

Executive Summary

This study was undertaken as part of the city's comprehensive long-range planning effort and its invitation to become an "entitlement community" by the U.S. Department of Housing and Urban Development Community Development Block Grant Program. This study is intended to provide the housing and homelessness needs assessment and the housing market analysis components; two of the five required HUD components that will make up the community's 3-5 year Consolidated Plan.

As part of the study, a review of the demographic and economic history of the City of South Portland and the greater Portland region was completed. This review found that the city's population both historically and currently continues to grow more slowly and has a younger population than either the state as a whole or Cumberland County. As commuting time and numbers of commuters within Cumberland County increase, the City of South Portland continues to build itself as an employment center for the greater Cumberland County region, with its major employment sectors being services, retail trade, and manufacturing. The city's median income in 1999 (from the 2000 Census) was significantly greater than that of the state yet it was slightly below that of the county as a region. It is apparent that this is a reflection of the younger population base and the job base. This is supported by the trend that even as the city's job base has increased, those jobs have tended to be in sectors with lower average wages.

The number of owner occupied housing in the city has increased over time, and this has resulted in a shift to owner versus renter housing. As this has occurred, there has been a decline in the size of the households and the average number of persons per housing unit. Declining household size and the decline in the average number of persons per year-round housing unit means that the city and regional housing stock must work much harder to house each 1,000 persons in the population today than was the case back in 1990. This, in part, begins to explain the rising housing cost pressures that have been occurring in the city and in the entire Cumberland County region over the last 5-6 years—as housing market sales activity in the Greater Portland region has accelerated following the very slow period of the early 1990s. Favorable interest rates have helped to accelerate the housing market sales activity in the city and in the region. However, even in this favorable interest rate environment, housing cost pressures have increased in the city and the county for both owners and renters.

Although affordability pressures have increased, the still generally favorable affordability burdens in the 80% of regional median income and above categories for both owner and renter units are indicative of a generally "housing-friendly" situation in the community. More specifically, between 8 of 10 renter units and more than 3/4 of the owner units were "affordable" to the city's households at the 80% of estimated median household income and above levels in calendar 2003. That snapshot

assessment obscures a concern for the city when reviewing the distribution of recent sales data of single-family homes by HUD affordability categories. These data show a clear trend toward worsening affordability. Looking at the number and share of total housing sales transactions over the 1997-2003 period, the highest end of the home price spectrum in 2003 has risen in prominence to comprise the largest share of single family home sales in the city—dominating the lowest two affordability categories by a factor of more than two times.

To better understand and quantify the housing needs and homelessness assessment, a forecast of economic and demographic trends for the greater Portland metropolitan area was conducted. The forecast finds only relatively modest changes in the overall job mix structure of the region during the 2003-13 period. The employment sectors with the largest gain in employment share in the region included: Professional and Business Services, Leisure & Hospitality, and Education & Health Services. The losing categories in this regard were Manufacturing and Retail Trade. According to the baseline population forecast, the number of city residents is expected to increase by just over 600 residents between 2003 and 2013. The age category with the largest number of resident persons added during the 2003-13 time frame, Age 45-54, is forecasted to post the largest absolute population increase. The city is projected to experience an increase of 0.5% per year in new households over the 2003-2013 time horizon—which is significantly lower than the average annual rate of increase over the 1990-2003 period and is about 1/3 slower than the annual increase recorded during the decade of the 1990s. Yet increase pressure will be felt on the city's housing market as households continue to decrease in size.

