the Bath region. However, there is a possibility that these impacts may lag, and may not be apparent until later in 2021 or in 2022. It will be helpful to monitor the market and see how a delayed impact from the COVID-19 pandemic may affect the housing market.

AFFORDABLE RENTS AT 2020 INCOME LIMITS, SAGADAHOC COUNTY HMFA						
HOUSEHOLD SIZE	1	2	3	4	5	6
30% LIMITS	\$ 413	\$ 471	\$ 543	\$ 655	\$ 767	\$ 879
VERY LOW-INCOME LIMITS (50%)	\$ 688	\$ 785	\$ 884	\$ 981	\$ 1,060	\$ 1,139
60% LIMITS	\$ 825	\$ 942	\$ 1,060	\$ 1,178	\$ 1,272	\$ 1,366
LOW INCOME LIMITS (80%)	\$ 1,100	\$ 1,256	\$ 1,414	\$ 1,570	\$ 1,696	\$ 1,821



CITY DEVELOPMENT AREAS

The *2009 Bath Comprehensive Plan* proposed that there should be four general areas of housing development:

- ➔ A Low-Density Land Use Area in North Bath northwest of Whiskeag Creek with no more than one unit for every 1.5 acres;
- ➔ A Medium-Density Residential Area generally in the southern part of the city, where higher densities would be permitted where served by public sewer and water and lower densities elsewhere; and
- ➔ A High-Density Residential Area around downtown, with one unit allowed on every 6,000 square feet, with higher densities allowed in areas with more public amenities such as sidewalks;
- ➔ Mixed Commercial and Residential Areas in some other areas around downtown, allowing higher residential densities as well as some commercial uses.

Deed Restricted Housing

Property Name and Address	Units		Housing Type				Rental Structure				Owner
	Total Number	Accessible Units	Elderly			Family/All	Income Based Rent (Subsidized)	At or Below Fair Market Rents	Market Rents	Latest Restriction Expiration	
			55 and older	62 and older	w/disabilities						
Academy Green 530 High Street	24	2				•	3	21	0	2041	Preservation Management, Inc.
Dikes Landing	18	18		•	•		18	0	0	N/A	Bath Housing Authority
Elmhurst Group Home 808 High Street	8*	2		•	•		8	0	0	2024	Elmhurst Inc. (SUPPORTIVE HOUSING)
Glynn Courtyard (fmrly Orchard Court) 19 Noble Ave	68					•	0	14	54	2051	C&C Realty Management
Huse School Apartments 39 Andrews Road	59					•	0	43	16	2062	Saco Falls Management
Maritime Apts./AKA Northwood Court 12 Windjammer Way	134	14				•	80	54	0	2029	Realty Resources
Oak Grove Common 301 Oak Grove Avenue	34	4				•	16	18	0	2043	Realty Resources
Oak Ridge Apts. 401 Oak Grove Avenue	30	1		•	•		30	0	0	2040	Realty Resources
Plant Memorial Home One Washington Street	37			•	•		0	32	5	2033	Plant Assisted Living Services (ASSISTED LIVING)
Seacliff and Family 29 Shaw, 570 Middle & 47 Floral Sts	50	40		•	•	•	50	0	0	2032	Bath Housing Authority
The Anchorage 100 Congress Avenue	39	39		•	•		39	0	0	N/A	Bath Housing Authority
The Moorings 125 Congress Avenue	40	40		•	•		40	0	0	N/A	Bath Housing Authority
Washington House 809 Washington Street	53	2		•	•		53	0	0	2031	Eagle Point Management LLC
822/832/842 Middle Street	7					•	0	7	1	2031	Bath Housing Development Corporation
19 Oak Street	5					•	0	3	2	2025	Bath Housing Development Corporation
806 Middle Street	2					•	0	2	0	2046	Bath Housing Development Corporation
28 Maple Street	2					•	0	2	0	2047	Bath Housing Development Corporation
49 Elm Street	2					•	0	2	0	2046	Bath Housing Development Corporation

Property Name and Address	Total Units	Accessible Units	55+	62+	w/disabilities	Family/All	Income Based Rent	At/Below FMR	Market Rent	Restriction Expiration	Owner
470 Washington Street	3					•	0	3	0	2047	Bath Housing Development Corporation
41-43 Lincoln Street	6					•	0	6	0	2049	Bath Housing Development Corporation
24 Summer Street	10					•	0	2	8	2049	Bath Housing Development Corporation
Evergreen Woods	6	2			•	•	0	6	0	2036	Tedford Housing (SUPPORTIVE HOUSING)
Gilbert Place	6	0			•	•	0	6	0	2035	Tedford Housing (SUPPORTIVE HOUSING)
TOTALS							337	221	86		

