

*City of Biddeford*  
**Mayor's Affordable Housing Task Force**  
**August 23, 2022 5:30 PM Biddeford Council Chambers & Zoom**  
**<https://biddeford.zoom.us/j/96868015886?pwd=Q29wVk44UHJIKzlCZXUzNEduYlJWZz09>**  
**ID #968 6801 5886 Passcode: 676041**

**Status: Mayor's Affordable Housing Task Force, Council Chambers & Zoom, 5:30 PM**

- 1. Acceptance of Minutes**
  - Acceptance of Minutes
  - [062822-Draft.pdf](#)
  - [072622-Draft.pdf](#)
- 2. Affordable Rental Units - 5 Year Goal**
  - 8.23.22 Agenda Memo
  - [8.23.22.agenda.memo.pdf](#)
- 3. Inclusionary Zoning**
- 4. Unhoused Recommendation**
- 5. Affordable Housing Fund**
- 6. Competitive Process for Projects**
- 7. Non-Monetary Recommendations**
- 8. Rent Control**
  - Rent Control White Paper
  - [RENT CONTROL WHITE PAPER -Final.pdf](#)
- 9. Other Items to Consider- Brainstorm**
- 10. Next Meeting / Next Steps**
- 11. Adjourn**



# CITY OF BIDDEFORD

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## Planning and Development Department

### Mayor's Affordable Housing Task Force Meeting Minutes **DRAFT**

**Date:** June 28, 2022  
**Time:** 5:30 PM  
**Location:** Hybrid Meeting: City Council Chambers & Remote Access Meeting (1MRSA § 403-B permits public proceedings through remote access during the declaration of state of emergency due to COVID-19).

#### Committee Members in Attendance:

Doris Ortiz (Chair), Ciel Caldwell (via zoom), Jessica Johnson, Reverend Shirley Bowen (via Zoom), Dan Boucher, Marty Grohman (via zoom), Seth Harkness, Dominic Deschambault & Ian Garcia-Grant

Staff Present: Jim Bennett, Greg Mitchell, Gail Wilkerson, Brad Favreau, Danica Lamontagne & Nan Whitten

1. Chair Ortiz brought the meeting to order at 5:30 PM.  
Jim Bennett introduced Greg Mitchell, Director of Planning & Development.
2. There were no adjustments to the agenda.

Amy Nucci of the Habitat for Humanity gave a presentation about their agency.

- She talked about their process and some of the issues they have at this time such as a lack of land.
- She told the committee about the ongoing project in Cape Porpoise. She has offered to give the committee members a tour of the project.
- Habitat has land in Sanford and will begin to develop it once the Cape Porpoise development has been completed.

Brad Favreau of Planning & Development gave a presentation on Housing

- He talked about the housing inventory and historical housing data
- He talked about how the fact that the influx of people to Biddeford have raised the income levels and housing prices.
- Jim talked about the allocation of available resources per pupil and the needs of the housing spectrum.
- Rent Control was discussed, and the subtraction of supply & demand in rental properties. More information on this will be presented before the next meeting.
- Incentives to keep rents from going up was suggested.

- A committee member brought up the possibility of having developers with multiple projects give back a certain percentage to affordable housing so that the developers cannot buy out of it like in Portland.
- Workplace housing driven by median income at a time when no one thought median income would go up; it has increased by 36%.

Danica Lamontagne gave an update on the surveys. The surveys have already gone out, they have received 436 responses, and they are open until July.

**3. Consent Agenda:**

**MOTIONS:**

**Caldwell: Motion: To Approve Meeting Minutes from 5-24-22**

**Deschambault-Grant: Second**

**Unanimous Approval of Meeting Minutes from 5-24-22.**

**4. Adjourn:**

- Boucher: Motion to adjourn
- Deschambault: second
- Motion carried with unanimous vote

\_\_\_\_\_  
Task Force Chair

\_\_\_\_\_  
Date

These minutes are summary and are not intended to be verbatim. Archived meetings are viewable on the City's website: [www.biddefordmaine.org](http://www.biddefordmaine.org).