The results of the city's Gap analysis show that the supply and demand for Renter Units appear to be in "general balance" in the city as of 2003—the result of significant additions to the city's inventory over the 2002-03 period (However, there is a significant unmet unit need when evaluated relative to recent experience with renter unit additions that do not include the exceptional 2002-03 period). For Owner Units, this analysis showed a projected total housing unit need of roughly 144 units in the year 2003. That corresponds to roughly 1 ½ to 2 years of unit inventory additions—using the 2000-03 actual unit addition rate experience in the owner category in the city (including condominiums). As an example of the pressure on housing costs and supply, it was found the South Portland Housing Authority currently has a waiting list for Section 8 vouchers that is 250 names long. The amount of time it may take a person to be served is approximately 10 months and the Authority has never had a vacancy. The waiting list for public housing though the Authority is approximately 150 households, and the list never shortens. Of the 294 affordable housing units available to families in the city, a vast majority of them were built by MSHA resources, and currently a private developer is proposing to build a mixed-income project with 300 units in South Portland where at least 150 of the units are expected to be reserved for affordable housing.

The homelessness assessment found that in fiscal year 2003, the city estimates they served between 84 and 98 homeless households. As of March 2004, the Welfare

office has seen a 15% increase in unique cases assisted. However, total number of visits has increased by 34%. Most telling about this data is that the number of homeless households being denied service or need additional visits is increasing at a faster rate than those assisted. The city provides a range of services to help both the homeless and other impoverished citizens, but does not have any “homeless shelters”. Currently there are two youth facilities (one for each gender) and four transitional housing facilities in the city. People’s Regional Opportunity Program (PROP) operates seven housing service programs and five community service programs and recorded approximately 11% and 11.7% of the households supported in the housing and community service programs, respectively, from the city. Currently the demand for such community services exceeds supply, and the trend is expected to continue into the future as demands of the community services are expected to continue to increase.

This study presents a menu of options that could be employed to: (1) evaluate what the city already does with respect to all or parts of these “best practices options,” and (2) evaluate what policies or aspects of these policies it may wish to undertake for those options or parts of those options that it presently does not do. This study recommends a set of proposed evaluative criteria that could act as a framework from which to guide the evaluation of future growth-housing policy proposals. Among the above-referenced menu of “best practices” options for the city includes tools such as: inclusive zoning, workforce housing coalition or roundtables, mixed-use/mixed-income developments, fair share approaches, and tax increment financing districts to promote the availability of affordable housing across the full price range spectrum.

Introduction

A. Why was this Study Undertaken

This study was undertaken as part of the city’s comprehensive long-range planning effort and its invitation to become an “entitlement community” by the U.S. Department of Housing and Urban Development Community Development Block Grant Program. This study is intended to provide the substance of two of the five components that will make up the community’s 3-5 year Consolidated Plan. Included here are the housing and homelessness needs assessment and the housing market analysis components of the city’s plan. This study identifies and documents the changing regional economy of the greater Portland Maine metro area and the City of South Portland and discusses the relationship between the regional economy and homelessness, housing affordability and supply of and demand for housing in South Portland.

Since the 1990’s, the regional economy has experienced a shift from a manufacturing based economy to one that is more diverse. In addition to the changing economic composition, the Portland Metro region’s population has been aging—like the population of the nation and the state as a whole—and experiencing other

demographic shifts underway as well. These recent shifts in the demographic and economic base of the region and the city's still evolving role in the region have changed housing markets and have affected homelessness, housing demand, and housing supply in significant ways.

What are the city's options for addressing the evolving housing needs? What type of housing is most likely to be required? Where can additional housing be developed in the city, and at what price ranges can this housing be developed? What tools are available to the region to help meet the city's new housing demand? This study is expected to lead the community toward well-reasoned and specific actions to be employed in the annual action plan portion of the above-referenced Consolidated Plan.

B. Study Approach

The study began with a compilation and analysis of objective economic, demographic and housing data—including data from both primary and secondary data sources relating to the regional economy, the regional workforce, regional housing demand, regional real estate markets, and population. The study draws on information from the 1980-2000 Census, national economic databases, data from the U.S. Bureau of Labor Statistics for the State, the Greater Portland metro area, and the city, public agencies and departments in the state, the tax list database of the city, data on building permits and new residential occupancies, local real estate sales data, interviews with local housing agencies, community development and social services officials-services agencies and groups, and numerous other data sources. These data were then assembled into current estimates of housing affordability (by tenure-type) in the city, and were employed to develop the long-term baseline forecasts of regional economy and the baseline housing demand and supply for the city over the 2003-2013 time period.