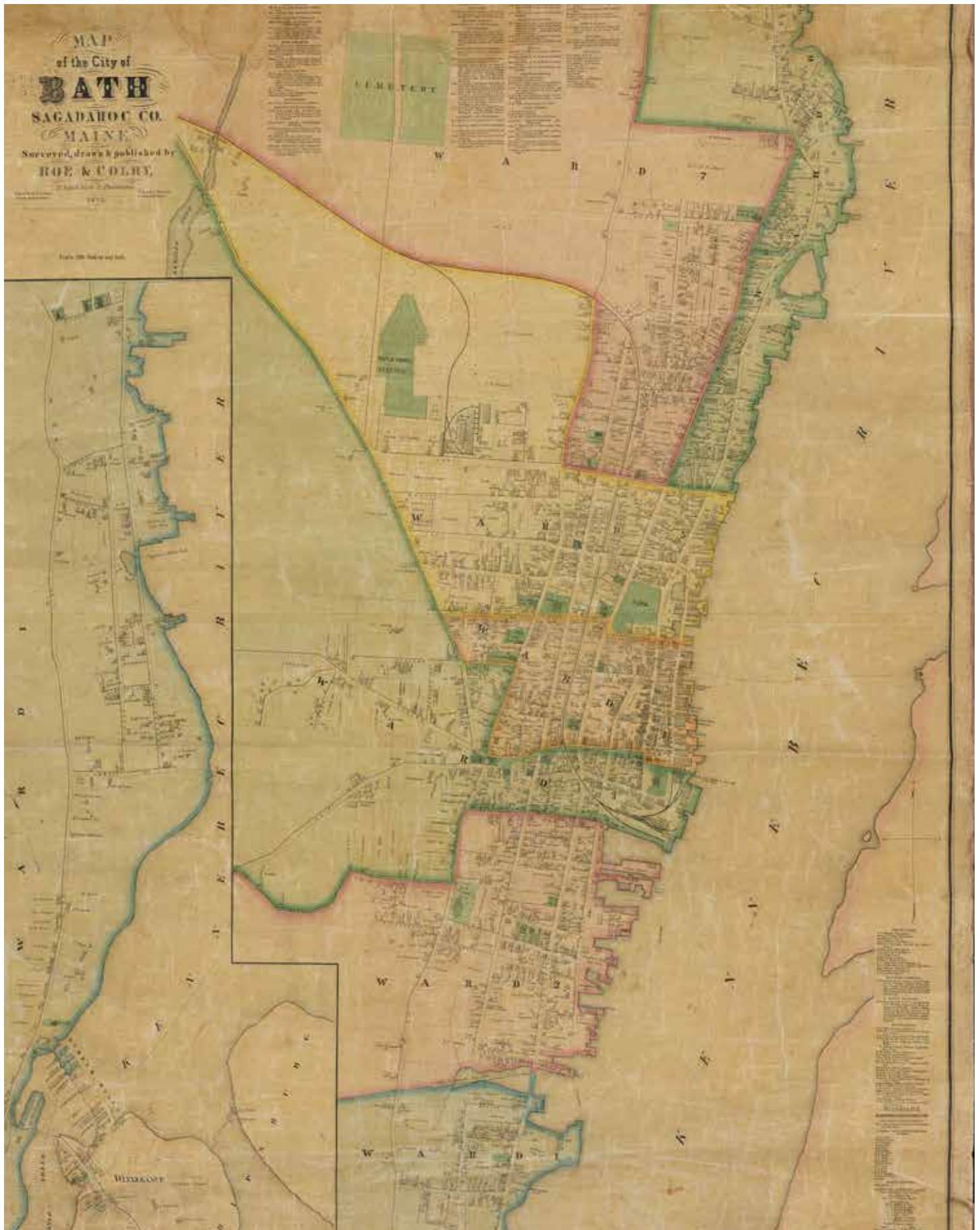
* 9th unit is offline due to egress issues

Sources: MaineHousing, Maine Affordable Housing Coalition, Bath Housing Development Corporation



SHIP BUILDING AT BATH, ME.

PART TWO: HOUSING VISION



In 2020, Bath Housing Development Corporation – in partnership with the City of Bath – embarked on a project to analyze housing needs and then articulate a housing vision that outlines values and broad goals for this community. The hope is that the vision will drive future efforts in this region – efforts that may involve the creation of new housing, but that don't stop there.

Housing needs have outpaced available solutions. This is evident in the recent analysis, which showed that over 1,750 households in Bath struggled to pay for housing in 2019. This struggle has been compounded in 2020 in light of the COVID-19 pandemic, a robust national discussion of structural racism, and a struggling economy. Our community conversation about housing comes at a critical juncture.

Bath Housing offers this vision for our community:

- ➔ *Bath is a vibrant, resilient and inclusive community. Everyone who works here, grew up here, wants to stay here or wants to come here has a reasonable opportunity to live here.*
- ➔ *Local policies support diverse housing opportunities: A range of housing options meets the varied and changing needs of an economically and increasingly racially diverse population including current residents and newcomers alike. The community will engage in an examination and analysis of existing and potential regulations to ensure compatibility with the stated housing goals.*
- ➔ *Housing efforts in Bath will be approached collaboratively, with regional partners including neighboring communities, non-profits and for-profit developers.*

To meet this vision, Bath Housing will collaborate with municipalities and other community partners.



SHIP BUILDING AT BATH, ME.

PART THREE: BEST PRACTICES

There are a number of strategies that have been tried in communities across the U.S. to address gaps between housing supply and demand. Some of these tools are fairly broad, and seek to create more housing stock of all types and price points. A second set are more focused on below-market housing production. A third set of tools focus on the existing housing stock, to ensure that units that are meeting local demand are not lost to the market through conversion, expiration of deed restrictions, or simply becoming unsafe. A fourth set relates to direct assistance. Then there are the impacts of the current pandemic or other emergencies on households' ability to pay for housing.

While not all these best practices are appropriate for all markets, it's helpful to outline them as a universe of tested tools for consideration. They can then be compared to the vision outlined above and a subset of tools chosen for potential implementation.

"NIMBY" AND "YIMBY"

Many people involved in land use issues are familiar with the term "Not in My Backyard." That term, usually shortened to the acronym "NIMBY," refers to local opposition to new development.

Some of the concerns raised are legitimate. Will there be traffic problems? Will the stormwater from the new development flow into my yard?

On the other hand, NIMBY opposition to a project can sometimes be based on less legitimate motivations. People will often oppose a project that they fear will have negative impacts on their homes - even if that fear is not rational. Often, new housing - especially below-market affordable housing - causes NIMBY opposition.

More recently, there has been a rise in a different movement. This movement supports new housing development as a way of addressing the well-documented housing shortages in Maine and elsewhere. Known as "YIMBY" - for "Yes, in my backyard!" - this movement is increasing in popularity in larger cities.

There may be other practices that are so far untested, and could work well in Bath. This outline of best practices is not intended to rule out new, creative, ideas, but to set a stage of what has already been tried.

