

# Volume 3: Strategy Development

## Town of Cape Elizabeth, Maine Housing Diversity Study

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Prepared by





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# 1. INTRODUCTION

## ABOUT THIS HOUSING DIVERSITY STUDY

The Town of Cape Elizabeth has commissioned a Housing Diversity Study to assess current housing conditions and provide options to create affordable housing in the community. Conducting such a study emerged as a recommendation in the Town's 2019 Comprehensive Plan:

*Recommendation #83: "Undertake a Housing Diversity Study that evaluates current housing costs, needs, impacts on services and other relevant elements and recommends actions to create more affordable opportunities for seniors to downsize, and for young adults and young families to move to Cape Elizabeth. At a minimum, options to evaluate should include incentives to create permanently affordable housing and municipal purchase of land for construction of affordable housing, and coordination of regional efforts with Metro Coalition."*

The scope of this Housing Diversity Study is divided into three major tasks:

**1. Housing Data Package.** The purpose of Task 1 is to collect, analyze, and present relevant data and information on the Town's current housing situation, including data on community demographics, housing inventory, and affordability; an evaluation of recent housing market trends; and an assessment of the regulatory environment and development opportunities and challenges. This task is intended to provide a foundation of data and information to inform goal creation and strategy recommendations.

**2. Housing Creation Goals.** Task 2 puts forth a range of goals for diversifying Cape Elizabeth's housing stock and increasing affordable housing options for target populations, such as young adults, young families, seniors, displaced commuters, and/or existing residents who are housing cost-burdened. These recommended goals have been developed based on foundational data from Task 1 and additional analysis of the town's housing needs. The goals are intended to generate discussion among community leadership and the general public.

**3. Housing Diversification Strategy Options.** Task 3 offers a menu of strategies that the Town may undertake to achieve housing creation goals laid out in the previous task. Strategies reflect various municipal policy options, including changes to land use regulations and other actions the Town can take to encourage affordable housing production in the community.

Three report volumes will be produced (one for each task) and presented to the Town Council in a series of public workshop meetings. Upon completion of the process, all volumes will be combined into a final report that will serve as a reference document for the Town as it proceeds with future decision-making related to housing policy.

## ADVANCING HOUSING DIVERSITY

Previous volumes of this study have shown how market conditions have interplayed with the Town's land use policies and resulted in a lack of diversity in the town's housing stock. Cape Elizabeth is overwhelmingly a single-family, owner-occupied community with price points increasingly concentrated at the top of the market. As a result, housing remains unaffordable and/or simply unavailable for many current and would-be residents. This final volume puts forth a range of strategies for action that are designed to address the impediments to housing diversity that Cape Elizabeth currently faces.

### Recognizing Impediments to Housing Diversity

#### Restrictive Zoning

Current regulations largely favor low-density, single-family homes over multifamily housing. Multifamily development is restricted in a number of ways. First, multifamily is subject to site plan review and cannot be built as of right, therefore making it riskier for a developer to undertake. Second, high minimum lot sizes make it challenging to find a large enough site. Third, low density limits in most zones means there are very few locations in town where even a moderate level of density can be built.

**Increasing allowable density in strategic areas is among the most effective things a community can do to encourage affordable housing development.** Development economics in communities with high land costs results in high-value housing that is priced high enough to justify a developer's investment in an expensive piece of land. When development on a high-value site is restricted by zoning to single-family homes, the homes

developed will be priced at the top of the market. However, if the developer is permitted to build at a higher density, each individual housing unit can be priced more affordably, since their collective value would be comparable to or exceed that of an expensive single-family home.

Fortunately, restrictive zoning is within the Town's control to change. Policy options for doing so are discussed in Section 5: Strategy Framework.

#### Limited Development Capacity

Even with more permissive zoning, there are few large sites in Cape Elizabeth with suitable utility infrastructure that can accommodate significant housing development. Beyond having favorable zoning and infrastructure, sites must be physically developable without excessive wetlands and steep topography. **Therefore, it will be critical to identify and prioritize sites for development or redevelopment, particularly those in or near the town's designated growth areas.**

#### High Land Costs

The high cost of land in Cape Elizabeth is a market reality that, when combined with low-density zoning, is a significant barrier to affordable housing development. In some cases, increasing allowable density may be enough for market-rate or near-market-rate, non-luxury housing developments to proceed without the need for subsidy. For below-market units, subsidies to offset land cost may be needed to help a project "pencil out" financially. **This could include purposing Town-owned land for housing development, public acquisition of private land, or another public-private partnership or non-profit model.**

## Community Sentiment and Perception

Cape Elizabeth residents have expressed a wide range of views on increasing housing diversity and affordability in the community, ranging from opposition to new development of any kind to full support of transformational measures to promote such housing. Many are concerned with striking a careful balance between housing affordability and preservation of the town's natural environment. This has led to a perception among the development community that Cape Elizabeth is a challenging place to get projects built.

### **To make progress on advancing housing diversity, it will be critical for community stakeholders to align toward a common, well-defined goal.**

This reduces uncertainty around the types of projects that will be approved or denied and provides assurance to affordable housing developers that housing developments will not be delayed or scuttled.

To be clear, this does not mean that Cape Elizabeth should blindly approve any affordable housing project; rather, it should be transparent about the types of projects that are desired and the Town's expectations of the developer.

## Impacts of LD 2003

LD 2003, "An Act To Implement the Recommendations of the Commission To Increase Housing Opportunities in Maine by Studying Zoning and Land Use Restrictions" is a Maine state statute approved in April 2022 that applies to all municipalities. It requires that certain local zoning provisions related to affordable housing be in place by July 1, 2023.

In considering implementation of goals and strategies contained in this study, the Town should understand how its current regulations will need to be modified to comply with LD 2003. Key provisions of the statute as they relate to Cape Elizabeth include the following:

- Increasing the density allowed for multifamily affordable housing by 2.5 times the base density otherwise allowed in the Town's growth areas (zones RB, RC, TC, and BA)
- Allowing a second dwelling unit where a single dwelling unit is allowed but does not currently exist
- Allowing up to 4 units where 1 unit is allowed but does not currently exist in growth areas (RB, RC, TC, and BA zoning districts)
- Allowing up to two additional dwelling units where a single dwelling unit currently exists (one attached unit, one detached unit, or one of each).
- Allowing accessory dwelling units that are detached from the primary dwelling unit (currently must be attached)

It should also be noted that the statute establishes statewide housing production goals aimed at increasing the availability and affordability of all types of housing across Maine. The Maine State Housing Authority is broadly tasked with establishing regional goals with measurable standards and benchmarks. It remains to be seen what, if any, specific benchmarks will apply to Cape Elizabeth.

# 2. HOUSING TYPOLOGIES

As established in Volume 1, Cape Elizabeth has a rather homogeneous housing stock and is lacking in any substantial “missing middle” housing typologies. These typologies, as shown in the graphic to the right, include a spectrum of housing types and densities between single-family homes and mid-rise apartments.

These housing types are not only critical to creating affordable/workforce level units; they are also key to providing housing options in the community that align with the target households of particular interest and importance in Cape Elizabeth (see Volume 2: Housing Creation Goals).

This section presents seven (7) specific housing typologies (shown in the table to the right) that are well-aligned with the housing needs and preferences of target households and that have the potential to integrate with the community without adversely impacting the bucolic coastal character of Cape Elizabeth. It should be noted that these typologies do not guarantee affordable or workforce level price points, rather implementing these typologies will also likely require policy interventions to ensure affordability.

Each housing typology profile on the following pages includes a description, overview of typical zoning/density standards, examples from Maine, and a brief assessment of Cape Elizabeth’s zoning with respect to each housing type.



The “missing middle housing” phenomenon is widespread but particularly acute in Cape Elizabeth, which is dominated by single-family detached homes. For more information on this concept, visit Opticos Design’s website, [www.missingmiddlehousing.com](http://www.missingmiddlehousing.com).

## Overview of Focus Workforce and Affordable Housing Typologies

	Accessory Dwelling Units	Small Single-Family	Clustered Cottages	Duplex + Triplex	Attached Townhouses	Mansion Apartments/ Fourplex	Garden Apartments
<b>Overview</b>	Relatively small (300 SF up to 1,000 SF) attached or detached housing units on the same lot as a single-family home.	Generally up to 2,000 SF homes on smaller (e.g., quarter-acre) lots with typically 2 bedrooms.	Small single-story cottages densely clustered around open space and often bought as condominiums.	While size and lot size can vary, these units are typically owned as condominiums with yard space and are generally smaller than single-family homes	Similar to Triplex units, attached townhouses are a similar housing type featuring side-by-side (or occasionally “stacked”) that are privately owned.	These apartments are effectively “disguised” in a structure that looks like a single-family home but contains in range of 4-6 rental units.	Apartments in a low-rise (up to 4-story) apartment building.
<b>Target Population Alignment</b>	Ideal for single/childless young professionals and downsizing active seniors	An attractive option for young families starting out looking to build equity and stay within the community.	These are a popular and relatively more affordable option for retirees looking to downsize and for less home maintenance.	These units have broad appeal, including young families with children, childless couples, and downsizing “empty nesters”	Similar to duplex and triplex units they have broad appeal but are generally less suited to older seniors due to multi-level living.	These are well suited for young members of the workforce, childless couples, and downsizing empty nesters	Garden Apartments typically have elevator access and are therefore well suited for seniors as well as other single and childless households.



Photo Credit: [www.buildinganadu.com](http://www.buildinganadu.com)

## Accessory Dwelling Units

**Description:** These units are smaller, independent residential dwelling units located on the same lot as a stand-alone (i.e., detached) single-family home. They are sometimes referred to as granny flats, carriage units (above garage), secondary suites, and others. ADUs can be both internal/attached to a home or detached. Research has shown that ADUs help increase the supply of affordable housing without adverse impacts to communities.

### Density and Zoning Standards:

ADUs are typically permitted where single-family homes are permitted. Most effective regulations allow attached and detached ADUs. Often neither the primary house or ADU can be used for short-term rentals. One unit per lot is typical. Many communities have design requirements to preserve neighborhood character.