C. Acknowledgements

As with any study of this scope, it could not have been completed without the assistance of many committed individuals. The authors would like to acknowledge the assistance of the city's Community Development Advisory Committee, City Planning Department staff, and the Maine State Housing Authority. In particular, we want to acknowledge the assistance of the committee members, including: Elizabeth Morin (District One), Cheryl Beeman (District Two), Linda Eastman (District Three), Doug Smith (District Four), Suzanne DuBois, (At Large), and Kathy Bernard (At Large).¹

We also want to say a special thanks to Mr. Jim Gailey, Site Planner and Community Development Director, Tex Haeuser, Planning Director, Ms. Elizabeth Sawyer of the Assessor's Office, Ms. Cathy Counts and the rest of the staff of the city's Office of

¹ It should be acknowledged that the District Five representative on the Community Development Advisory Committee is vacant at this time.

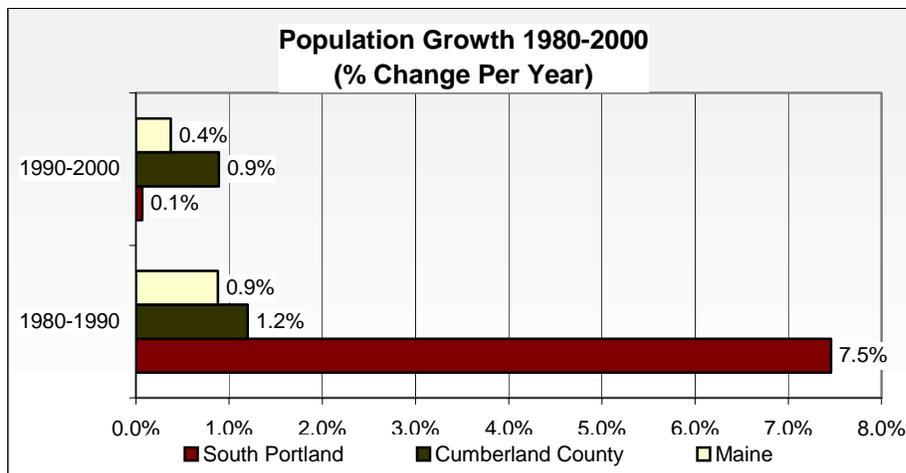
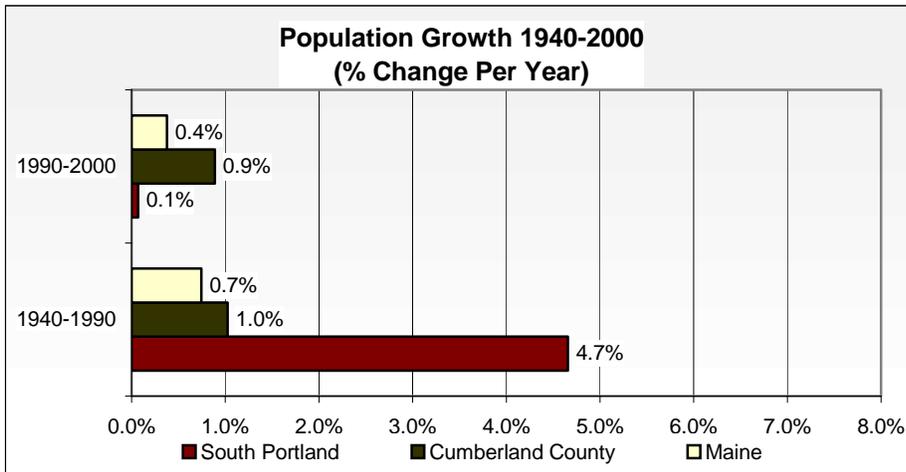
Code Enforcement, and Mr. Jack Roberts of the South Portland Welfare Department. In addition, the authors want to acknowledge the assistance of Elaine Neelon of the South Portland Housing Authority, Detective Reed Barker of the South Portland Police Department, as well as representatives from the PROP (People's Regional Opportunity Program), Ingraham, Inc. and Youth Alternatives, Inc.