Categories of Best Practices

The tools described generally fall into four categories:

- 1. Encouraging General Housing Production:** These tools generally look to provide incentives – or reduce disincentives – to creation of new housing by changing zoning, offering direct or indirect support, or otherwise changing the rules to developing housing in a community;
- 2. Encouraging Below-Market Affordable Housing Production:** This category is similar to the one listed above, but focuses impact on housing that is affordable to lower-income residents. Tools may include affordable housing overlays, offering land at below-market prices, or providing direct funding for below-market affordable housing;
- 3. Preserving Existing Below-Market Affordable Housing:** This category consists of tools that try to head off threats to the existing supply in a community, through making sure they remain safe and stay up to code, are not converted to other uses, and remain affordable at certain income levels;
- 4. Direct Assistance to Households:** This category consists of tools that directly assist efforts to retain existing households or provide financial assistance for housing costs.

While there is some overlap between these categories, they help group the concepts and match them more closely with intended results.

Encouraging General Housing Production

There are a number of tools that focus on reducing impediments to housing development. These tools work best when the market is strong, and existing land use codes are one of the primary limiting factors in housing production.

The goal of these tools is to increase supply without a

ACCESSORY DWELLING UNITS

Accessory Dwelling Units - or ADUs - are often seen as a way of addressing housing needs with a softer touch than building new buildings.

ADU's are sometimes called "in-law apartments" or "granny flats." They are additional, smaller, housing units that are incorporated into a single- or two-family home in a way that generally makes them less perceptible from the street. The door is often on the side or back of the building. In many cases, they are built in an existing basement, attic or garage, so the feel of the house from the street doesn't change.

ADU's are permitted in many places in Maine. However, often the requirements to permit one make it hard to build one. Requiring extra parking, or extensive design review, for example, will sometime limit the ability to produce new housing through ADU's.

New Hampshire has a statewide law requiring that all municipalities allow ADU's with limited restrictions.

focus on particular sectors or affordability to certain income levels. Advocates for this approach argue that more supply is needed, and that economic reality will reduce overall housing costs as supply goes up. Others argue that land use controls are unnecessarily limiting, and that allowing homeowners to, for example, add another housing unit on their lot will make their housing costs more affordable.

This approach has become more popular as the "YIMBY" ("Yes in My Backyard") movement has gained popularity. YIMBY activists argue for a supply-side solution to housing issues, and work to counter the "NIMBY" ("Not in My Backyard") efforts to fight new development that have dominated many municipal land use debates.

- **Allowing Accessory Dwelling Units By-Right:** Accessory Dwelling Units (ADU's) are additional housing units that are generally smaller and less visible. Often built on the side or back of a house, or located in the

basement or attic, they are also sometimes built in a garage or other small second building. While many communities allow for ADU's – sometimes called "in-law apartments" or "granny flats" because traditionally they were built for relatives – there are often a number of limitations that make that allowance hard to take advantage of. For example, many communities require that those who live in the unit are related to the property owner. Often, the property owner is required to live in the house. There are also often maximum unit sizes for an ADU, and limits on where they can be located. There can be an extensive public review process that discourages some property owners from pursuing development of an ADU. Finally, some communities cap the income levels of those who can live in an ADU. While any allowance for ADU's is welcome from a housing production perspective, the highest impact appears to be when there are fewer restrictions on their development. In particular, the best practice appears to be to not put residency or income restrictions on the unit or the main house; to not require additional off-street parking; and to allow for a streamlined review process.

- **Reducing Setback, Lot Size, and Parking Requirements:** Many communities have requirements for new homes that are far more stringent than those in the existing built pattern. Over the late 20th century and into the 21st century, residents often pushed for these changes in their neighborhoods as a way to slow or stop new housing from being developed nearby. In reality, such requirements have negative impacts on both housing production and affordability, as they increase the development costs and limit the sites on which new homes can be built. They also can result in less certainty, not more, because land owners may petition a municipality for a contract zone or other change that allows them to develop despite these restrictions. Best practices for these zoning requirements are to allow them to match the existing built form.

- **Allowing Multifamily Housing in More Areas:** There is often a great deal of unwarranted concern about multifamily housing. Residents fear it will change the character of their neighborhood. City leaders worry about increased costs for schools and public services.

In reality, well-designed multi-family housing often results in reduced public service costs, by placing new development where services and infrastructure already exists. In addition, there is no reason a two-unit building has to be any less consistent with neighborhood character than a single-family building. Best practices suggest that communities should look

closely at where they allow multi-family housing and allow that option in as many places as possible. Tying a design review process or a clear form-based code to this change will help ensure that the character of an area is respected.

OVERHAULING LAND USE CODE- THE CASE OF SOMERVILLE, MA

It's a lot of work to rewrite your land use code entirely, so that effort is often avoided. That can lead to a disconnect with policy, especially after creating a new Comprehensive Plan that doesn't mesh well with the existing code. Often, communities make do with tweaks to their zoning and site plan ordinances, avoiding making significant overhauls. If you trace back the history of land use codes in most cities, you may find the existing language is based on wording from fifty years ago- or even longer!

A few communities have taken the plunge and started a new code. Portland recently approved a new land use code. In that case, though, the code was still based on the original "Chapter 14" and not an entire rewrite.

The City of Somerville, Massachusetts, recently approved an entirely new zoning ordinance. The previous code was based on an outdated of "dedensification," or limiting new housing production. The City passed a new Comprehensive Plan that called for the development of more housing to address a shortage of safe, affordable units.

The effort took some time. There were a few iterations of the code that the City Council examined and sent back to staff for further analysis and exploration. Finally, in 2019, the Council approved a new code that was consistent with the City's Comprehensive Plan as well as the Council's priorities. This new zoning ordinance sets clear rules for how new housing can be built without extensive review processes and uncertainty.

Encouraging Below-Market Affordable Housing Production

- **Density Bonuses:** Similar to broader changes to land use codes described above, some communities have opted to provide for additional development rights for projects that meet certain below-market affordability requirements. Generally, it takes a higher number of units on the same lot to make the finances of a below-market affordable housing project viable. Developers of such projects often achieve that higher density by asking for an amendment to the zoning for such a parcel, after they achieve site control. Such a request creates a great deal of risk and uncertainty for the developer, who is faced with the need to offer the highest price for a parcel before knowing if it will be useful for their plans. By allowing a higher density and other relief for such projects up front, the developer of such a project is able to compete with commercial and market-rate developers with the confidence that they can move forward with a project without regulatory risk.