### Typical Standards:

**Min. Rental Period:** 3-6 month minimum; property owner must occupy one of the units (primary or accessory)

**Unit Sizes:** 750 SF to 1,000 SF max (Also often set as percent of primary dwelling unit SF – e.g., 30%). May also limit up to 2 bedrooms per unit.

**Other: Allowed where single-family allowed;** Detached ADUs allowed; allow second units by special permit; Waive development fees if for low-income

### Alignment with Cape Elizabeth Zoning Standards:

ADUs are allowed in all zones except TC, BB, and BC; however, current regulations are not ideally suited to provide workforce/affordable housing. Detached units are not currently allowed anywhere, and related, the unit must preserve single-family appearance of the property. The maximum size of 600 SF is also less than the maximum in many other communities. The Town's 15% expansion limitation also means that ADUs are very limited in size for smaller homes (e.g., a 2,000 SF home would mean a maximum 300 SF ADU expansion). It also means that single-family homes under 2,000 SF are not eligible to expand for an ADU. It should also be noted that regulations indicate ADUs are for people with a "close personal relationship" to residents of the main dwelling rather than intending ADUs to be broadly available to those needing housing. Note that LD 2003 will require ADU zoning changes in the Town.



Photo Credit: *Town of Kittery*

### Accessory Dwelling Unit Pilot Program

**Town of Kittery ADU Grant Pilot Program.** The Town started this program to assist with affordable housing. The program offers up to \$50,000 for design, permitting and construction to build an ADU.



Photo Credit: *Maine Sunworks*

**Above Garage ADU, Kennebunkport, ME.** A 550 SF ADU located above a garage that includes an open plan studio unit with a galley kitchen and ¾ bath.



# Starter Single-Family Homes

**Description:** A starter home is intended to be affordable for a household's first home purchase. They are often properties that a buyer lives in for a few years before selling and moving into a larger home, often as family size increases. Homes are typically small at under 2,000 SF and often have 2 bedrooms. Starter homes can provide an opportunity for a household to build equity over time to eventually purchase a "forever" home but may also appeal to singles, couples without children, and empty nesters who do not need more than 2 bedrooms.

**Density and Zoning Standards:** Density is needed to make small starter homes economical to build (and therefore affordable to purchase). These homes typically have relatively small lots down to 0.1 acres (when on sewer systems). Large minimum lot sizes and low density maximums are therefore common barriers to small, relatively more affordable, single-family homes. Lot coverage ratio maximums can also be a zoning barrier as these need to be higher for starter homes on small lots.

### Typical Standards:

**Density:** 4-6 Units per acre

**Lot Sizes:** 0.15 acres to 0.25 acres

**Other:** Building size typically controlled by dimensional standards (e.g., setback requirements)

**Cape Elizabeth Zoning Alignment:** While the Town's zoning favors single-family homes, density maximums and relatively large minimum lot sizes effectively preclude this type of housing from being built in the community. For example, a 3-acre tract of land (if available) could have one starter home in the RA and RB district or up to four homes in the RC District. A more suitable 3-acre starter home development would have 12-18 homes. The Town Center District Core is the only zone in which an "ideal" starter home development could be built in Cape Elizabeth.

### Starter Home Alignment With Cape Elizabeth Zoning

	RA	RB	RC	TC	BA	BB	BC
<b>Maximum Units per Acre</b>	0.54 (0.66 with open space zoning)	2.2 (with sewer)	2.18	0.54 (4.36 in Core Subdistrict)	0.54 (adjacent to RA) or 2.18 (adjacent to RC)	0.54	Not Permitted
<b>Minimum Lot Size (Acres)</b>	1.84	1.84	0.46	1.84 (0.23 in Core)	1.84 (adjacent to RA; 0.46 if adjacent to RC)	1.84	Not Permitted



Photo Credit: Island Housing Trust

**Ripples Hill, Mount Desert Island, ME.** Modestly sized homes that are income restricted to workforce-level households. Houses start at approximately \$218,000.



Photo Credit: Heritage Housing Trust

**Heritage Woods, Kennebunkport, ME.** Small single-family homes on lots from 0.5 to 1.15 acres. Smaller sized homes with 1,166 3-bedroom home shown above. Home price of \$220,000 as a project through the Heritage Housing Trust.





Photo Credit: karendlucas via Flickr.

## Clustered Cottage

**Description:** Clustered cottages are a compact, relatively dense housing typology consisting of individually owned or rented cottage homes that are typically 1,000 square feet or less. Cottages are often single-story and designed for downsizing households age 55 and older (but not exclusively so). Clustered cottage developments often have shared amenities such as a clubhouse, recreation space, etc.

**Density and Zoning Standards:** Standards typically depend on whether the project is a condominium (on a single lot) or a sub-division (individually owned lots). Clustered cottage development is relatively dense and typically has higher density allowances than single-family homes; albeit with smaller permitted building sizes. Lot coverage ratios are often limiting and to be feasible, must typically be set higher than other development types. Short-term rentals are often prohibited.

**Cape Elizabeth Zoning Alignment:** The Town's current zoning does not permit clustered cottage development either as a sub-division or as condominiums. As a condominium typology, multi-family/multiplex zoning regulations apply, and density levels are substantially too low for this typology to be feasible. Lot size minimums and density maximums preclude clustered cottages from being built as a multi-family development in the Town (single-family version only possible in TCC).

### Typical Standards:

**Density:** 5 to 15 units per acre (gross)

**Unit Sizes:** Often set to maximum of 1,000 SF to 1,400 SF

**Lot Sizes:** 0.1 to 0.25 acres (if individual lot ownership)

**Other:** Building heights often limited to keep to single-story. Open space often required as percent of development area.

### Clustered Cottages (as Condominiums)

	RA	RB	RC	TC	BA	BB	BC
<b>Max Unit per Acre Allowed (Condominium)</b>	0.66	2.2 (on sewer)	2.9	Not Permitted	Not Permitted	Not Permitted	Not Permitted
<b>Minimum Lot Size (Condominium)</b>	10	1.84	5	Not Permitted	Not Permitted	Not Permitted	Not Permitted

Zoning is Aligned

Zoning not well Aligned

Not Permitted



Photo Credit: Cottages at Pine Meadow SACO ME Facebook Page

**Cottages at Pine Meadow, Saco, ME.** 32 cottages for owners 55 and older. Cottages are 440-740 square feet and range in price from \$169,000 to \$269,000. Rentals are long term only. Built: 2021. Density: 15 units per acre.



Photo Credit: The Cottages at Willett Brook Facebook Page

**Cottages at Willett Brook, Bridgton, ME.** 60 cottages for owners 55 and older. Cottages are on 0.13-acre lots (10-unit semicircle clusters). Density: 3.75 units per acre.



Photo Credit: Camoin Associates

# Duplex + Triplex

**Description:** A duplex or triplex is a house that has been divided into two or three individual units (respectively). Units can be side by side (similar to townhouses) or above each other in a format known as “stacked” (although definitions can vary by locale). Units are typically owned condominium but are also sometimes used as rental housing. Some models include an owner-occupied unit with one or two rental units that provide income, which makes the mortgage more affordable. Unit size can be wide ranging from 600 SF to upwards of 2,400 SF.

**Density and Zoning Standards:** While density levels can range broadly among duplex or triple development projects, density limitations often impact the potential for these types of housing units, despite the overall building size often being comparable to single-family home sizes that are allowed.

**Typical Standards:**  
**Density:** Duplex: 2 to 8 UPA (gross); Triplex: 10-18 UPA (gross)  
**Lot Sizes:** 0.10 to 0.25 acres  
**Other:** Building size typically controlled by dimensional standards (e.g., setback requirements)

**Cape Elizabeth Zoning Alignment:** Under Cape Elizabeth Zoning, a duplex or triplex unit would be classified as multiplex housing or multifamily (depending on the zone). Under this classification, these housing types would not be allowed in the Town Center zone as there is no possibility for the required ground floor commercial. They are simply not permitted in the BB and BC zones along with other multifamily housing types. While allowable in RA and RB zones, density maximums are significantly lower than needed. The density allowed in RC is more line with lower density versions of this housing type, but the required minimum lot size exceeds what is practical (unless the lot is not subdivided into individual lots). BA is the only zone in which duplex/triplex buildings would be able to be built under current zoning where a hypothetical 2-acre site could yield 5 lots with up to 11.6 units (e.g., 5 lots with one duplex each could be built)

### Duplex/Triplex Alignment With Cape Elizabeth Zoning

	RA	RB	RC	TC	BA	BB	BC
<b>Maximum Units per Acre</b>	0.66	2.2 (on sewer)	2.9	Not Permitted	5.8	Not Permitted	Not Permitted
<b>Minimum Lot Size (Acres)</b>	10	1.84	5	Not Permitted	0.34	Not Permitted	Not Permitted

Zoning is Aligned

Zoning not well Aligned

Not Permitted



Photo Credit: Camoin Associates

**Scarborough Downs, Scarborough, ME.** A duplex unit as part of a mixed-typology housing development project.



Photo Credit: Camoin Associates

**Dunstan Crossing, Scarborough, ME.** A mix of single-family homes and duplex condominium units. Density: 2.5 units per acre (gross). (Duplex portion)



Photo Credit: Flickr. Used Under CC License.

# Attached Townhouse

**Description:** A townhouse is typically owned by its occupant and has a shared wall with an adjacent townhouse. Townhouse-style units can be on individual lots or be structured as condominiums. Many of the “suburban style” townhouses in Maine are structured as condominiums with HOA fees. Units are typically multi-level and may or may not include an attached garage. Most townhouse units are in the general 1,000 to 1,750 SF size range. Similar to duplex/triplex units, townhouses can be “stacked” and include rental units providing supplemental income.

**Density and Zoning Standards:** One of the biggest obstacles to attached townhouses are density limits. Townhouses need greater density limits, but communities often institute other standards so that large apartment buildings cannot be built when townhouses are desired. Minimum lot sizes are also often too large to facilitate the development of townhouse style housing.

**Best Practice Standards:**

**Density:** 5-15 units per acre (suburban-style)

**Lot Sizes:** Depends if condominium or individual lots; condo min. lot size of 0.5 acres (often no minimum set with lot determined by building size, setbacks, and other standards)

**Other:** 18’ min. building width; 1 parking spot per unit

**Alignment with Cape Elizabeth Zoning Standards:** Current zoning is unfavorable for attached townhouses either as condominium units or individually owned lots. As a condominium project, attached townhouses would only be permitted in the RA, RB, and RC Districts.