# CITY OF BIDDEFORD

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## Planning and Development Department

### Mayor's Affordable Housing Task Force Meeting Minutes **DRAFT**

**Date:** July 26, 2022  
**Time:** 5:30 PM  
**Location:** Hybrid Meeting: City Council Chambers & Remote Access Meeting (1MRSA § 403-B permits public proceedings through remote access during the declaration of state of emergency due to COVID-19).

**Committee Members in Attendance:**

Reverend Shirley Bowen (via Zoom), Dan Boucher, Marty Grohman (via zoom), & Ian Garcia-Grant (via zoom)

Staff Present: Greg Mitchell, Gail Wilkerson, Danica Lamontagne & Nan Whitten

1. Greg Mitchell and Martin Grohman brought the meeting to order
2. Discussion:
  - Danica Lamontagne made a presentation on the results of the recent surveys on housing.
  - She provided the results with a power point presentation.
  - The members discussed the survey results.
  - The definition of "affordable housing" will be researched and presented, as it is possible some categories of the public are being omitted in the housing goals.
  - The goals the Council set for housing was discussed and the task force decided to double the original goal.
  - Tiny homes & ADUs were discussed as viable options for housing.
  - The Task Force will put together suggestions for the City Council mentioning changes in zoning is necessary.

The Next meeting is August 23, 2022 at 5:30 in the Council Chambers

Meeting adjourned at 6:59 PM

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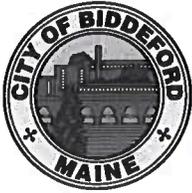
Task Force Chair

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Date

**These minutes are summary and are not intended to be verbatim. Archived meetings are viewable on the City's website: [www.biddefordmaine.org](http://www.biddefordmaine.org).**

# City of Biddeford, Maine



The Office of  
City Manager

**James A. Bennett**

Email: [jbennett@biddefordmaine.org](mailto:jbennett@biddefordmaine.org)

## MEMORANDUM

<b>TO:</b>	Mayor's Affordable Housing Task Force
<b>FROM:</b>	James A. Bennett, City Manager
<b>DATE:</b>	August 18, 2022
<b>RE:</b>	August 23, 2022 Agenda Preparation Memo

For many of you, Tuesday night's meeting is shaping up to be one that you have been working for. As envisioned, the Task Force (TF) will spend a significant portion of the meeting making tentative recommendations for the Report to the City Council. In addition, the TF also will have the preliminary discussion on the controversial issue of rent control. Given the importance and nature of this issue, the goal is to simply understand as much about the issue on Tuesday. At your September meeting, the agenda is planned to include the opportunity for the TF to discuss the issue and potentially make a recommendation. You will note a separate memo that deals with this issue exclusively is included in the package.

At the last meeting, the TF specifically addressed the current City goal of creating (and/or preserving) 450 affordable units over the next five years. Adopted in 2020, the goal translates into having 9% of the rental units in Biddeford be affordable. The TF members that were in attendance (four of the nine) supported doubling the goal to 900 units. Assuming no new units, the stated goal would be to have 18% of the rental units affordable. Of course, new residential units are being created.

It may be beneficial for the TF to suggest this goal be restated in two parts. Besides the creation/retention five year goal, an overall community percentage goal might also be appropriate. A suggested benchmark might be:

- Create and/or preserve 900 affordable rental units from 2023 to 2028 and
- Seek that 12.5% of all city wide rental units will be affordable by 2028.

The nuance of including the second benchmark is likely to be lost on the casual observer. Simply preserving current inventory of affordable units during a time of increasing inventory of market units, decreases the affordability of the community. It further changes the historical 'working blue color' roots of the community. With the low attendance at your July meeting, the TF should revisit this recommendation.

In addition to the other work for the evening, the TF members should be prepared to come up with any other potential items that they might like to see included as recommendations. This will primarily be a brainstorming session. Once developed, staff will provide feedback at an upcoming meeting.

To assist with the other work for Tuesday, the remainder of the memo will outline several of the larger recommendations that staff believe are both consistent with the current discussions of the TF and have the support of key staff. They are provided in bullet format and without any preference in ordering.