- **Inclusionary Zoning:** Inclusionary zoning is a regulatory tool that is based on the finding that producing market rate housing creates pressure on the below-market housing market. For this reason, inclusionary zoning ordinances require that a certain percentage of new housing developments be affordable to low-income or median-income residents. For example, a typical inclusionary zoning ordinance might require that ten percent of the units in all new developments of ten units or more be affordable to households making 80% or less of area median income. These below-market units are funded through an internal subsidy from the market-rate units. For this reason, it is important that the details of an inclusionary zoning ordinance be carefully developed to ensure that the requirements don't make new housing development infeasible. At the same time, the requirements must be consistent with the actual needs of the community.

DENSITY BONUSES

If a total code rewrite isn't feasible, it's worth thinking strategically about a few tools that can help address housing needs. One tool that can open up some new opportunities is to provide density bonuses for below-market housing.

Density bonuses can be applied in the entire community, or focused on certain areas such as key commercial corridors. Simply put, they allow development of more housing units than would normally be permitted, provided that some of the units are offered at affordable prices to low-income households. For example, a density bonus may allow a development to include 25% more units than would otherwise be permitted, if half of the units are affordable at 80% of Area Median Income.

Allowing more units is key to making below-market developments economically feasible. Passing such a tool will also make such developments more competitive for other sources of funding.

- **Creation of a Housing Trust:** Many cities have set up a Housing Trust as a dedicated account to fund development of below-market housing. These Housing Trusts are funded by a variety of sources: impact fees on development; unencumbered fund balance at the end of the fiscal year; grants and donations; and, most often, from fees in lieu of providing below-market units as part of an inclusionary zoning ordinance. Often there is an advisory board that recommends how the funds should be expended, with the final decision left to the City Council. Such a Trust serves as a holding account that allows a city to leverage other resources and guide housing development. Trust expenditures can consist of gap financing for tax credit projects; soft second loans for developers as part of a capital stack; pre-development expenses to identify housing sites; and other housing-related expenses. Trust Funds are not generally used to fund staff, although each community can determine the best use of its own Fund.

- **Affordable Housing Tax Increment Financing:**

Maine's Tax Increment Finance (TIF) laws allow for the use of this tool for affordable housing under 30-A M.R.S.A. §§5245-5250-G. A district can consist of one or several parcels, as long as at least 25% of the district is suitable for residential development, the district is predominately residential, and at least 33% of the units in the district are for households making no more than 120% of Area Median Income. Most often, Affordable Housing TIF districts consist of a parcel for a specific development. The funds can be used to offset development or operating expenses for the below-market development, or other allowed uses. This tool, while one of the most flexible in this list, also is essentially a direct municipal subsidy of the development, as the municipality will still have to fund the services that would normally be paid for out of the foregone tax revenue.

INCLUSIONARY ZONING

Inclusionary zoning is a tool that requires that a percentage of housing units in new developments be affordable at certain income levels. This tool is based on studies that show that the production of market-rate housing results in a need for more below-market affordable housing.

For example, the City of Burlington, Vermont, requires at least 15% of the units in any new development of five units or more be affordable. Conversion of existing buildings to housing are also regulated starting at ten units. While some communities allow a fee-in-lieu option, Burlington does not.

Studies from national think tanks such as the Urban Land Institute and the Lincoln Institute of Land Policy suggest that inclusionary zoning, if set at rates appropriate for a specific market, will not significantly impact market-rate housing development. At the same time, it will produce much-needed below-market units.

AFFORDABLE HOUSING TRUSTS

An affordable housing trust can provide a dedicated source of funding to leverage other investments in housing production. One of the oldest municipal housing trusts in the country is in Brookline, Massachusetts, where a housing trust has been in existence since 1998.

Brookline's housing trust is funded from a variety of sources. It is governed by a Housing Advisory Board, which consists of housing professionals and residents of below-market units. The trust allows the Town to invest in housing that may not be eligible for other sources, as well as to allow for additional community amenities that may not be eligible for other funds.

The Brookline Affordable Housing Trust has collected over \$12 million since its inception, and spent about \$9 million on developments. It has contributed to local control over new below-market developments, and contributed to developing 538 units in a very expensive community. Most housing trusts are far more modest, but still address a local need to leverage and influence housing production.

- **Use of Federal Resources:** Projects in Bath are eligible to utilize federal resources such as the HOME Investment Partnership program (HOME) and the Community Development Block Grant program (CDBG.) The State of Maine receives over \$4 million a year in HOME funds and over \$11 million a year in CDBG funds. HOME funds can be used for development of below-market affordable housing. CDBG funds are more limited and cannot be used for new construction. However, they can be used for site acquisition and preparation, as well as for rehabilitation of housing units. From 1983 to 2019, Bath projects received a total of \$11.47 million in CDBG funds, to fund 64 projects, of which at least six were housing developments. The HOME program has funded at least 17 projects in Bath since its creation. HOME and CDBG funds are both competitive and allocated annually. In addition to HOME and CDBG funds, MaineHousing administers the state's allocation of federal Low-Income Housing Tax Credits (LIHTC.) The LIHTC program is one of the primary sources of funding for below-market housing

in the U.S. However, the 9 percent credits, which are the most useful, are extremely competitive. The 4 percent credits, which are easier to obtain, work best when layered with other sources of public subsidy. There is also a National Housing Trust Fund that can fund extremely low-income affordable housing.