**Attached Townhouses**

	RA	RB	RC	TC	BA	BB	BC
<b>Max Unit per Acre (Individual Lots)</b>	0.54 (0.66 with open space zoning)	2.2 (on sewer)	2.18	0.54 (4.36 in Core Subdistrict)	0.54 (adjacent to RA District) or 2.18 adjacent to RC District	0.54	Not Permitted
<b>Max Units per Acre (Condominium)</b>	0.66	2.2 (on sewer)	2.9	Not Permitted	Not Permitted	Not Permitted	Not Permitted
<b>Min. Lot Size (Condo) (Acres)</b>	10	1.84	5	Not Permitted	Not Permitted	Not Permitted	Not Permitted

Zoning is Aligned

Zoning not well Aligned

Not Permitted



Photo Credit: Town of Cape Elizabeth

**10 Hill Way 1, Cape Elizabeth, ME.** A local example of townhouse development.



Photo Credit: Camoin Associates

**Sawmill Crossing, Westbrook, ME.** Density: 14 units per acre.



Photo Credit: Camoin Associates

**Carriage Lane Townhouses, Portland, ME.** Attached townhouses. Units are 2-story, approximately 950 SF and 2 bedrooms each. Density: 10 units per acre.



Photo Credit: Ian Poellet. Used Under CC License.

# Mansion Apartments

**Description:** Mansion Apartments, sometimes referred to as Multiplex or Fourplex (when consisting of 4 units), is generally a detached 2 to 2.5 story structure that has 4 to 12 dwelling units, typically with a shared entry (rather than individual entrances). This housing type has the appearance of a medium to large single-family home. Units can be rented apartments or owned condominium units. The size of units typically ranges from 500 to 1,200 SF.

**Density and Zoning Standards:** This housing type is one of the best suited multi-family typologies to integrate into single-family areas as buildings often appear as the same size and style as single-family properties. However, this housing is often excluded from single-family areas where multifamily is not allowed.

### Typical Standards:

**Density:** 8 to 16 UPA (net) (Fourplex)

**Lot Sizes:** 0.25 to 0.5 acres

**Other:** Mansion apartments can have the same dimensional standards as single-family to maintain consistent community character

**Cape Elizabeth Zoning Alignment:** Under Cape Elizabeth Zoning, Mansion Apartments would be classified as multiplex housing or multifamily (depending on the zone). Under this classification, these housing types would not be allowed in the Town Center and Business District A zones as there is no possibility for the required ground floor commercial. They are simply not permitted in the BB and BC zones along with other multifamily housing types. While allowable in RA and RB zones, density maximums are significantly lower than needed. The Town's dimensional zoning standards for single-family homes could be applied to Mansion Apartments if this housing type is desired.

### Mansion Apartments Alignment With Cape Elizabeth Zoning

	RA	RB	RC	TC	BA	BB	BC
<b>Maximum Units per Acre</b>	0.66	2.2 (on sewer)	2.9	Not Permitted	Not Permitted	Not Permitted	Not Permitted
<b>Minimum Lot Size (Acres)</b>	10	1.84	5	Not Permitted	Not Permitted	Not Permitted	Not Permitted

Zoning is Aligned

Zoning not well Aligned

Not Permitted



Photo Credit: Avesta Housing

**Southgate, Scarborough, ME.** An historic farmhouse converted to affordable housing including a mix of studios, one-bedrooms, and two-bedrooms. Eight units are non-age restricted for low-income households. The project was completed and is managed by Avesta Housing.



Photo Credit: Camoin Associates

**Mansion Apartments, Somerville, MA.** An example of a 6-unit mansion apartments project that mimics the look of a single-family home.



Photo Credit: Author Unknown. Used Under Creative Commons License.

# Garden Apartments

**Description:** This housing type consists of a building or building(s) up to four stories in height. Garden apartments are a type of lowrise apartments and typically have amenities such as open space, pools, clubhouses, etc. Buildings above two stories typically have elevator access. These properties are popular with developers in suburban areas as they are typically less expensive to build than buildings with more stories as lowrise buildings can typically be built with wood-frame construction techniques.

**Density and Zoning Standards:** The most typical zoning constraints associated with garden apartment development are the exclusion from many (or all) residential zones and limitations on density through unit density maximums and/or height/area restrictions. Lowrise apartment buildings are typically allowed in and around community center areas and major commercial corridors. Design standards are typical to integrate with community fabric.

### Typical Standards:

**Density:** 20 to 30 UPA

**Other:** Height limitations can vary but typically up to four stories required to be economical to build.

**Cape Elizabeth Zoning Alignment:** Under Cape Elizabeth Zoning, garden apartments would be classified as multiplex housing or multifamily (depending on the zone). Under this classification, allowable unit per acre density levels are only within a reasonable range within the Town Center District, but required ground floor commercial and heights effectively prohibiting a fourth floor are unfavorable for this type of development. Garden apartments are simply not permitted in the BB and BC zones along with other multifamily housing types. While technically allowed in RA and RB zones, density maximums are significantly lower than needed making garden apartments effectively prohibited.

### Lowrise Apartments Alignment With Cape Elizabeth Zoning

	RA	RB	RC	TC	BA	BB	BC
<b>Maximum Units per Acre</b>	0.66	2.2 (on sewer)	2.9	14.52 UPA (when in mixed use building)	5.8	Not Permitted	Not Permitted
<b>Commercial Use Required</b>	No	No	No	Yes	No	Not Permitted	Not Permitted
<b>Maximum Building Height (ft.)</b>	35	35	35	35	35	Not Permitted	Not Permitted

Zoning is Aligned

Zoning not well Aligned

Not Permitted



Photo Credit: Camoin Associates

Scarborough Downs, Scarborough, ME. Lowrise Apartments.



Photo Credit: Camoin Associates

Scarborough Downs, Scarborough, ME. Lowrise Apartments.

## LD 2003 Impact on Housing Typologies

As previously discussed, the LD 2003 state legislation that was approved in April 2022 will bring mandatory zoning changes to Cape Elizabeth related to affordable housing. This section reviews the impact on the potential for the previously identified housing typologies.

One of the most significant changes from LD 2003 will include increased density allowance for multifamily affordable housing by 2.5 times the base density otherwise allowed in the Town's Growth Area (Residence B, Residence C, Town Center, and Business A zoning districts). The new allowable density limits are shown in the table to the right. It is important to note that these higher density limits apply only to multifamily projects that are restricted to affordable levels and would not apply to market-rate multifamily projects.

The higher density limits are much more conducive to the development of the seven housing typologies. For example, an ideal clustered cottage development would need density of at least 5 units per acre. Under Residence C zoning, density limitations (2.9 units per acre) would have prevented such a project. With the new density limitations, a clustered cottage project would be able to achieve sufficient density (if developed as an affordable multifamily project). However, the RC minimum lot size of 5 acres would still apply, which would still substantially constrain the potential to create this type of project within the community.

This example illustrates how LD 2003 may not substantially change the existing dynamics in Cape Elizabeth to facilitate substantial new affordable housing development. It should also be noted that the law's impact on other zones, particularly RA, is likely to be limited. In the RA zone, a second dwelling unit will be allowed on undeveloped lots where a single dwelling is allowed and for lots with a single-family building, an additional two dwelling units will be allowed).

Overall, it is expected that the Town will need to make additional changes to land use regulations beyond those mandated by LD 2003 if it wishes to meet a meaningful affordable housing creation goal. Potential strategies are discussed further in Section 5: Strategy Framework.

**Multifamily Affordable Housing Zoning Density Impacts from LD 2003 Legislation**

Designated Growth area Zoning District	Base (Existing) Density		LD 2003 Affordable Housing Development Density	
	Sewer	Subsurface Wastewater Disposal	Sewer	Subsurface Wastewater Disposal
<b>Residence B (RB)</b>	1 unit per 20,000 sq. ft. of net residential area	1 unit per 60,000 sq. ft. of net residential area	1 unit per 8,000 sq. ft. of net residential area	1 unit per 24,000 sq. ft. of net residential area
	2.2 Units per Acre Equivalent	0.7 Units per Acre Equivalent	5.4 Units per Acre Equivalent	1.8 Units per Acre Equivalent
<b>Residence C (RC)</b>	1 unit per 15,000 sq. ft. net residential area		1 unit per 6,000 sq. ft. net residential area	
	2.9 Units per Acre Equivalent		7.3 Units per Acre Equivalent	
<b>Town Center (TC)</b>	1 unit per 3,000 sq. ft. of gross lot area		1 unit per 1,200 sq. ft. of gross lot area	
	14.5 Units per Acre Equivalent		36.3 Units per Acre Equivalent	
<b>Business A (BA)</b>	1 unit per 7,500 sq. ft. of net residential area		1 unit per 3,000 sq. ft. of net residential area	
	5.8 Units per Acre Equivalent		14.5 Units per Acre Equivalent	

**Source:** Cape Elizabeth Planning Office; Unit-per Acre Conversions by Camoin Associates

# 3. ACHIEVING HOUSING CREATION GOALS

If the Town chooses to pursue the ambitious level goal of 450 units over 10 years, it will require denser forms of housing development than currently permitted by zoning regulations. The table to the right indicates the total development area (acres) that would be needed to achieve the ambitious goal for each individual housing typology using typical density levels, as discussed in the previous section. While in reality the ambitious goal would need to be achieved through a mix of housing types, this exercise shows the needed land use efficiency to meaningfully address the need for additional affordable/workforce housing in the community.

For example, the goal of 450 units over 10 years would require 206 acres of land if met through single-family homes built in the Town’s Residential C zoning district, which is unrealistic given constraints on land availability in the community. By comparison, one or more “starter home” developments at a greater density would require only 90 acres of land, thereby providing the same number of units while conserving 116 acres of land.

Other typologies offer greater land use efficiency and are also more realistic to achieve goals given the scarcity of suitable and available sites for housing development. Townhouse and clustered cottage development would require only 45 acres to meet the ambitious goal while mansion apartments and duplex/triplex units would require 38 and 32 acres (respectively). The densest housing typology, garden apartments, would meet the goal with only 18 acres of land. Again, while it is not suggested that any one individual typology be utilized to meet the ambitious goal (should the Town choose to pursue), the analysis indicates that a mix of denser housing typologies will be necessary.