Lastly, we want to thank the South Portland City Council for providing the leadership and funding for this important study. Current members include: David Jacobs (District One), Thomas Maietta (District Two), Rosemarie De Angelis (District Three), Maxine Beecher (District Four), James Hughes (District Five), Robert Fickett, Jr. (At Large), and the Honorable Linda Boudreau—Mayor of the City of South Portland.

Chapter 1: The Historical Demographic-Economic Context

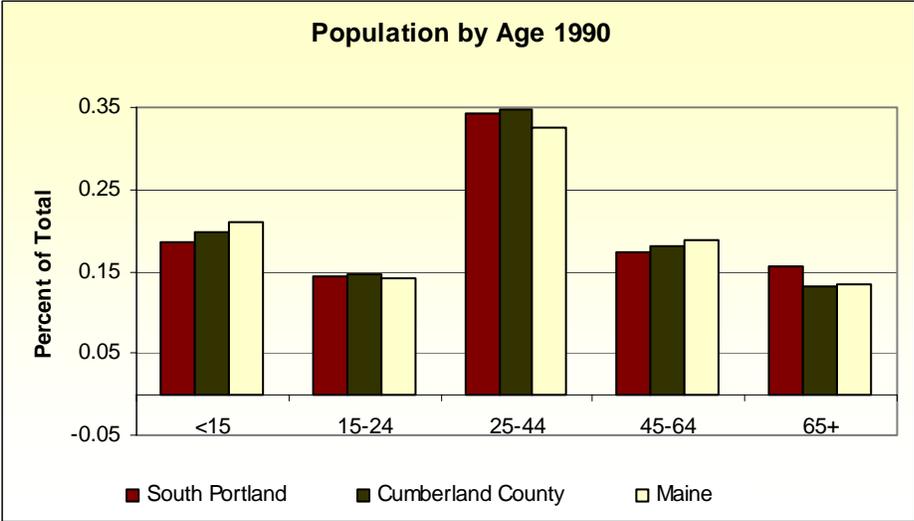
This first section of the city’s housing market analysis study presents an historical overview of the key economic and demographic trends in the greater Portland region and the City of South Portland. This overview includes a blend of trend analysis and a review of the economic and demographic structure. This assessment is undertaken using secondary data on population, households, money income (according to the definition of money in come of the U.S. Census Bureau), commuting patterns, and other important data relative to housing demand and supply. This overview utilizes information from the 1980, 1990, and 2000 decennial censuses, and supplements that analysis with more recent real estate sales activity and other data. Additional housing market assessment information and a detailed, long-term forecast of the key determinants of housing demand and supply are presented in Chapters 3 through 6.