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*The City of Biddeford is an equal opportunity provider. To file a complaint, write to  
Diana Depaolo, Human Resource Director, 205 Main Street Biddeford, ME 04005, or call (207) 286-0593.*

- ***Inclusionary Zoning:*** Inclusionary zoning (IZ) is growing as a popular answer to the affordable housing challenge. The effectiveness of IZ is hotly debated. Advocates for and against IZ regularly provide evidence of contrary results. Unlike other policy debates where the extreme positions often use their version of the ‘facts’, both sides have accuracy in their outcome assessments. The implementation details matter in determining the success/failure.

One needs to look no further than Portland for illustration. While the jury is still out on the impact of the most recent citizen referendum changes to their IZ ordinance, there is clear evidence that the effectiveness has diminished. IZ requires new housing projects in the community, through municipal regulations, to actively participate in the creation of new affordable housing units. It generally either requires a percentage of the new units to be maintained as affordable or requires cash payment to support community investment in affordable housing efforts. The municipality may simply do this as requirement via ordinance. It may also be done as an incentive base. Some communities use both approaches. The incentive approach uses such non-monetary benefits as density bonuses, reductions in parking regulations and others. Reductions/eliminations of certain fees (i.e. regulatory approvals, building permits, etc.), and cash support (i.e. grants) are examples of monetary support.

Portland’s initial IZ requirements seems to be working well. The private sector requirements to include new units and/or cash payments was established at a rate that the market (private investment) could afford. Sometimes described as ‘pinching’ the developers, the economics of the projects and the IZ requirements still resulted in new projects being created. The newer requirements, established through a community referendum, have exceeded the private sector economics ability to absorb the costs. Developers have queued out of Portland because of the new requirements for all but the most profitable (usually the most expensive rentals) projects. Whether this is a long term trend or short term is unknown. The historical data in other areas of the country tend to support it will continue. Greg Mitchell is on vacation next week and will not be in attendance. However, as the former Economic Development Director for Portland, he can share first hand his observations at your next meeting.

For Biddeford, IZ appears to be a viable tool to consider. At this point, it is important to note that IZ is not the magical solution by itself. It needs to be just one of the tools implemented. It also needs to be established at rates that actually achieves outcomes. It is better to start at a lower rate and adjust based on the market periodically than to risk setting the rates too high. If the TF is interested, staff will present suggested implementation goals for your next meeting.

- ***Establishment of a Municipal Affordable Housing Fund:*** Establishing an affordable housing fund will create a very flexible municipal vehicle to implement many potential recommendations of the TF. The Fund would be a separate designated Fund exclusive for affordable housing investment purposes. All funds to support affordable housing goals would be credited to this account. Expenditures to support affordable housing goals would be charged to this account. Based on the work to date, these are some specific uses the TF could consider.

- ***Funding for unhoused:*** In the July meeting, the TF generally committed to support the extremely low income neighbors at the 15% to 27.5% range. This groups consists of both unhoused and housed. The issue of serving unhoused is complex. It also is one that

needs regional, state and federal support for greater success. Beyond recommending resources, the TF probably needs to have a discussion how to approach this subject in the final Report. The range of options for recommendations are from providing a specific plan to suggesting that another special committee (process) should be started to deal with the issue.

- ***Support of new/conversions for affordable housing:*** It is suggested that annually, the City would issue a request for proposals to create affordable housing projects within the community. Understanding that the City funding is one portion of most successful projects, the timing would be set up to mirror Maine State Housing Authority (MSHA) annual allocation of affordable housing tax credits. MSHA currently requires each community to participate via a Credit Enhancement Agreement (TIF where the funds are returned to the developer/project) before a project is eligible for the tax credits. Beyond the CEA, a project could also request for funding from the created City Affordable Housing Fund.
- ***Sources of Funds:*** Currently, the City is expected to receive \$500,000 from the Proposed Devine Andrews Road Project. The City has also worked to change the current State TIF laws to allow a more flexible approach to keeping TIF funds for affordable housing purposes. While not formally municipally approved, the previous Council indicated their desire to tax shelter some of the Proposed Harrington Diamond Match Multi-family Project to support local investment in affordable housing. If enacted, any funds generated by an inclusionary zoning ordinance would logically go to the fund. Any additional grants, city appropriation or other funds would logically be placed in this account.
- ***Future City Community Development Block Grant Investment:*** Consider future investment in investment in targeted affordable housing along with investment in services to support low to moderate income services (i.e. warming center).
- ***Establishing Non-Monetary Incentives:*** At various times during the process, members have discussed the non-monetary incentives included as the part of the tools for the City to use to encourage additional affordable housing units. As identified in the IZ section of this memo, these could include affordable housing density bonuses, housing unit preservation/replacement, relaxation of parking requirements, permit streamlining, municipal fee reductions and others. The TF should determine if they would like to include these within the report.