**Achieving the Housing Goals: Acreage Needed by Typology**

Housing Typology	Units per Acre Density	Ambitious Goal		Moderate Goal	
		Total Developed Acres	Total Units Built	Total Developed Acres	Total Units Built
ADUs	N/A	N/A	450	N/A	200
Starter Homes	5	90	450	40	200
Townhouse	10	45	450	20	200
Clustered Cottage	10	45	450	20	200
Mansion Apartments	12	38	450	17	200
Duplex/Triplex	14	32	450	14	200
Garden Apartments	25	18	450	8	200
<b>Comparison: Single-Family Under Current Cape Elizabeth Zoning</b>					
Residential A (RA) Zone Homes	0.66	682	450	303	200
Residential B (RB) Zone Homes	2.2	206	450	92	200
Residential C (RC) Zone Homes	2.2	206	450	92	200

## Illustrative Scenario 1: Encouraging Garden (Lowrise) Apartments

The purpose of this scenario, as shown to the right, is to illustrate significant progress the Town would make towards meeting the ambitious goal if a realistic and achievable number of garden apartment projects were developed. While a comprehensive site identification and build out potential analysis is outside the scope of this study, three (3) garden apartments of approximately 3-acres (75 units) each (9 acres total) is considered reasonable for this scenario. As shown in the adjacent table, these projects would provide 225 units or 50% of the units needed to reach the ambitious goal, resulting in a still aggressive but potentially achievable number of projects/acres for projects of the other housing typologies.

## Illustrative Scenario 2: Achieving the Goal Without Garden Apartments

Scenario 2 illustrates the challenge of meeting the 450 unit ambitious goal without garden apartment development. The table to the right presents a hypothetical set of projects by typology type, each with an average acreage and density. While density levels and average acre can vary, this example shows an order of magnitude difference with Scenario 1. Excluding ADUs, Scenario 2 would require 32 housing development sites/projects compared to 19 in Scenario 1. Scenario 2 would also require approximately 10 more acres of developable land than Scenario 1 (and require greater adoption of ADUs). The set of projects in this scenario is robust and unlikely to be realistic within a 10-year timeframe in achieving the ambitious goal.

Overall, the illustrative scenarios demonstrate the value and importance of facilitating a few relatively larger garden apartment projects as these types of housing developments produce a substantially larger number of units with efficient use of land while also having potential to happen more quickly relative to numerous incremental smaller projects.

**Achieving the Ambitious Goal: Illustrative Scenario 1**

	Number of Projects	Avg. Acreage	Units per Acre Density	Total Development Acres	Total Units Built
ADUs	23	N/A	N/A	N/A	23
Starter Homes	3	3.5	5	10.5	53
Townhouse	2	2	10	4.0	40
Clustered Cottage	2	2	10	4.0	40
Mansion Apartments	8	0.5	12	4.0	48
Duplex/Triplex	1	1.5	14	1.5	21
Garden Apartments	3	3	25	9.0	225
<b>Total</b>				<b>33.0</b>	<b>450</b>

**Achieving the Ambitious Goal: Illustrative Scenario 2**

	Number of Projects	Avg. Acreage	Units per Acre Density	Total Development Acres	Total Units Built
ADUs	39	N/A	N/A	N/A	39
Starter Homes	4	3.5	5	14.0	70
Townhouse	2	2	10	4.0	40
Clustered Cottage	5	2	10	10.0	100
Mansion Apartments	16	0.5	12	8.0	96
Duplex/Triplex	5	1.5	14	7.5	105
Garden Apartments	0.0	0	25	0.0	0
<b>Total</b>				<b>43.5</b>	<b>450</b>



# 4. OPPORTUNITY SITES

## Overview

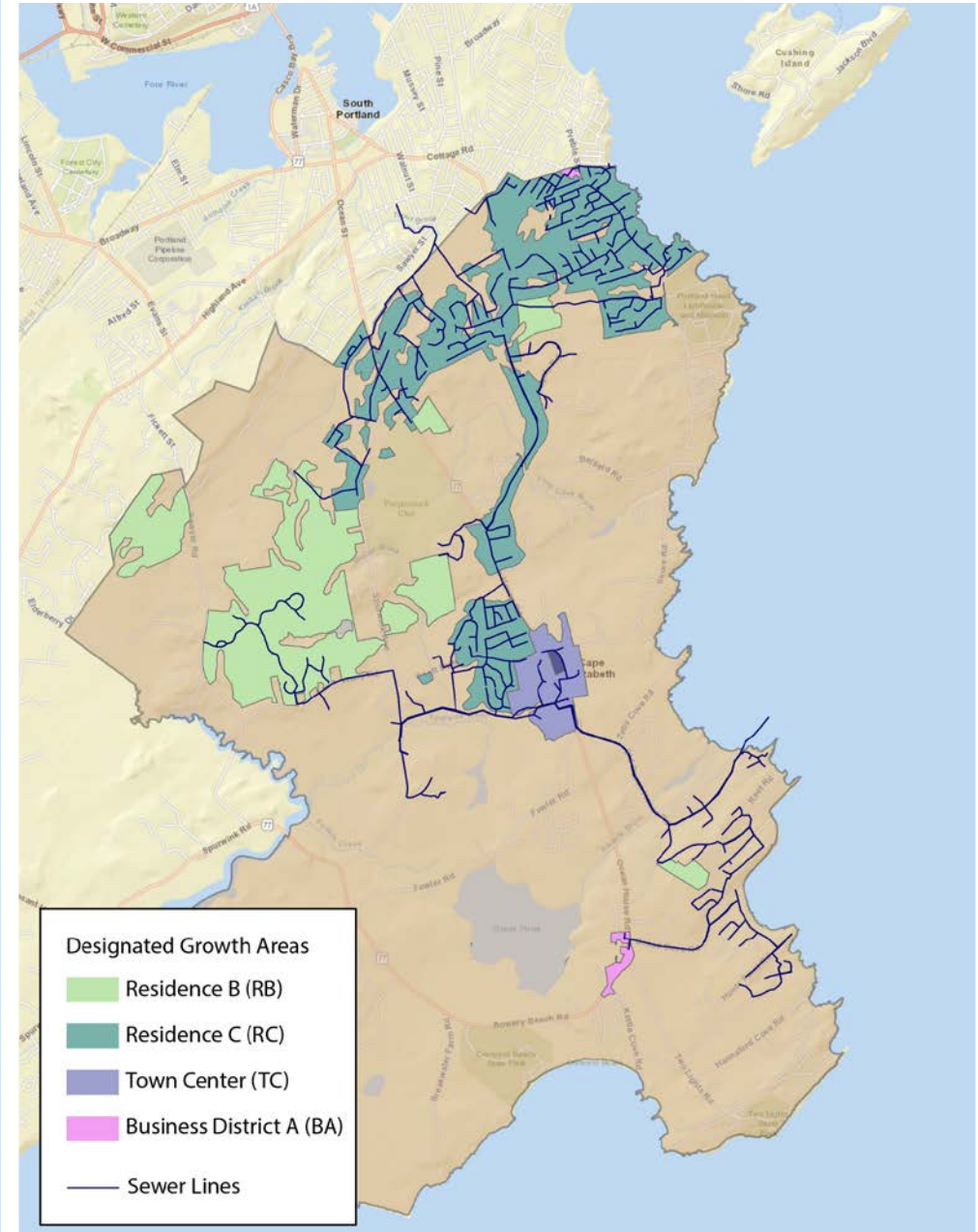
The Development Environment analysis included in Volume 1 found that the lack of suitable sites for housing development is one of the greatest challenges and barriers to adding new affordable and workforce-level housing to the community. In particular, there are few relatively unconstrained, well-sized, and infrastructure-served sites in the Town and within the Town's designated growth area.

This section further investigates the availability of properties suitable for the identified housing typologies to provide a better understanding of how land constraints may limit the potential of Cape Elizabeth to achieve any meaningful affordable housing goal. As discussed on the following pages, policy changes and proactive approaches to this issue will likely be needed given the severe lack of quality opportunity sites for future affordable and workforce housing.

## Cape Elizabeth's Growth Area

The Town's growth area includes four zoning districts that are generally well served by municipal sewer. As shown on the map to the right, these include Residence B (RB), Residence C (RC), Town Center (TC), and Business District A (BA). New housing development will likely need to be focused within the growth area where infrastructure is available, or areas within a reasonable distance of the growth area that could potentially be reclassified as needed to facilitate new housing projects.