A. Population Trends



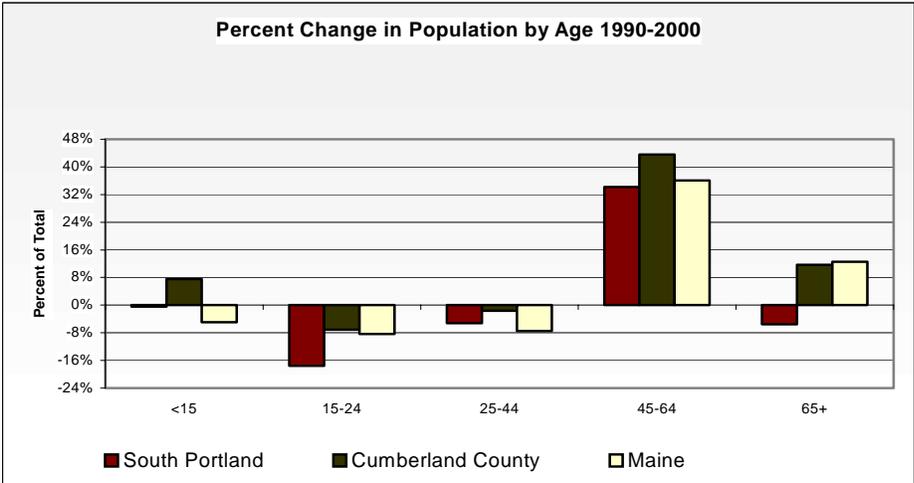
The City of South Portland’s population growth performance since the decade of the 1940s is a study in contrasts. After experiencing significantly stronger than average growth that either the Cumberland County or statewide averages over the 50 year period from 1940-1990, the decade of the 1990s saw a relative stalling of population growth in the community. Over the 1940-1990 time frame total population in

the community grew at an average annual rate of 4.7%, significantly faster than both the 1.0% per year average for Cumberland County and the 0.7% annual average for the state as a whole. During the 1990s, this situation was reversed, with the city's average annual population growth rate at the barely positive annual rate of 0.1% per year. While it is true that the rate of population growth also slowed for Cumberland County (to 0.9% per year from +1.2% per year previously) and the state (to 0.4% per year overall from 0.9% per year previously) during the 1990s, the rate of slowdown for the county and state was far less pronounced than the dramatic 4.8 percentage point annual growth rate decline experienced by the city.



In 1990, the city, Cumberland County, and the state all had populations with a similar age structure. The demographics of the baby-boom generation were evident in each, given the fact that the city, Cumberland County, and the

state all had the greatest percentage of the population in the 25-44 Years age category. The city had a slightly higher percentage in this 24-44 Years age category than the state as a whole (at 32.6% of its total), but a slightly lower percentage than the average for Cumberland County (at 34.7% of its total). The city also had a slightly

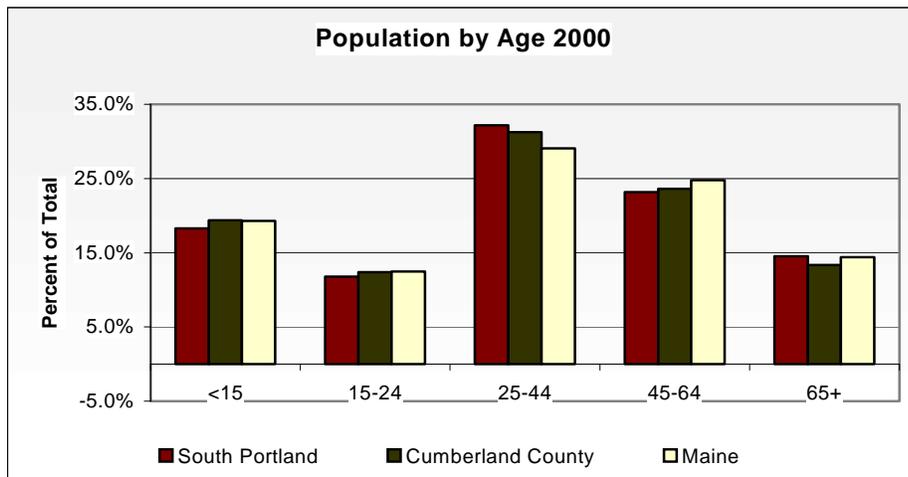


lower percentage of persons in it's under 15 Years group (at 18.5% of the total versus 19.7% of the total for the county and 21.1% of the total for the state).

decade of the 1990s relative to the state and Cumberland County. In the aged 15-24 Years category, the City of South Portland experienced a rate of population decline (at