I look forward to your meeting on Tuesday and assisting you in developing the specific recommendations. Please feel free to let me know if there are any questions.



# *City of Biddeford, Maine*

## **RENT CONTROL WHITE PAPER**

**Prepared by James Bennett, City Manager**

August 17, 2022

Rent control, government regulation(s) that places a limit on the amount that a landlord can charge for leasing or renting a place to live, has been around for a long time. Some reports suggest that it has been around since the Roman era. Most certainly, rent control in its present form was shaped in the United States between the two World Wars. Originated because of an increased demand in housing and lack of production, the simple Adam Smith economic theory of supply and demand increased the market rates for rents. The vast majority of rent control regulations are initiated at the local level.

In some ways, rent is one of the purest forms of supply and demand economics. As demand increases for housing in a certain area without a corresponding increase in the supply, the price increases. Lacking viable options, the renter is left to either pay the market rate or chose a different location. Rental prices will only go down because of market forces. Either the demand needs to decrease or supply needs to increase at a rate equal to or beyond the current increase in demand. A combination of the two accelerates the reduction in rents.

Rent control by itself does not address the underlying issues that it is designed to mitigate. It does impact the current market place. The impacts are mixed. They have both positive and negative impacts. For some of those impacts, the short term and long term impacts are not consistent. Rent control does little to anything to change the underlying market forces that generate the impetus to implement. As an artificial limitation on the marketplace, rent control shifts costs and burdens from one group to others.

Given the increased demand for housing and lack of affordable housing alternatives, there are many recent publications regarding rent control. Like many other subjects, one can find a supportive publication to match an opinion that is being sought. Staff has done research and applied our collective experience in order to prepare this paper. We believe it fairly represents the most applicable aspects for Biddeford.

The clear beneficiaries are renters that live in a unit subject to municipal intervention. There are some studies that suggest that the benefit has diminishing returns over time. Other literature argues that the benefit is relatively short-lived and actually becomes a negative. The Brookings Institute, in an October 18, 2018 report, stated:

*“While rent control appears to help current tenants in the short run, in the long run it decreases affordability, fuels gentrification, and creates negative spillovers on the surrounding neighborhood.”<sup>1</sup>*

The research is almost universal in the conclusion that the benefits are almost exclusively limited to those tenants that live in rent control units. Almost as equally accepted among the research is the conclusion that the local community in the aggregate pays a high price when rent control becomes public law.

### *Two Studies*

Two significant studies have been conducted that are considered objective. In 2014, Autor, Palmer, and Pathak (APP) studied the impact of the City of Cambridge, MA’s sudden exodus from rent control. Cambridge adopted an ordinance that required all rental units built prior to 1969 to be heavily regulated. From 1970 to 1994, these rental units had strict caps on rent increases. It further created significant restrictions on the removal of units from the rental market. In November of 1994, Massachusetts voters preempted a local community’s ability to create rent control via a referendum vote. Immediately, over 30% of the total rental stock was no longer under rent control.<sup>2</sup> APP studied the changes in the community from 1988 to 2005 to determine the impact of rent control within Cambridge.

Several key observations from APP’s extensive work should be considered by Biddeford. While 30% of citywide rental units were governed by rent control prior to 1994, there were many neighborhoods that had much higher percentages. In the older neighborhoods, the percentage was 60%.<sup>3</sup> APP’s study documented that rent control not only reduced the property value of the apartments with rent control, but also reduced the values of all other properties within reasonable proximity to the apartments. It also showed that the amount of the depreciation of the non-rent controlled properties grew larger as the density of the rental control apartments grew in the neighborhoods.