Map: Cape Elizabeth Growth Areas



## Housing Opportunity Sites in the Growth Area

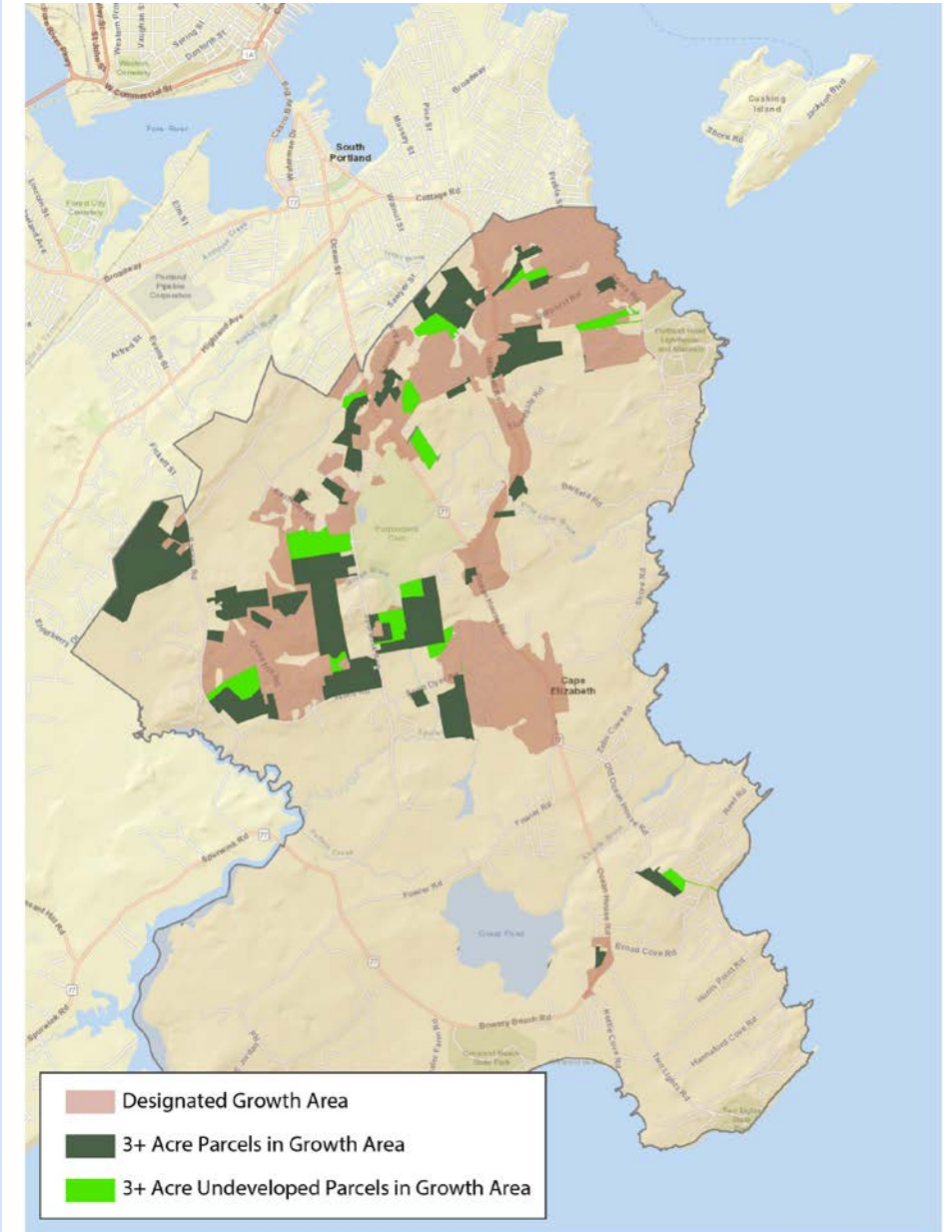
A simple assessment of properties that may have housing development potential is shown to the right to better illustrate the challenges of generating new affordable and workforce level housing within the existing Growth Area.

The adjacent map shows parcels that are three acres or larger within the Growth Area, recognizing that a sizeable lot will be needed to create a meaningful number of housing units. However, smaller parcels may be available and suitable for housing development. There are a total of 60 parcels three acres or greater within the Growth Area (or partially within). Of these, nearly half (47%) are in Residence C. These 60 parcels account for approximately 761 acres of land.

Of the 60 parcels, only 16 were found to be undeveloped. Together, these 16 parcels represent 134.6 acres of land. The average size is 8.4 acres while the median size is 4.8 acres.

The results show that the “pool” of large potential development sites in the Growth Area is very limited prior to the consideration of building constraints (wetlands), any permanently conserved lands, and the interest/willingness (or lack thereof) of private property owners. When these factors and others are considered, the availability of sites for substantial housing development is likely severely limited.

**Map: Large (3+ Acre) Parcels in Cape Elizabeth Growth Area**



## Looking Beyond the Growth Area

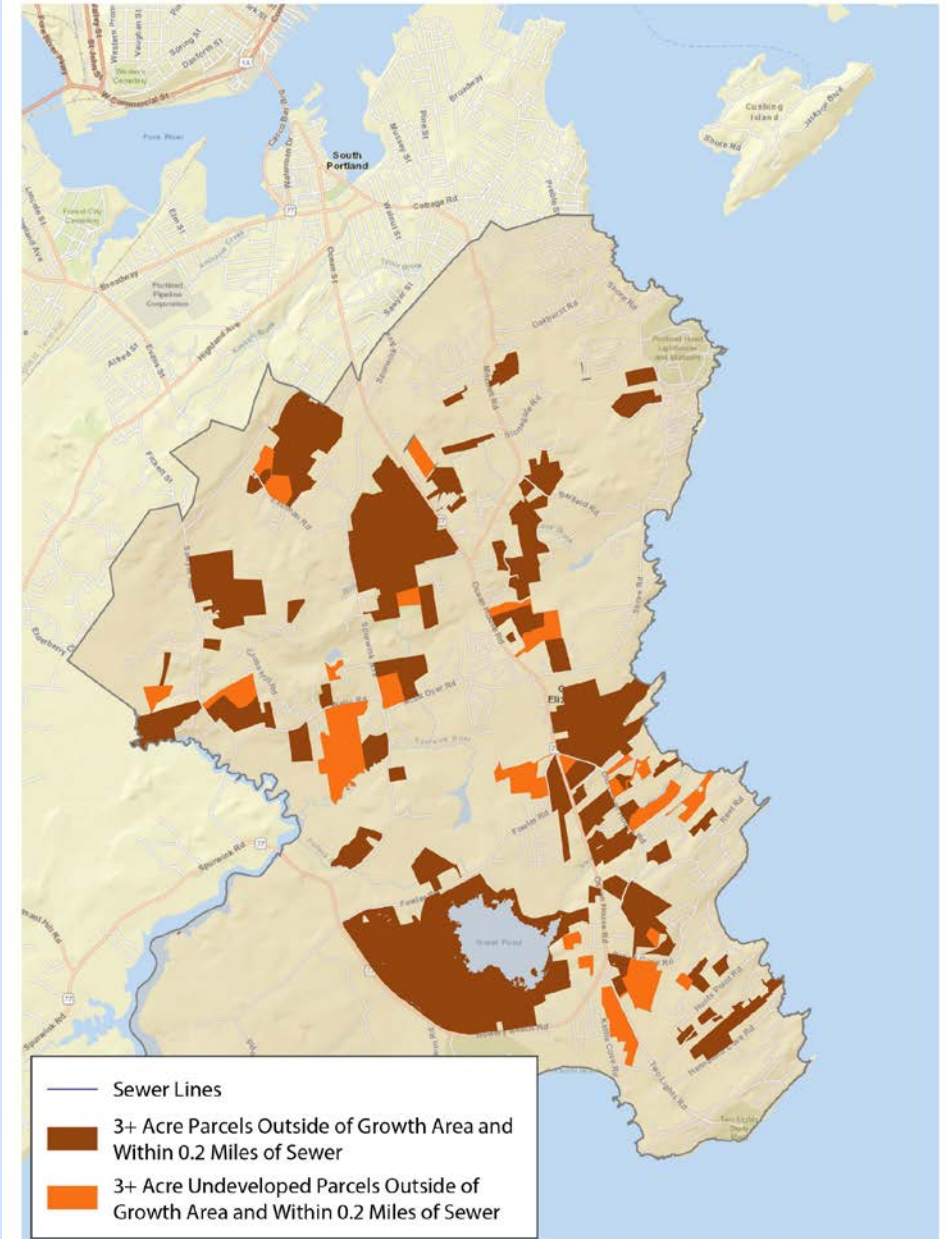
Given the limited availability of housing development opportunity sites within the existing Growth Area footprint, it may be prudent for the Town to consider strategic expansion of its designated growth area.

To better understand the opportunity sites that may exist outside of the Growth Area, an additional GIS mapping analysis was conducted to identify three acre and larger properties outside of the Growth Area but within a reasonable distance of existing sewer infrastructure. For the purposes of this analysis, a “reasonable distance” is defined as 0.2 miles.

The results indicate that there are 132 parcels that are at least three acres, fall outside of the Growth Area, and are within a reasonable distance of sewer. These properties represents nearly 1,900 acres. Virtually all of this land falls within the Town’s Residence A (RA) District. A total of 100 out of the 132 parcels have an existing building or buildings and 87 of the 100 are single-family properties. As such, actual housing development opportunity may be restricted as it would be dependent upon willing and interested property owners to sell or build/convert.

However, there are 32 parcels that are currently undeveloped (excluding four properties conserved in perpetuity by the Cape Elizabeth Land Trust). These parcels total nearly 474 acres. While additional investigation would be required to determine the housing development potential for these sites, this initial assessment suggests there are likely to be housing opportunity sites located in the RA District that could reasonably be served by sewer extensions. Therefore, expanding the Town’s Growth Area, such as through the strategic rezoning of select Residence A areas to Residence C, may be an effective strategy to overcoming land availability challenges and facilitating new development of affordable and workforce housing in the community.

**Map: Large Parcels Outside Growth Area and Near Sewer**



## RC District Lot Potential for Multifamily Housing

In March 2021, the Town's Planning Office conducted an analysis into the potential of RC lots for multifamily housing development potential. The following includes direct excerpts and paraphrasing of a memo to the Planning Board from the Town Planner on March 25, 2021.