There were small shifts in age structure in the city over the

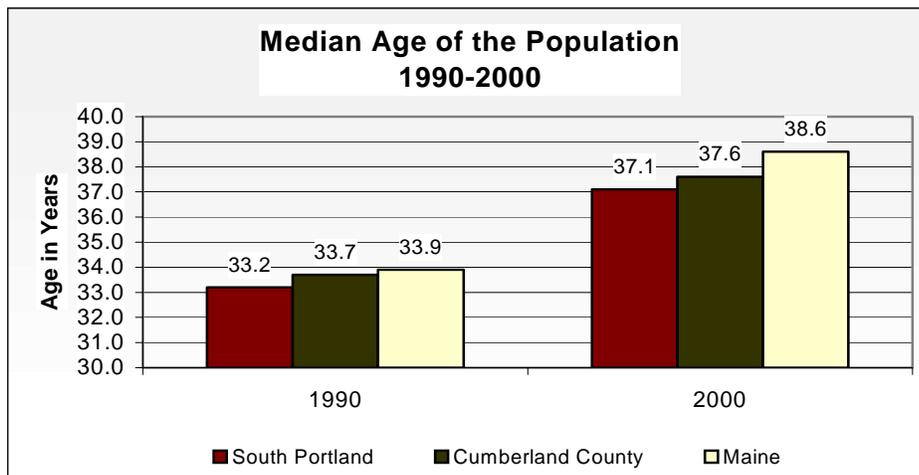
-17.5% over the period) that was roughly double the relative rate of decline in the percentage of the county (at -7.1% during the 1990s) and state (at -8.3% over the period) population over the 1990-2000 time frame. The city also actually lost population in the over 65 Years category (at -5.5% during the 1990s) at the same time the county (at +11.7% over the period) and the state (at 12.6% during the 1990s) both experienced double-digit rates of population growth. In addition, the city gained population in the aged 45 to 64 Years category (at +34.2% over the period), but at a rate that lagged significantly behind both the county (at +43.6% during the 1990s) and statewide (at 36.1% over the period) average rates of change.



By 2000, the city's share of its population in the over 65 Years category was still higher (at 14.5% of the total in 2000) than both the county (at 13.3% of the total in 2000) and the state (at 14.4% of the total in 1990) averages, but the

percentage differences had narrowed by roughly half. The city also continued to have a relatively larger share of its population in the 24-44 Years age category (at 32.2% of

its population in 2000) versus the State (at 29.0% of its population). However, the city's share also exceeded the county's share (at 31.3% of its population) as well—representing a small flip in relative population share.



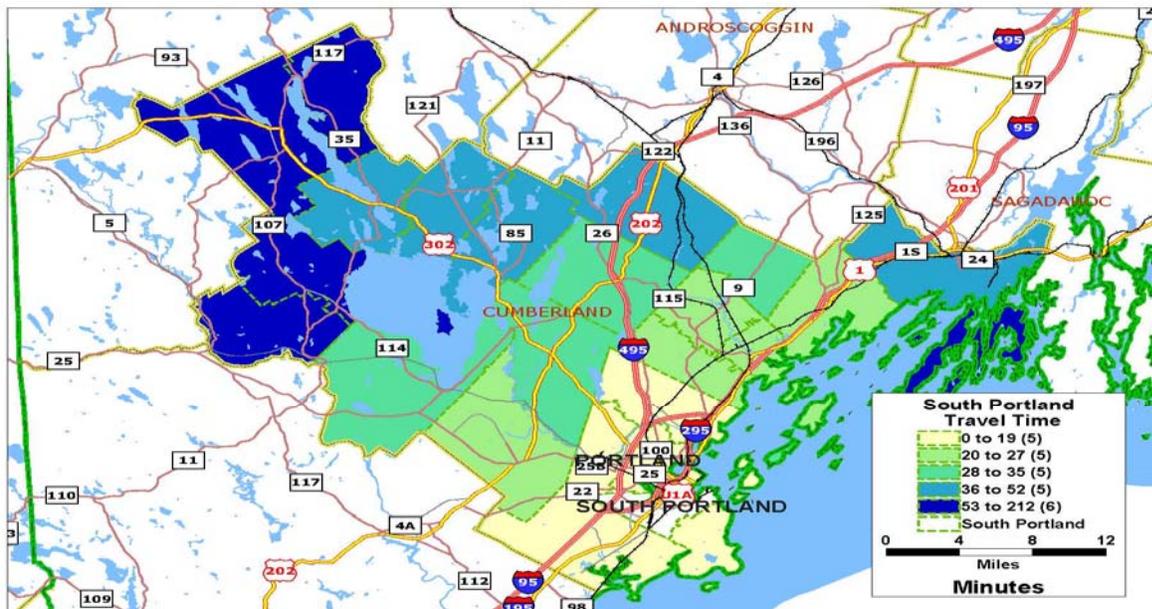
The city also had a proportionally smaller share of its population in the aged 15-24 years category (at 11.8% of the total in 2000), representing a flip in position relative to the state (at 12.5% of its population in 2000) and a continued lower relative share vis-à-vis the county (at 12.4% of its population in 2000).