- **Use of Public Land or Buildings:** Municipalities and other public agencies that have surplus land or buildings sometimes offer it for use for below-market

AFFORDABLE HOUSING TAX INCREMENT FINANCING

Affordable Housing Tax Increment Financing (AHTIF) is often the subject of some confusion. It is sometimes seen as a way that a community gives existing tax revenue to housing developments, when those tax revenues might otherwise help pay for schools or public services. This results is possible if AHTIF is not used thoughtfully. However, in most cases, AHTIF can be a win-win, where a community collects more tax revenue than it might otherwise collect, and a development gains much-needed operating expenses.

Land in Tax Increment Finance districts is also generally "sheltered" from state calculations related to municipal and school aid. In other words, the valuation in districts is often not counted in those calculations. Since these state aid programs are often based inversely on overall land valuation, that means that creating Tax Increment Finance districts can result in increased state funding for the community.

AHTIF is best used when a project would not be feasible without it. In that case, the community is not giving up existing, or even potential, tax revenue. The tax revenue captured would not exist without the use of the tool, because the project would not go forward. Even in that case, the community often keeps some percentage of the new revenue.

Use of the AHTIF tool also gives projects a leg up in seeking Low Income Housing Tax Credits (see below) by providing "points" for local funding of a project.

housing development. The land can be offered at a discount or, often, for free or a token price. This strategy requires confidence that the property in question is truly not needed any longer, and also that the reduced price will make a project financially feasible. Often additional subsidies are also needed.

- **Site Preparation:** Similar to providing public property, municipalities can provide resources towards site preparation. These efforts can include environmental assessment and/or cleaning – potentially through a federal brownfields program – or simply removing buildings and regrading the site. These efforts can be done through contractors or, time and other factors permitting, with municipal labor.

Preserving Existing Below-Market Affordable Housing

- **Land Trusts:** A Land Trust is a not-for-profit owner of land that generally holds it in order to develop below-market housing. The Trust will enter into a partnership to develop housing on the land – or renovate existing housing on the land. Through owning the underlying land, the Trust is able to require that the housing be affordable at certain income levels. Land Trust ownership of land is an alternative to recording a deed restriction on the property, which is sometimes vulnerable to being ignored or eliminated by another party with interest in the property. A Land Trust is not to be confused with a Housing Trust, described above.

65 MUNJOY STREET: AN EXAMPLE OF PROACTIVE LOCAL HOUSING POLICY

Using a variety of tools, the City of Portland was able to work successfully with a local private developer to create eight deed-restricted condominium units on a formerly contaminated parking lot in the Munjoy Hill neighborhood. This project took a 10,000 square foot parcel used primarily for snow emergency parking, and used it to provide home ownership opportunities.

First off, the City offered the parcel for sale for \$1 through a competitive process, provided a developer would produce deed-restricted housing. The selected developer and the City jointly funded site cleanup through federal Brownfields funding and private equity. The City then provided \$175,000 in local Housing Trust funds to close a financing gap in the project.

The completed units were required to be sold to households earning below 120% of Area Median Income. Generally, they sold for 30 to 40% below what they would sell for on the open market. The units are deed-restricted, so when they are sold again, future buyers will also have to meet the same income limits. The \$2.3 million project took 4 years start to finish. While there were lessons learned on all sides as part of this development process, it has provided much-needed below-market housing on Portland's Peninsula.



- **Addressing Expiring Use Properties:** Many below-market affordable housing units were developed in the second half of the 20th century by private developers using federal financing programs. Those programs required affordability restrictions for a set period of time, often 30 to 50 years. Unfortunately, many of those restrictions have expired in the past 20 years, and more are slated to expire in the next ten. These so-called “expiring use” properties also often require renovations as they suffer from deferred maintenance. Rather than losing these below-market

units to the free market, many cities provide funding or other incentives to extend the terms of affordability and, at the same time, improve the properties. Sometimes the funding will also allow for additional market-rate and/or below-market units to be built on the site to help reduce the public subsidy required to address the expiring use.

- **Housing Preservation Ordinances:** A Housing Preservation Ordinance is a regulatory tool that limits conversion of existing housing to non-residential use or demolition. In general, these ordinances require that units that are removed from the market be replaced in kind, or, alternatively, funding for a replacement unit be provided to a Housing Trust to allow for development of additional housing.

LOW INCOME HOUSING TAX CREDITS

The “Low Income Housing Tax Credit (LIHTC)” program provides each state with an allocation of tax credits that fund below-market affordable housing. Each state issues a “Qualified Allocation Plan” that sets forth how developers can apply for credits through a process of allocating points for various factors. Factors include the per-unit cost of the development and whether the project is receiving local support.

These tax credits are sold by the developer to corporations or other taxpayers who are seeking to reduce their federal tax bills. Each \$1 of credit generally sells for less than \$1, saving that taxpayer money. The revenue from sale of the tax credits helps fund the development.

There are actually two kinds of tax credits. The so-called “9 percent” credits are more limited but provide more funding for a development. The so-called “4 percent” credits are easier to receive but provide less funding. In addition, the funding from a 4 percent tax credit may be limited to certain kinds of projects.

Created in 1986, LIHTC is a complex program, but it has been politically durable. As a result, many developers count on LIHTC as a source of funding. They also count on local governments to help their efforts to receive tax credits by taking actions such as providing a Affordable Housing Tax Increment Finance district, or approving a project in a timely fashion.

Direct Assistance to Households

- **Tenant Protections:** Local governments can pass some tenant protections that go beyond state and federal protections. For example, they can require longer notice periods when leases are renewed. They can also set rules for what happens when a unit is converted to a condominium. Such protections can help prevent displacement. However, they also need to be considered in the context of the rights of other tenants in the building, and the property owner. If a resident in a building is causing significant hardships for other tenants, for example, limiting the ability to require that tenant to move may be unfair to other residents of the building. Similarly, a tenant that is intentionally damaging a unit may not be one that should be able to take advantage of extended tenant protections. Good policy must balance a number of needs.