*The analysis considered assessing data, GIS data layers, and knowledge of properties from other planning work. The high-level analysis grouped lots by size: 1 acre to less than 3 acres, 3 acres to less than 4 acres, and 5 acres or more.*

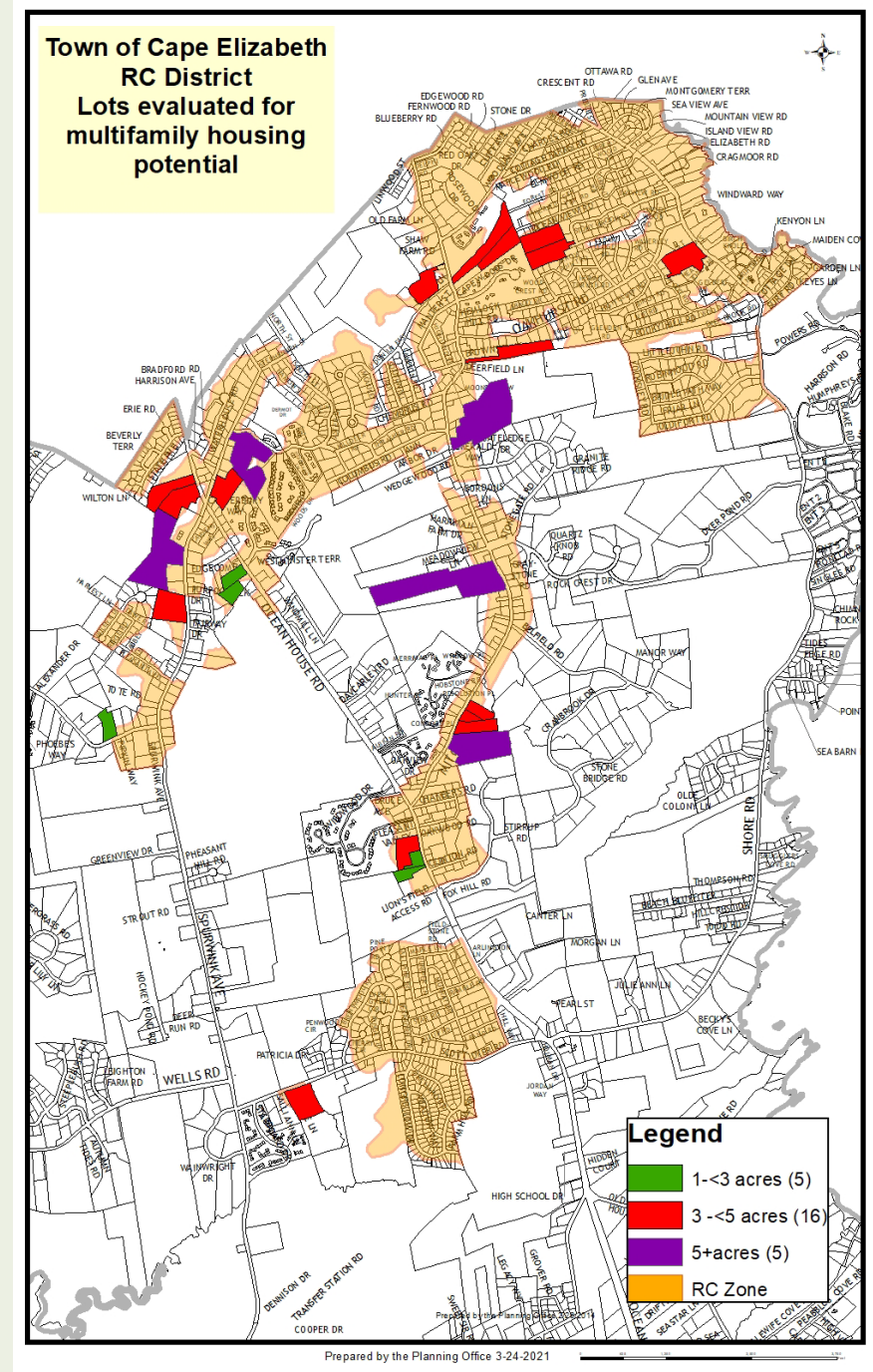
*To the extent practical, the evaluation included the following criteria:*

- All lots which are known to be preserved as open space (by deed) were eliminated*
- Lots that were known to be significantly limited by wetlands were eliminated*
- Lots that have already been/proposed to be developed with multifamily housing were eliminated.*

*For lots of 1 acre to less than 3 acres in size, only vacant lots were considered. For lots 3 acres or more in size, vacant and developed lots were included. Multifamily housing would only be allowed on lots of 5 acres or more in size.*

*Overall, the evaluation identified 5 lots in the 1 acre to less than 3 acre size range, 16 lots in the 3 acre to less than 5 acre range, and 5 lots in the 5+ acre size, the only lots currently allowed to apply for multifamily housing approval.*

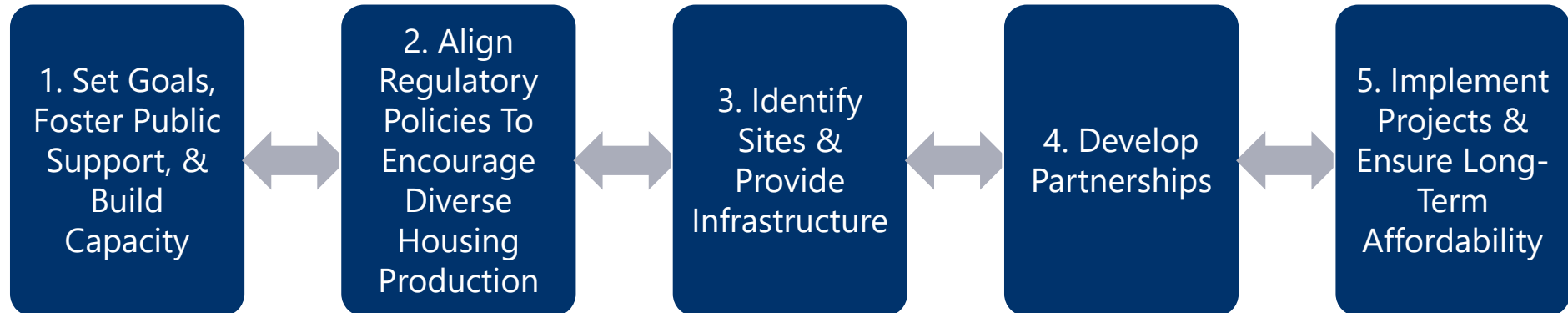
The results of this high-level analysis, shown on the map to the right, supports the conclusion that there are few suitable sites for affordable and workforce housing development within the existing Growth Area, particularly under current zoning regulations.



# 5. STRATEGY FRAMEWORK

This section presents potential strategies for housing diversification and affordable housing production. They are grouped into the following broad categories, with specific action items for each discussed. The 5 strategies should be thought of as critical components of an overarching framework that will help Cape Elizabeth advance housing goals.

At the end of this section is a summary table that indicates the expected impact of each strategy action item on advancing housing diversification in town, as well as the anticipated level of administrative effort required to implement each one.



## STRATEGY #1: SET GOALS, FOSTER PUBLIC SUPPORT, & BUILD CAPACITY

### Action Items

#### 1A: Set a goal(s) for affordable housing creation.

An essential first step toward implementation is ensuring that the Town is working toward common housing diversity goals that have been vetted by decision-makers and the public. This study provides a range of housing creation goals and objectives for targeting the town's various populations with unmet housing needs. It is now up to Town bodies to decide which of these goals and objectives the Town should work toward. Adopting a formal goal(s) with specifics around the desired number and price points of affordable housing units and an associated timeframe for production of these units ensures that the community is on track toward a concrete outcome.

*Example goal statement: "By 2032, Cape Elizabeth will create 200 new rental units affordable to households with incomes at between 50% and 100% of area median income."*

#### 1B: Educate the public on the case for housing diversity and build support.

Adopting such a goal will require public support, and therefore, an understanding of why housing diversity is important and how it benefits Cape Elizabeth. A range of public outreach initiatives will be needed to educate and build support. This may include educational sessions, employer focus groups, surveys, written materials, and opportunities for discussion.

#### 1C: Build capacity to address affordable housing needs.

Sufficient staff and committee capacity will be needed to ensure these strategies can be advanced swiftly. The Town has already created a Housing Diversity Study Committee to advance the discussion and assist with implementation. Additional staff capacity, whether internal or contracted, may be needed depending on the level of effort required. The summary table at the end of this section assesses the staff effort required for each action item presented.

## STRATEGY #2: ALIGN REGULATORY POLICIES TO ENCOURAGE DIVERSE HOUSING PRODUCTION

These action items represent a collection of policies that could be implemented to encourage diverse housing production in Cape Elizabeth. The specifics of individual regulatory policies will ultimately be shaped by community preferences around the location, intensity, and scale of future residential development in town. See Section 3 for typical density levels associated with various housing types.

### Action Items

#### 2A: Expand inclusionary zoning policy.

The Town's existing inclusionary zoning provision applies to all major subdivisions located in the RA, RB, and RC districts. The regulations requires that all Major Subdivisions in these zones set aside at least ten percent (10%) of the lots/units in the project as affordable housing for moderate-income buyers or five percent (5%) of the lots/units in the project as affordable housing for low-income buyers. The Town defines "Major Subdivisions" as those containing more than five (5) lots or requiring extension of municipal facilities or any new public road.

The Town might consider expanding the policy to apply to rental developments and/or adding other zones to the areas where it currently applies. A financial feasibility analysis should be run on any proposed alterations to this policy to ensure that it does not inadvertently end up precluding affordable development due to the underlying development economics.

#### 2B: Expand Growth Areas through strategic rezoning.

Growth areas (designated in the Town's Comprehensive Plan as zones RB, RC, TC, and BA) comprise a very small portion of Cape Elizabeth's land area, and thus significantly constrain the potential sites where higher-density residential development could occur. The Town should comprehensively assess possible development sites and consider expanding growth areas to include these locations.

#### 2C: Up-zone Growth Areas to allow for higher density housing development.

Increasing the supply of land that is zoned at a level that supports affordable housing development can be achieved by up-zoning some or all of the Town's growth areas. This will partially be achieved through the application of the requirements in LD 2003, which allows a 2.5x increase in base density for affordable multifamily development in growth areas. Further increasing density may be needed to allow for flexibility in buildable housing typologies and ensure that desirable affordable housing projects pencil out financially.

Beyond density limits, minimum lot sizes are a significant limiting factor in allowing higher density levels. These should be re-examined and reduced where practicable.

## 2D: Expand density bonus policy.

The Town already has a density bonus policy in place as part of its Mandatory Affordable Housing Provisions that allow an extra lot/unit to be developed for each moderate-income affordable lot/unit provided and two extra for each low-income affordable lot/unit provided.

This policy might be significantly expanded as a tool for up-zoning in key areas (as discussed in Action Item 2C). Beyond allowing one or two additional units when an affordability component is included, the Town might consider more significant density increases specifically for projects with a high share of affordable units (50%+). Up-zoning regardless of price point will result in the development of more housing units, but these units are unlikely to be priced affordably given high land values. A more targeted policy could allow for more density as of right, but only for developments that meet a specified threshold of affordability (in terms of share of units, tenure, and/or affordability levels).

## 2E: Reduce or remove planning, permitting, and/or impact fees for affordable housing.

Reducing or removing any planning, permitting, and impact fees associated with residential development for affordable housing projects can help close any funding gaps. Criteria should be provided that specify when such reductions might apply.