As a result of the above trends, the city’s population has and continues to have a somewhat younger population than either state as a whole or the Cumberland County region. In 1990, the city’s population had a median age of 33.2 years, 0.5 years lower than the county median age and 0.7 years younger than the median age for the state as a whole. The median age of the city’s population rose by 3.9 years over the decade of the 1990s, reflecting the general aging of the baby-boom generation. At the same time the Cumberland County median age likewise increased by 3.9 years to 37.6 years, a level still 0.5 years higher than the city’s median age. The median age of the state population as a whole predictably rose as well but by 4.7 years over the decade of the 1990s—at 38.6 years or at a level 4.7 years higher than the city’s median age in 2000.

The city’s relatively slower rate of population increase and its continued lower median age likely reflects the “younger family-lower end of the price spectrum” character of the city’s housing orientation. The city’s relatively younger population and its slower increase in its median age, when combined with a relatively higher concentration of the population in the prime age range for household formation (25-44 Years Age category), all have significant implications for current and future housing demand in the community. The specifics of how these trends and this demographic profile for the city will specifically affect the demand for housing in the community through the next decade. This impact will be outlined in subsequent chapters of this housing market assessment study.

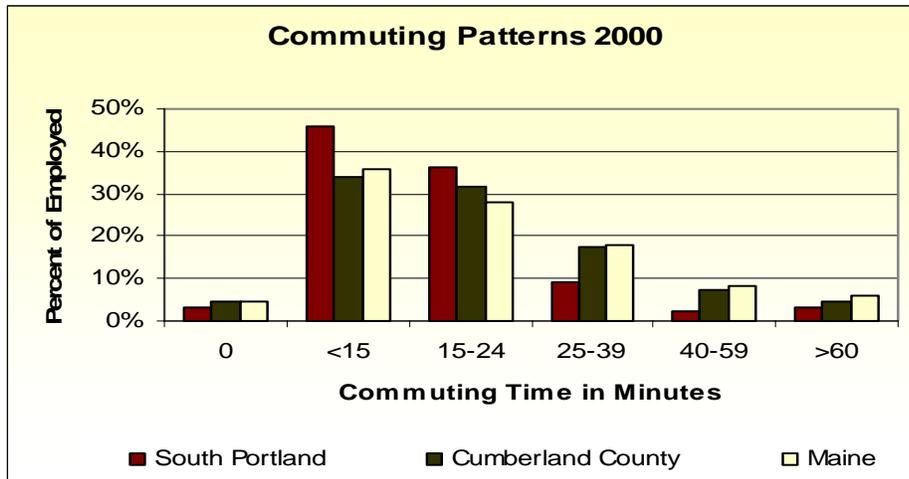
B. Commuting Patterns

Map 1: Commuting Time from South Portland



An examination of 2000 commuting patterns in Cumberland County and the change in these commuting patterns during the 1990s indicate that the City of South Portland

has historically been and continues to be an employment center for the region. In 1990 and 2000 and excluding those that work at home, Cumberland County (at 74.3% in 1990 and 65.8% in 2000) had a much greater percentage of employed persons commuting greater than 25 minutes to their place of employment than South Portland