- **Homebuyer Assistance Programs:** Many cities have also used HOME funds or other sources to fund programs to help households buy their own homes. These programs are often run as a second mortgage program, with reduced qualification requirements and/or lower interest rates. In effect, the city acts as a lender, subordinate to the primary mortgage holder, to allow a buyer to qualify to buy a home. These loans require an infrastructure to service them, as they require regular payments and monitoring of balanc-

es due. They also have the risk of overleveraging a household, requiring that their housing payments exceed what they can afford in the long run. Cities are reluctant to foreclose on defaulted mortgages. Sometimes these mortgages are forgiven after the household lives in the house for a certain period of time. However, if the city does not collect payments, such a program will require influxes of capital if they are to endure. Alternatively, some municipalities simply help fund a down payment through a one-time grant or a loan that becomes due upon resale. That approach is simpler and can be helpful in some markets.

- **Property Tax Relief Programs:** Some communities allow for property tax relief for low-income or senior households. These programs are not common, but allow households to defer or simply reduce their tax burdens if they are below certain income levels.

- **Tenant Based Rental Assistance (TBRA):** Some cities use housing funds – such as HOME funds or Housing Trust funding – to provide rental assistance for low-income households. The challenge with this strategy is that it will be very easy to commit to spending more resources than are available. Careful development of – and enforcement of – policies with respect to this assistance is required to ensure that the funds are used strategically. For example, some TBRA programs provide for a security deposit and last rent payment for a household one time. Another common strategy is to allow for an emergency payment for a household with a documented hardship, but not an ongoing direct funding of that household’s rent. This tool rarely is used and primarily works when a municipality receives HOME funds directly from the federal government.

- **Housing Rehabilitation Programs:** Many communities, particularly “entitlement” communities that receive CDBG and/or HOME funds directly, operate rehabilitation programs that allow low-income households to qualify for loans or grants. These funds allow these households to make needed repairs or upgrades to maintain and improve the quality of their housing. One challenge with this approach is determining how long a household must remain in that housing unit after improving it, as it is inefficient

to use limited public funds only to have a household relocate and have a higher-income household benefit from the improvements. While housing rehabilitation programs have declined in popularity over the past 20 years, there has also been some interest in programs focused on energy efficiency, as those improvements will have public benefits beyond the current tenants’ time in the unit.

- **Lead Abatement Programs:** Many communities receive grants from the federal government to operate lead abatement programs for low-income households. These programs, often funded for two years at a time, create funding and administration of lead abatement efforts in a community. Challenges associated with such a program include finding licensed lead abatement contractors willing to work within federal requirements, as well as finding households willing to go through the considerable inconvenience of having their unit vacated for abatement.

- **Rent Stabilization:** Rent Stabilization can take a number of forms. At its simplest, it can limit rent increases to tenants to be below a cap, say 10 percent a year. There can be exceptions to these limits, in cases of property improvement or retenanting of a unit. However, those exceptions need to be designed to avoid unforeseen consequences, such as providing an incentive to move a tenant out so the rent can be reset at a higher level. At a more aggressive scale, rent stabilization becomes rent control, where rent increases are strictly limited to cost-of-living increases and are not reset when a new tenant moves in. Rent stabilization – particularly in its more aggressive form as rent control – is generally seen as a very crude tool that has a number of negative effects. For example, it may result in conversion of units to condominiums. It also is seen as contributing to neglect of rental properties by landlords, who may feel they can’t afford to make improvements. Finally, there is some evidence that those who benefit from rent stabilization may not be those who most need rent relief.

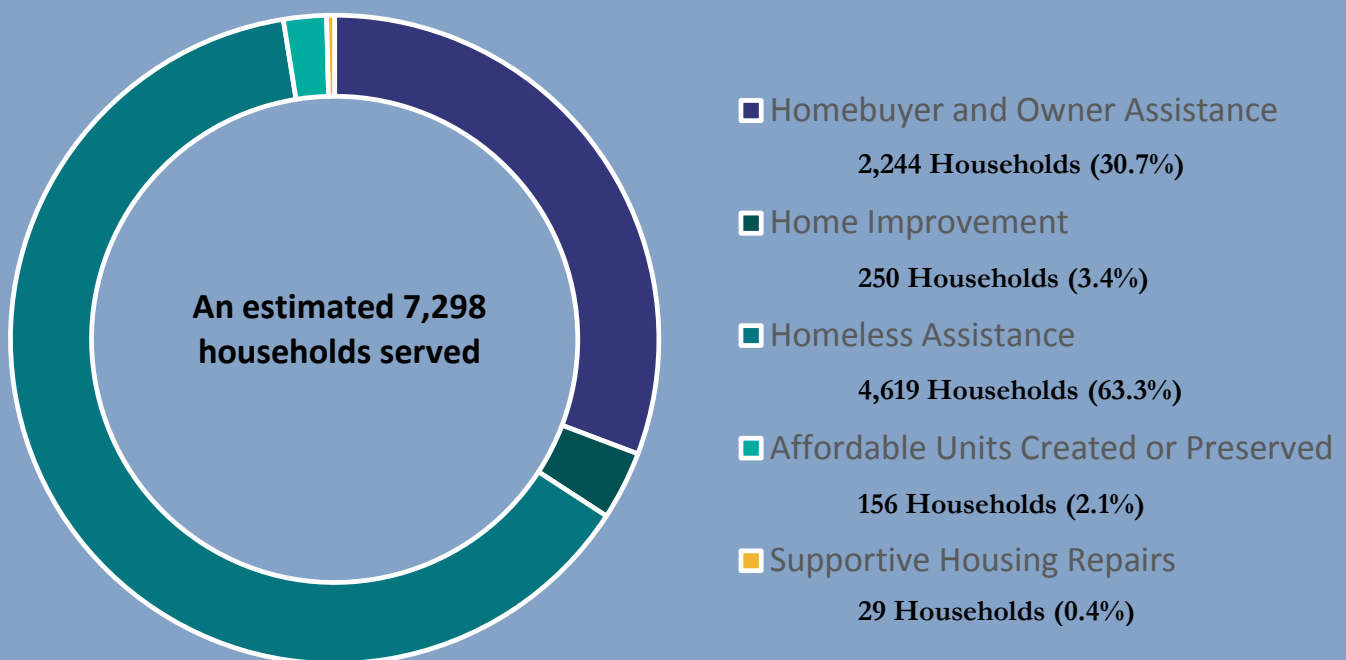
Maine's HOME Fund

Maine's HOME fund is a state revolving fund to fund housing initiatives. It is primarily funded by a portion of the real estate transfer tax. Created in 1982, it was tied to the real estate transfer tax in 1986 and gained a dedicated, somewhat predictable funding source.