Intuitively, one might think that the greatest increase in values of property would have been the collective properties subject to rent control requirements. However, based on the analysis from 1994 (when the rent control was significantly eliminated) to 2004, only \$300 million of increased value occurred. For the balance of the community, \$1.7 billion in increased value occurred. Recognizing the rent control units were a much smaller portion of the overall community valuation (and therefore did have a greater percentage increase per building), the

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<sup>1</sup> Rebecca Diamond, *What does economic evidence tell us about the effects of rent control?* Brookings Institute, October 18, 2018 [What does economic evidence tell us about the effects of rent control? \(brookings.edu\)](https://www.brookings.edu/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/)

<sup>2</sup> A legislative compromise did allow disabled, elderly and low-income renters to retain their current units for up to two years.

<sup>3</sup> David Autor, Christopher Plamer, Parag Pathak, *Housing Market Spillovers: Evidence From the End of Rent Control in Cambridge Massachusetts*, National Bureau of Economic Research, June 2014 [2012227 661..727 \(mit.edu\)](https://www.nber.org/papers/w20122227661..727)

impact on the rest of the community valuation was significant especially in comparison to the benefit received by those renting.

The other significant study is Diamond, McQuade and Qian's (DMQ) 2018 examination of San Francisco's 1994 elimination of certain exemptions of the City's 1979 rent control regulations. The initial adoption exempted any new construction as well as any smaller apartment buildings (5 or less). Once these restrictions were removed, DMQ was able to determine what effect the regulations had on both the tenants and the owners of those classes of properties. There are several key findings from the DMQ study. The study concluded that the medium- to long-term benefit of rent control was that individuals in a rent control unit were 10% to 20% more likely to stay in the rental unit than those that did not.

A second significant finding was the marketplace response to rent control. As a direct result of rent control, 15% of the available rent controlled units were converted to condos (private ownership). In addition, there was a decrease of 25% in the number of renters living in units protected by rent control. <sup>4</sup>

DMQ's conclusion states:

*"...rent control contributed to the gentrification of San Francisco, contrary to the stated policy goal. Rent control appears to have increased income inequality in the city by both limiting displacement of minorities and attracting higher income residents."*

DMQ further concludes that if it is the desire of society *"to provide social insurance against rent increases, it may be less distortionary to offer this subsidy in the form of government subsidies or tax credits."*

### *Summary of Other Impacts*

Reviewing many different sources, the following is the collective advantages and disadvantages that have been offered in mainstream media and generally accepted credible sources. You will note that some of the impacts that are listed are contrary to others. This should be expected, since the sources that were used included both advocates and opponents.

From the perspective of the tenants, the following have been identified as advantages:

- Housing becomes more affordable
- Don't have to move as much or be at risk of being forced to move
  - Improves health, social and education outcomes for children
- Neighborhood stability – strong community ties, investment in safety and prosperity of where they live, kids can stay in the same school, proximity to job, network of neighbors

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<sup>4</sup> Rebecca Diamond, Time McQuade, and Franklin Qian, *The Effects of Rent Control Expansion on Tenants, Landlords and Inequality: Evidence from San Francisco*, American Economic Review, 2019 [The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco \(aeaweb.org\)](https://www.aeaweb.org)

- Some studies show that rent control can increase the supply of housing by incentivizing landlords to subdivide larger rental units

The disadvantages for the renters have been identified as:

- People can get “stuck” in apartments that aren’t the size they need (too big for empty nesters, too small for families with new young children) because they feel locked in to their existing apartments
- Landlords don’t have an incentive to invest in renovations since the returns are too low to justify the costs – housing stock deteriorates
- Less Housing Supply - Fewer homes for rent on the market in the long run since property prices will be too high to be attractive for investors compared to the rent they can achieve
  - Apartments can be converted into condos, pushing out renters in favor of homeowners
  - Condo owners also tend to be a higher-income group than renters – increases gentrification
- Property owners are incentivized to increase rents by the maximum allowable amount each year knowing that they would be limited in their increase for the following year if they don’t. This can lead to extra rent increases that otherwise wouldn’t have gone into effect.
- Property owners will raise their rents as much as they legally can right before rent control is enacted in anticipation of the new policy
- Wealthier, long-term tenants also get the incentive of cheaper rent than market value and may stay in properties longer, further limiting availability for lower-income residents