## 2F: Streamline the approvals process.

Reducing uncertainty for housing developers with respect to the local approvals process saves time and money and lessens risk. Developers should be made aware of the specific steps in the

process, including the different bodies and meetings they will have to attend, documentation they must provide, and timeline for navigating each stage in the process. Efforts should be made to fast-track projects that align with the Town's preferred development types and housing goals. A brief "Guide for Affordable Housing Developers" can be compiled to alert developers as to what they can expect.

## 2G: Develop criteria for TIF.

Tax Increment Financing (TIF) is a development finance tool that can be used to make housing projects affordable by using incremental property tax revenue generated by the project to pay for related costs. There are two types of TIF districts that can be used for housing, each with specific requirements and limitations as described in Appendix: Funding Sources).

The Town should establish clear criteria on the types of housing projects for which it would consider creating or amending a TIF district and entering into a development agreement with a housing developer. The criteria should reflect the State requirements of the TIF programs and any additional local criteria.

Included should be guidance that lays out the preferred term length for a TIF agreement and share of incremental property tax revenues the Town would be willing to offer the developer. The review and approval process should be clearly laid out.



## 2H: Encourage accessory dwelling units.

Accessory dwelling units offer the potential to increase the Town's "naturally occurring" affordable housing stock while fitting in with the Town's existing character. With their small footprints, they are relatively inexpensive to construct and can therefore be rented at out at lower rates than other market-rate rental units. They can also provide a source of income for the homeowner.

Relaxing restrictions on accessory dwelling units makes it easier for homeowners to add these units. To comply with LD 2003, the Town will need to allow detached ADUs, whereas currently only attached ADUs are permitted. Other changes to the Town's ADU policy might be considered, such as: decreasing the minimum lot size or primary dwelling size currently required; not restricting the number of persons living in the ADU; and not restricting the nature of the relationship between the occupants of the ADU and the primary dwelling.

## 2I: Maintain short-term rental regulations and periodically evaluate effectiveness.

As discussed in Volume 1, the number of active short-term rentals in Cape Elizabeth has trended downward over the last few years, suggesting that the Town's short-term rental policies have been effective in restricting the number housing units used for this purpose. This helps increase the supply of year-round rental options, as property owners who might otherwise use their property as a short-term rental would instead rent into a year-round household.

The Town should continue to monitor the impacts of this policy to ensure it is resulting in its intended effect.

## 2J: Reduce parking minimums.

Developers seek maximize the buildout potential (or "yield") of a particular parcel, and parking can often be a significant limiting factor. Reducing or removing parking minimums can allow the developer to better optimize the limited acreage of a site and prioritize dwelling units and greenspace over parking.

The Town currently requires 2 spaces per unit for both single-family and two-family dwellings. For multiplex and multifamily dwellings, the Town requires 1.5 spaces per one-bedroom unit, 1.75 spaces per two-bedroom unit, and 2 spaces per unit with 3+ bedrooms. While these standards are reasonable, the Town might consider reducing parking requirements for two-family and multiplex/multifamily units and allow the market to decide the appropriate number of spaces given the target demographic of any given project.

## STRATEGY #3: IDENTIFY SITES & PROVIDE INFRASTRUCTURE

### Action Items

#### 3A: Compile a prioritized inventory of potential housing development sites.

A prioritized inventory of sites is a critical foundational step towards allocating limited public resources to the most impactful projects and recruiting private developer interest and investment in projects. Important criteria for identifying sites include:

- Sufficient size – ideally at least 2-3 acres of developable land
- Served by or in close proximity to water/sewer infrastructure
- Appropriately zoned (or politically feasible to be rezoned)
- Willing property owner
- *Not essential, but preferable:* near schools, services/shopping, and employment opportunities and served by pedestrian/bicycle facilities

It should be recognized that many sites identified are likely to be private property, and that property owners may choose not to develop their property.

**The list of priority sites should comprise enough developable acreage to accommodate the number of units in the Town's stated housing goal(s) at the housing densities desired.**

#### 3B: Connect owners of key sites with housing developers.

In some cases, property owners of suitable affordable housing sites may not be aware of the development potential of their land. Meeting with these individuals and assessing their willingness to sell (or even donate) all or part of their property for affordable housing can be a useful first step in making a match between a developer and a site.

#### 3C: Acquire sites with housing development potential.

The Town may wish to acquire key sites to ensure they are used for future affordable housing development and not sold for another purpose. With strong development pressure for market-rate housing, prime sites are likely to be snapped up quickly. If a key site comes on the market, the Town can step in and acquire it to prevent a lost opportunity. Land acquisition also be achieved through a partner entity, such as a housing trust (see Action Item 4A).

#### 3D: Address infrastructure gaps for key development sites.

For priority sites not currently served by water and sewer infrastructure, the Town can advance work on the improvements that would be needed, such as conducting preliminary engineering work and developing cost estimates, and/or funding the improvements themselves. This information can be presented to interested developers, reducing pre-development costs and uncertainty.

## STRATEGY #4: DEVELOP PARTNERSHIPS

### Action Items

#### 4A: Engage existing local/regional housing non-profits and/or establish a local housing trust.

Non-profit organizations can serve as a valuable partner to the Town in working toward affordable housing creation goals. In particular, a housing trust or a community land trust is a common model. The trust can take on functions including acquisition of properties or development sites, identifying and preparing state and federal grant applications, donor fundraising, and program administration.

Housing trusts in Maine that might serve as a model for Cape Elizabeth include the [Kennebunkport Heritage Housing Trust](#) and [Island Housing Trust](#) on Mount Desert Island.

#### 4B: Engage local and other Maine-based affordable housing developers.

Proactive outreach to the development community should be undertaken at various stages in the implementation process. Developers can provide valuable feedback on existing regulatory hurdles and can offer suggestions on how to adjust land use policies or incentive programs so that they result in the outcomes intended by the Town. Oftentimes communities implement well-intentioned affordable housing policies that do not have the desired effect because they ignore the financial considerations of developers.

Once the Town has developed goals and made progress on removing barriers to diverse/affordable housing creation, efforts

should be shared with the development community. For example, the Town might host a “developers’ summit” with a brief presentation followed by a tour of potential development sites. Alternatively, one-on-one meetings and tours with potential developers might be arranged.

Simple marketing materials might be prepared, such as a brochure with basic information about housing development opportunities on specific sites.

#### 4C: Collaborate regionally on housing efforts.

Housing affordability is a region-wide problem that does not stop at municipal borders. A recent study by [Up for Growth](#) found that housing production in the Portland metro area (Cumberland, Sagadahoc, and York counties) between 2012 and 2019 fell short of the need by over 8,000 units.

Because the housing market is regional, when certain communities restrict housing production, the onus falls on more development-friendly communities to build more in order to accommodate the region’s growing population. Housing underproduction has reached a level at which this model is no longer sustainable, and all communities must do their part in alleviating the housing shortage to ensure the ongoing economic wellbeing of the region.

The Town should remain open to participating in dialog with other communities in the Greater Portland area and collectively set and work toward affordable housing creation goals. Collaboration might be facilitated by the Greater Portland Council of Governments or other regional organizations.

## STRATEGY #5: IMPLEMENT PROJECTS & ENSURE LONG-TERM AFFORDABILITY

### Action Items

#### 5A: Implement affordable housing projects through public-private partnerships with developers.

It is imperative for the Town to actively engage in supporting affordable housing development projects rather than rely on or expect the private market to address the region's shortage of attainable housing. The economics of developing such housing are often prohibitive, requiring partnerships with development entities that can take a variety of forms, including but limited to the following:

- The upfront public provision of infrastructure such as water/sewer service
- Conveyance of publicly owned or controlled land at no cost or reduced cost
- Securing grant funds to support housing development projects that are not available directly to development entities (see Appendix: Funding Sources).
- Entering into tax-increment financing (TIF) Credit Enhancement Agreements with developers or utilizing other TIF funds to support projects (see Appendix: Funding Sources).

#### 5B: Ensuring ongoing affordability of housing units created.

Beyond developing housing units that are affordable at the time of creation, it is critical to ensure the long-term affordability of these units. This guarantees that affordable units will not be rented or resold at non-affordable price points in the future. For example, LD 2003 obligates municipalities to require the owner of an affordable housing development to have executed a restrictive covenant to ensure 30 years of affordability for both rental and owner units.

Cape Elizabeth's existing mandatory affordable housing provisions (which only govern owner-occupied units) require that affordability to low- and moderate-income buyers be preserved for 99 years.

Simply setting a timeframe may not be sufficient to ensure the units indeed remain affordable; both rental and for-sale units require effective monitoring with well-designed resale procedures to ensure they are not released onto the open market, foreclosed upon, allowed to fall into disrepair, etc. To reduce the administrative burden on municipal staff, oftentimes monitoring is administered by partner organizations, such as a community trust (see Action Item 4A).

Adherence to a minimum affordability timeframe should be a requirement for taking advantage of any expanded density bonus programs (see Action Item 2D).