Money in the Housing Opportunities for Maine Fund may be applied to:

- (1) Reduce the rate of interest on or the principal amount of such mortgage loans as the Maine State Housing Authority determines;
- (2) Reduce payments by persons of low-income for the rental of single-family or multi-unit residential housing;
- (3) Make mortgage loans and such other types of loans or grants as the Maine State Housing Authority determines;
- (4) Fund reserve funds for, pay capitalized interest on, pay costs of issuance of or otherwise secure and facilitate the sale of the Maine State Housing Authority's bonds issued under this subchapter;
- (5) Pay the administrative costs of state public bodies or other public instrumentalities and private, nonprofit corporations directly associated with housing projects; and
- (6) Otherwise make the costs of single-family or multi-unit residential housing affordable by persons of low-income.

In 2017 and 2018, MaineHousing invested \$25,302,726 of HOME Funds to serve low and moderate income homeowners, homebuyers, and renters across Maine. The HOME program, like a local Housing Trust, has been a flexible source for funding housing needs in the state of Maine. By focusing on a variety of tools, including homebuyer assistance and homeless services, it takes a holistic approach to the issue.



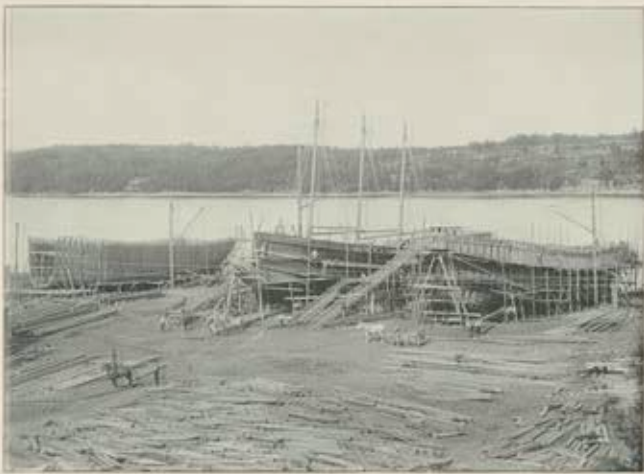
Responding to Emergencies

- **Pandemic Relief:** The COVID-19 pandemic has resulted in an enormous challenge for renters, home owners and landlords alike. Loss of income has resulted in the inability of many households to make housing payments. Landlords, who sometimes have borrowed or made investments in a property in anticipation of receiving rent payments, are also sometimes at risk of losing their property to a lender if they do not collect expected income.

Fortunately, there have been some programs as part of COVID-19 relief to prevent evictions related to the pandemic. Similarly, some lenders have made accommodations for challenges that property owners have had in making their usual payments. However, as the pandemic passes and such programs and accommodations end, there may be a sudden increase in such challenges in the housing market.

Such relief programs are likely beyond the financial resources of local governments. It is possible, however, that longer-term programs to respond to this challenge are approved at the federal or state levels. These efforts are worth tracking, and monitoring for a potential role for cities, towns and regional agencies.

- **Other Household Crises:** Sometimes an individual household will have a financial challenge that is not related to COVID-19 or other external factors. Someone may lose their job, or there may be a sudden, expensive failure of a major system in the house. Some communities use some portion of their federal funding to provide emergency assistance to households to prevent homelessness. Most of these programs relate to physical problems, such as a failed sewer line or boiler. Limited funding may be provided in a crisis situation, provided a household income qualifies and remains in the home for a certain period of time.



SHIP BUILDING AT BATH, N.H.

RECOMMENDATIONS FOR BATH & THE REGION

Based on the vision set forth above, there is a clear subset of the national best practices that should be considered for adoption in Bath. That subset is best on the explicit and suggested priorities in the vision. While not all of these programs and policies may ultimately be adopted, they are all worth taking to the next step as the City and Bath Housing work on housing issues.

Provide additional new housing, respecting the character of neighborhoods and environmental constraints without allowing those issues to supersede the need to develop a range of housing types in many parts of the city.

- Consider allowing accessory dwelling units by right, without requirements that would limit their ability to add to the housing stock for residents of diverse backgrounds, ages, family types, races, and incomes
- Look closely at setback, lot size, and related requirements to allow for appropriate infill development.
- Explore the extension of some multi-family housing into existing single-family zones in order to add to the housing stock for residents of diverse backgrounds, ages, family types, races, and incomes
- Consider adoption of inclusionary zoning policies based on the current market, with an initial target of requiring that ten percent of units in developments of ten units or more be affordable to households at 80% of Area Median Income. A fee-in-lieu provision should be considered to fund a Housing Trust.
- Continue use of and support for the Affordable Housing TIF program.
- Proactively survey public land and buildings for future utilization and offer public property that will not have a foreseeable future use for housing development.

Avoid displacement of existing Bath residents

- Consider a housing preservation and replacement ordinance as outlined above, to prevent loss of housing supply. Such an ordinance could include elements related to the impacts of Short Term Rentals on the long-term housing supply.
- Work to monitor expiring deed restrictions and reach out to owners of those properties several years in advance of any expiration to explore ways to extend the restrictions.
- Explore property tax relief programs to determine if such a tool is a feasible way to help households remain in their homes.

Improve and modify Bath's housing stock to bring it up to code, increase livability, enhance energy efficiency, and reduce operating costs for low- and moderate-income households.

- Explore a comprehensive housing rehabilitation program for low-income households, with a focus on energy efficiency programs and lead remediation.
- Promote and support the Comfortably Home program that funds people who age 55+ or with a disability to make needed home repairs or modifications.