From the perspective of the landlord, the following advantages have been identified:

- Tenants may take better care of their properties because they expect to be able to afford living in the same place for the long term
- Less turnover of tenants and higher occupancy rate/lower tenant turnover costs

The disadvantages for the landlord have been identified as:

- Bad tenants also stay longer
- May not be profitable to build new homes
- Property values decrease
- Makes it harder to sell your home

### *What about the Rest of the Community?*

The property tax rate in the community is determined by taking the total value of all taxable properties and dividing it by the total tax commitment (total property taxes to be raised). As one segment of the community becomes less valuable compared to the rest of the community, the balance of the community will have to pay more of the property tax burden. Simply stated, rent control will shift a greater property tax burden on all other property taxpayers in the

community. Single family homes have the greatest potential to be the most adversely impacted by adoption of a traditional rent control policy.

Rent control suppresses housing construction and maintenance. That suppression will have an impact on other economic activity and job creation. Most especially, this is true in the construction and rehabilitation trades.

As we are hearing anecdotally from the Portland changes, investors will seek other investment opportunities outside of the community.

Businesses that are not considered high-paying employers may benefit from having a potential employee pool closer because of the rent control units.

### *Closing Thoughts*

The opinions about rent control regulations are as widespread as nearly every other public policy that has made its way to the national agenda. I believe the most significant conclusions that should be considered are:

- Rent control does not change the underlying market forces that cause the reasons people advocate for rent control.
- Supply and demand are the main forces that establish the rental rates in communities.
- Rent control has not been shown as an effective means to increase affordable housing, as a solution for poverty, inequity or other social justice goals.
- Rent control will have immediate positive impacts on all renters that are living in units that are subject to the regulations. The duration of those benefits are often debated. There are many that argue the long term implications actually become negative.
- Studies have supported that rent control actually has the adverse impact than intended. The tendency to increase rents to the maximum allowed annually even when not needed, decreasing the amount of rentals available, and the dampening of new investment are just some of the factors cited.
- Rent control will reduce the property value of the buildings that are regulated. There is significant evidence to conclude widespread rent control also decreases other property values of other properties, including other residential properties within the neighborhoods.
- The significant dependence in Maine on the property tax as the major source of taxation, when combined with the decreasing property valuation caused by rent control, will result in the shifting of the property tax burden to other properties. It is likely that the single family homes will be disproportionately burdened from the shift.
- Targeting resources based on a means testing for individuals is considered by many to be a more effective long-term solution. In addition, using resources to address the market forces directly impacting housing affordability is also recommended as the better long-term viable solution.

### *Selected Readings and Resources*

- ✓ [What does economic evidence tell us about the effects of rent control? \(brookings.edu\)](https://www.brookings.edu/research/rent-control-what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/)
- ✓ [Rent Control Does Not Make Housing More Affordable | Manhattan Institute \(manhattan-institute.org\)](https://www.manhattaninstitute.org/rent-control-does-not-make-housing-more-affordable)
- ✓ [The history of rent control & how it applies to today's renters \(policygenius.com\)](https://www.policygenius.com/blog/rent-control-history/)
- ✓ [Rent Control Around the World: Pros and Cons - NuWireInvestor](https://www.nuwireinvestor.com/rent-control-around-the-world-pros-and-cons/)
- ✓ [w24181.pdf \(nber.org\)](https://www.nber.org/papers/w24181)
- ✓ [America's Rental Housing 2022 \(harvard.edu\)](https://www.harvard.edu/america-rental-housing-2022)
- ✓ [Rent Control Effects On The Economy And Housing Quality \(linkedin.com\)](https://www.linkedin.com/company/rent-control-effects-on-the-economy-and-housing-quality/)
- ✓ [The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco \(aeaweb.org\)](https://www.aeaweb.org/articles.php?doi=10.1257/aer.2018.106.1.1)
- ✓ [Ending Rent Control Reduced Crime in Cambridge \(aeaweb.org\)](https://www.aeaweb.org/articles.php?doi=10.1257/aer.2018.106.1.1)