# SUMMARY OF STRATEGIES AND ACTION ITEMS

Strategy	Action Item	Impact on Housing Diversification	Level of Administrative Effort
<b>1. Set Goals, Foster Public Support, &amp; Build Capacity</b>	1A Set a goal(s) for affordable housing creation.	High	Low
	1B Educate the public on the case for housing diversity and build support.	High	High
	1C Build capacity to address affordable housing needs.	High	Medium
<b>2. Align Regulatory Policies To Encourage Diverse Housing Production</b>	2A Expand inclusionary zoning policy.	Medium	Medium
	2B Expand Growth Areas through strategic rezoning.	High	Medium
	2C Up-zone Growth Areas to allow for higher density housing development.	High	Medium
	2D Expand density bonus policy.	High	Medium
	2E Reduce or remove planning, permitting, and/or impact fees for affordable housing.	Low	Low
	2F Streamline the approvals process.	Medium	Medium
	2G Develop criteria for TIF.	Medium	Medium
	2H Encourage accessory dwelling units.	Medium	Medium
	2I Maintain short-term rental regulations and periodically evaluate effectiveness.	Medium	Medium
	2J Reduce parking minimums.	Low	Low
<b>3. Identify Sites &amp; Provide Infrastructure</b>	3A Compile a prioritized inventory of potential housing development sites.	High	High
	3B Connect owners of key sites with housing developers.	Medium	Medium
	3C Acquire sites with housing development potential.	High	High
	3D Address infrastructure gaps for key development sites.	High	High
<b>4. Develop Partnerships</b>	4A Engage existing local/regional housing non-profits and/or establish a local housing trust.	High	Medium
	4B Engage local and other Maine-based affordable housing developers.	Medium	Medium
	4C Collaborate regionally on housing efforts.	Medium	Medium
<b>5. Implement Projects &amp; Ensure Long-Term Affordability</b>	5A Implement affordable housing projects through public-private partnerships with developers.	High	Medium
	5B Ensuring ongoing affordability of housing units created.	High	Medium

# APPENDIX: FUNDING SOURCES



Funding Source	Description	Use Discussion
<b>Affordable Housing Tax Increment Financing (AHTIF) – Maine Housing (MSHA)</b>	<p>The AHTIF Program offers municipalities a flexible financing tool to assist affordable housing projects and support related infrastructure and facilities by designating a specific area of the municipality as an affordable housing development district and adopting an affordable housing development program for the district. AHTIF enables communities to use the incremental tax revenues from the affordable housing district to help make the housing affordable and to pay for related costs.</p>	<p>Eligible uses of incremental tax revenues from a district include:</p> <p><u>Costs inside the AHTIF district:</u> Capital and operating costs of affordable housing and public infrastructure improvements, related soft costs, support services for residents of the affordable housing, and costs of recreational and childcare facilities.</p> <p><u>Costs outside the AHTIF district:</u> Costs outside the AHTIF district can be funded with tax increment revenues from the district only if those costs are directly related to or made necessary by the establishment or operation of the district, and then only to a proportional extent. Examples include infrastructure and public safety improvements, costs to mitigate adverse impacts (including to local schools), and costs to establish a permanent housing development revolving loan or investment fund.</p> <p>An Affordable Housing TIF, a program of Maine Housing , can be used to support housing development. The challenge for this program is that it requires: “At least 33% of the housing units in the AHTIF district must be for households earning no more than 120% of area median income,” and “the affordability of rental units must be maintained for at least 30 years, and the affordability of homeownership units must be maintained for at least 10 years.” “Affordability” as defined by Maine Housing may not be directly compatible with “workforce” housing.</p>
<b>Maine Department of Economic &amp; Community Development (DECD) Tax Increment Financing (TIF)</b>	<p>Through a DECD TIF, any portion of the new taxes generated by a specific project or projects within a defined geographic district may be used to finance public or private projects for a defined period of time up to 30 years.</p> <p>The Program is locally-driven: The municipality or plantation defines the district size, determines the amount of new taxes to be captured, identifies allowable public and private projects along with the term up to 30 years, with the whole package requiring local political approval.</p> <p>A business may approach a municipality with a proposal for investment for which a TIF district would provide financing. Or, a municipality may take advantage of an already-planned and financed project and create a TIF district around it, capturing a portion of new property tax revenue for specific public uses.</p>	<p>The Maine Department of Economic and Community development (DECD) TIF can also be used for housing. DECD TIF’s can be used for housing projects that are not ownership (meaning rentals) and are seen as supporting economic development. They cannot be used for condos or owner-occupied single-family homes. They have the benefit of no housing affordability requirements.</p> <p>Municipalities can utilize TIF funds toward (rental) housing projects in a number of ways:</p> <ol style="list-style-type: none"> <li>1. TIF Credit Enhancement Agreement would credit back to the developer a percentage of the increased taxation value in paid taxes to offset development costs.</li> <li>2. TIF can be used as a loan guarantee on financing.</li> <li>3. TIF funds can be used toward certain public and private infrastructure costs.</li> <li>4. TIF funds can be used to update local zoning to improve housing density and/or establish density bonuses on lots connected to public water and sewer.</li> <li>5. Town TIF can be used as leverage or matching funds for grant applications.</li> </ol>

Funding Source	Description	Use Discussion
<b>MSHA Affordable Homeownership Program (new for 2022)</b>	<p>This new program is funded by the American Rescue Plan Act through the Maine Jobs &amp; Recovery Plan and is intended to help lower the costs to developers building single-family subdivisions by providing zero percent, forgivable loans. The funding will help offset rising costs to developers for land acquisitions, labor, and materials.</p>	<p>Developers are required to set aside homes in a subdivision as Affordable Homeownership Units that will be sold to homebuyers who earn up to 120% of Area Median Income (AMI). A minimum of five (5) single-family homes in a subdivision must be designated as Affordable Homeownership Units. Homes must be new (never previously occupied) and single-occupancy single-family homes.</p> <p>The minimum forgivable loan amount is \$300,000 and the maximum forgivable loan amount is \$1,400,000 per affordable single-family housing development. The maximum forgivable loan amount per Affordable Homeownership Unit is \$70,000 in Cumberland, Sagadahoc or York counties, and \$60,000 in the remaining 13 counties of the State. Developers participating in the Subdivision Program will not be allowed to access additional subsidy from MaineHousing, however homebuyers may receive subsidy for down payment and closing costs.</p> <p>The program is very similar to the previous Affordable Housing Subdivision Program); however, it provides significantly more subsidy per home (\$60,000 vs. \$25,000) and a greater per project maximum forgivable loan (\$1,400,000 vs. \$450,000).</p>
<b>MSHA Low Income Housing Tax Credit Program</b>	<p>The Low Income Housing Tax Credits are a federal resource that MaineHousing allocates in Maine. The credits are allocated to developers, who sell (syndicate) them to corporate investors. Money raised from the sale is used as equity in the developer's rental housing project.</p>	<p>This is a highly competitive program that is based on a series of scoring criteria and it may be difficult for the region's municipalities to compete. Additionally, the program is targeted toward lower levels of affordability and includes restrictions that do not necessarily align with goals for workforce-level housing.</p>
<b>MSHA Rental Loan Program</b>	<p>The Rental Loan Program (RLP) through MaineHousing provides long-term mortgage financing at attractive interest rates for development of affordable rental housing.</p>	<p>The RLP may be used for acquisition, acquisition and rehab, or new construction of apartment buildings of five or more units; developers must reserve a portion of the units for lower income renters.</p>
<b><u>Community Development Block Grants (CDBG)</u></b>	<p>Each year the State of Maine receives a formula allocation of funding from the Department of Housing and Urban Development to be distributed to eligible Maine communities under the Community Development Block Grant Program.</p>	<p>Municipalities can apply for these funds, which can pay for roads, water and sewer to support housing projects. The State has money set aside for rural housing of \$500,000 to \$800,000 per year.</p>



Funding Source	Description	Use Discussion
<b>Community Solutions Grant - MaineHousing</b>	<p>Provides matching grants to municipalities that are taking a lead role in creating or preserving affordable housing in their communities. The grants are flexible and locally driven; each successful municipality determines how best to address their affordable housing needs.</p>	<p>Municipalities may request up to \$500,000 in Community Solutions Grant funds for the creation or preservation of affordable housing units. Applicants must demonstrate a commitment to address their community's affordable housing needs. Grantees must partner with other entities and commit municipal resources. Municipalities with local public housing authorities are encouraged to partner with their local public housing authority in developing a proposal. Interested parties are invited to submit a thoughtful proposal offering a clear solution to their community's identified housing needs.</p> <p>Municipalities must demonstrate that they are bringing additional resources to the table with a value equal to or greater than the Community Solutions Grant requested. Such resources may include without limitation personnel, zoning provisions, other in-kind contributions, and additional funds.</p> <p>Towns can be the application for this grant and play the role of the required non-profit partner. Providing increased density and TIF can serve as a town's required local match. It should be noted that units that benefit from CSG funds must all be for households earnings 80% of AMI or lower.</p>
<b>Federal Home Loan Bank – Affordable Housing Program (AHP)</b>	<p>This Affordable Housing Program supports the development and rehabilitation of stable and affordable rental apartments and for-sale homes throughout New England. Federal Home Loan Banks must contribute 10% of their net income from the previous year to affordable housing through the AHP. The minimum annual combined contribution by the 12 Federal Home Loan Banks must total \$100 million. Member banks partner with developers and community organizations seeking to build and renovate housing for low to moderate income households.</p>	<p>AHP consists of two programs: a competitive application program and a homeowner set-aside program. If rental housing is developed with AHP funds, at least 20% of the units must be reserved for and be affordable to households with incomes below 50% of AMI. Owner-occupied housing must be occupied by households with incomes below 80% of the area median income (AMI).</p> <p>The program requires a non-profit partner but a town can play that role.</p>
<b>U.S. Department of Housing and Urban Development Mortgage Insurance for Cooperative Housing <a href="#">HUD 213</a></b>	<p>Insures mortgage loans to facilitate the construction, substantial rehabilitation, and purchase of cooperative housing projects. Each member shares in the ownership of the whole project with the exclusive right to occupy a specific unit and to participate in project operations through the purchase of stock. Insures lenders against loss on mortgage defaults.</p>	<p>Section 213 enables nonprofit cooperative housing corporations or trusts to develop or sponsor the development of housing projects to be operated as cooperatives. Section 213 also allows investors to provide good quality multifamily housing to be sold to non-profit corporations or trusts upon completion of construction or rehabilitation.</p>

Funding Source	Description	Use Discussion
<b>U.S. Department of Housing and Urban Development mortgage Insurance for Single Room Occupancy Developments - HUD 221 D4</b>	Insures mortgage loans for multifamily properties consisting of single-room occupancy (SRO) apartments. There are no Federal rental subsidies involved with this SRO program. It is aimed at those tenants who have a source of income but are priced out of the rental apartment market.	SRO projects generally require assistance from local governing bodies or charitable organizations in order to reduce the rents to affordable levels. Although SRO housing is intended for very low-income persons, the program does not impose income limits for admission.
<b>Limited Equity Housing Cooperative</b>	A corporation that owns the building and the residents own shares in the corporation. It is known as a "limited equity" coop because the purchase price for the units / shares is limited (lower) and there are income limits for the residents.	The benefit for the owners / shareholders is a lower, fixed cost of housing versus a traditional project where ROI / Return on Investment is the main focus. This approach can be combined with the other affordability programs like low interest loans, grants, TIFs and first-time homebuyer programs.