Develop a local funding source to leverage existing sources in building housing affordable at a variety of income levels.

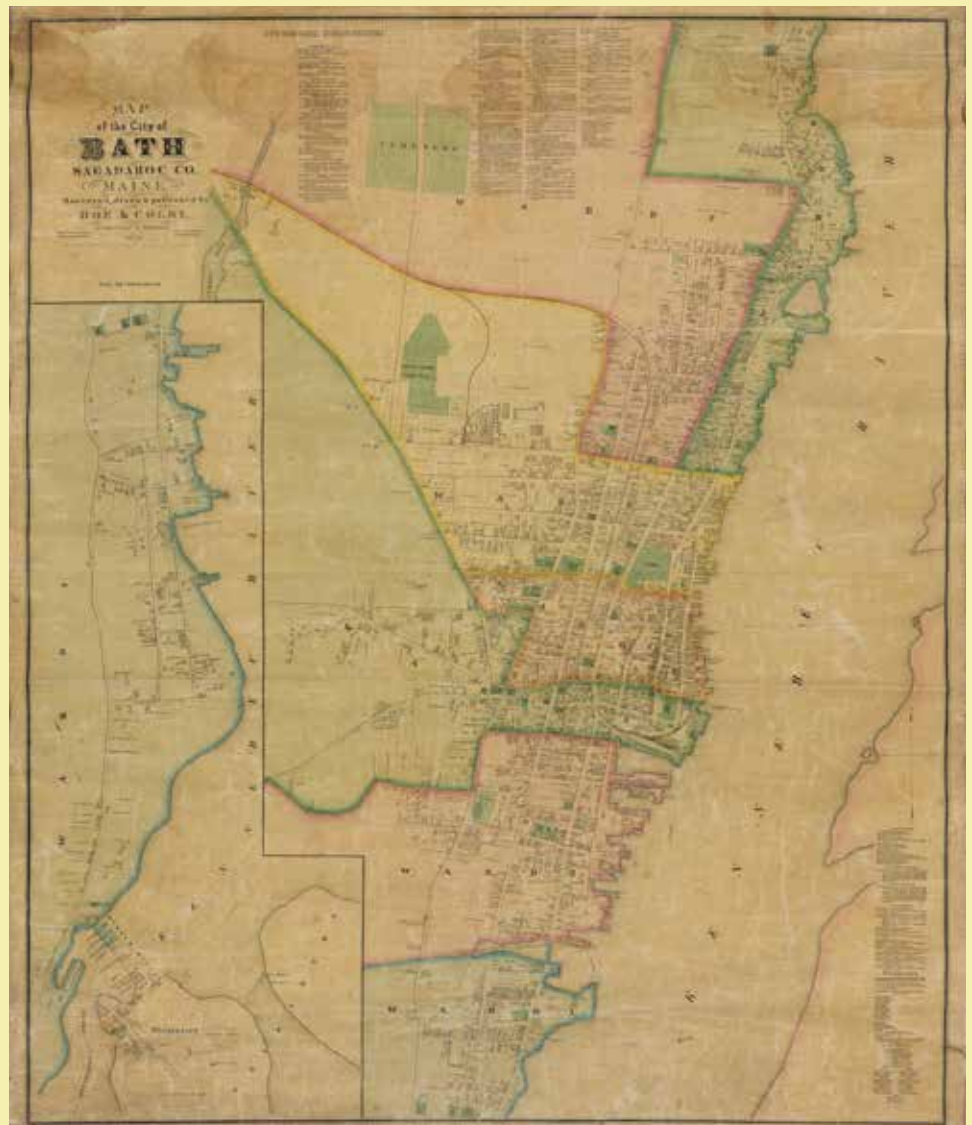
- Create a Housing Trust and fund it with a variety of methods, including consideration of a policy whereby a percentage of unencumbered fund balances go into the Trust every year.

Think regionally

- Consider what tools might apply in other communities near Bath. Many of the recommended tools outlined for Bath are also worth considering in other communities in the region, or as part of a joint regional effort. In particular, the following tools may be applicable regionally:
 1. Looking at allowing accessory dwelling units;
 2. Extending some multi-family housing allowances;
 3. Looking at Affordable Housing TIF districts;
 4. Exploring use of public land and buildings;
 5. Exploring property tax relief programs; and
 6. Looking at creation of a Housing Trust.



SHIP BUILDING AT BATH, ME.





LEVINE PLANNING STRATEGIES

Tools for Building Communities



BIRDS EYE VIEW OF THE CITY OF

BATH

SAGADAHOC CO

MAINE 1876 LOOKING NORTHEAST

SHIP YARDS

- 1. Wm. Roger's
- 2. Hinckock & Hale
- 3. Goss & Sawyer
- 4. E. & A. Sewell
- 5. W. F. Moore
- 6. Houghson Bros.
- 7. T. E. Hagan
- 8. A. Hathorn
- 9. Brown & Hodgkins
- 10. Petrus Car Works
- 11. Haley & Richardson Planing Mill
- 12. J. E. Halsey Lumber Yard
- 13. Ferry Halsey Booming Works, F. B. Tenney
- 14. E. Nichols, Cement, Lime and Drain Pipe

- 15. A. S. Bangs, Lumber Dealer
- 16. J. D. Robinson, Lumber, Dealer
- 17. Woodward's Coal Yard, S. T.
- 18. E. P. Beeth & Co., Coal Yard
- 19. G. W. Durran, Brick Factory
- 20. Wm. Ingall's, Brick Factory
- 21. C. & J. F. Donnell, Carriage F.
- 22. Bath Iron Foundry and Mach.
- 23. A. Mainpré, Shoe Foundry
- 24. Mainpré & Son, Machine and
- 25. A. L. Allen & Son, Coffin and
- 26. W. B. Linscott, Bath Steam B.
- 27. A. K. Gilman, Dental Rooms
- 28. D. M. Melcher's Marble Work