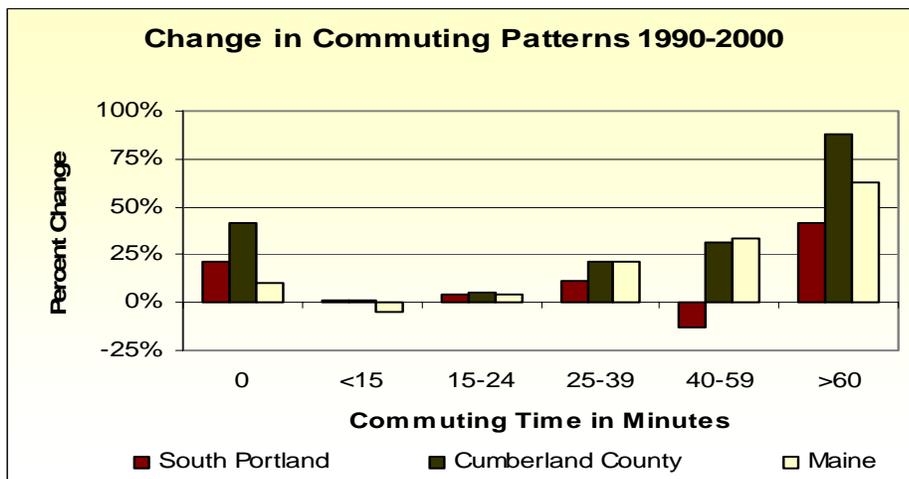


(at 83.6% of the total in 1990 and 82.2% of the total in 2000). The same was true for the commuters of the state overall (at 74.1% of the total commuting less than 25 minutes in 1990 and 63.7% commuting of the total less than 25

minutes in 2000). These results are not surprising, considering the close proximity of South Portland to the City of Portland, the more urban-suburban character of South Portland relative to the more rural character of the state outside of the Greater Portland area, and the commercial employment base of the city.

The above dynamic is also at play when evaluating those workers who work at home or had a zero minute commuting time. In 1990 and 2000, both the Cumberland County and statewide averages exceeded the percentage of workers who had a zero minute commute by more than a percentage point (at 2.7% and 3.1%, respectively for the city versus 3.8% in 1990 and 4.6% in 2000 for Cumberland County and 4.6% in 1990 and 4.4% in 2000 for the state).

Travel times for commuters who reside in the City of South Portland remained



relatively constant over the 1990 to 2000 time period, with the percentage of the city's workers with commuting times that were less than 25 minutes declining by only 1.4 percentage points from 83.6% in 1990 to 82.2% in 2000). At each

census point, the majority of South Portland commuters (representing over 45% of the

city's residents in each Census snapshot) were traveling less than 15 minutes to work. Another roughly 36% of the city's workers in each Census also were traveling between 15 and 24 minutes to work. Both of those commuting groups represented more than 4 of every 5 workers in the city at each Census snapshot. Both of those percentages were not only significantly higher than averages for either Cumberland County or the state, they also were maintained against a backdrop where the length of worker commuting times were increasing significantly both in the county and across the state. During the 1990s, Census data show that the percentage of commuters traveling under 25 minutes declined significantly for the county and the state as a whole (at -8.3 percentage points for the county and -10.4 percentage points for the state), with the over 60 minutes category showing the strongest rates of change across the board for the city, county, and state. However, it is worth noting that while the over 60 minutes commuting time category has in fact experienced the largest rate of increase among the commuting categories, this group still represents the second smallest worker classification (after the 0 minute commuting group) with only 417 of 12,565 total workers in the city, 6,387 of 137,256 total workers in the county, and only 36,113 workers of 615,144 total workers in the state.

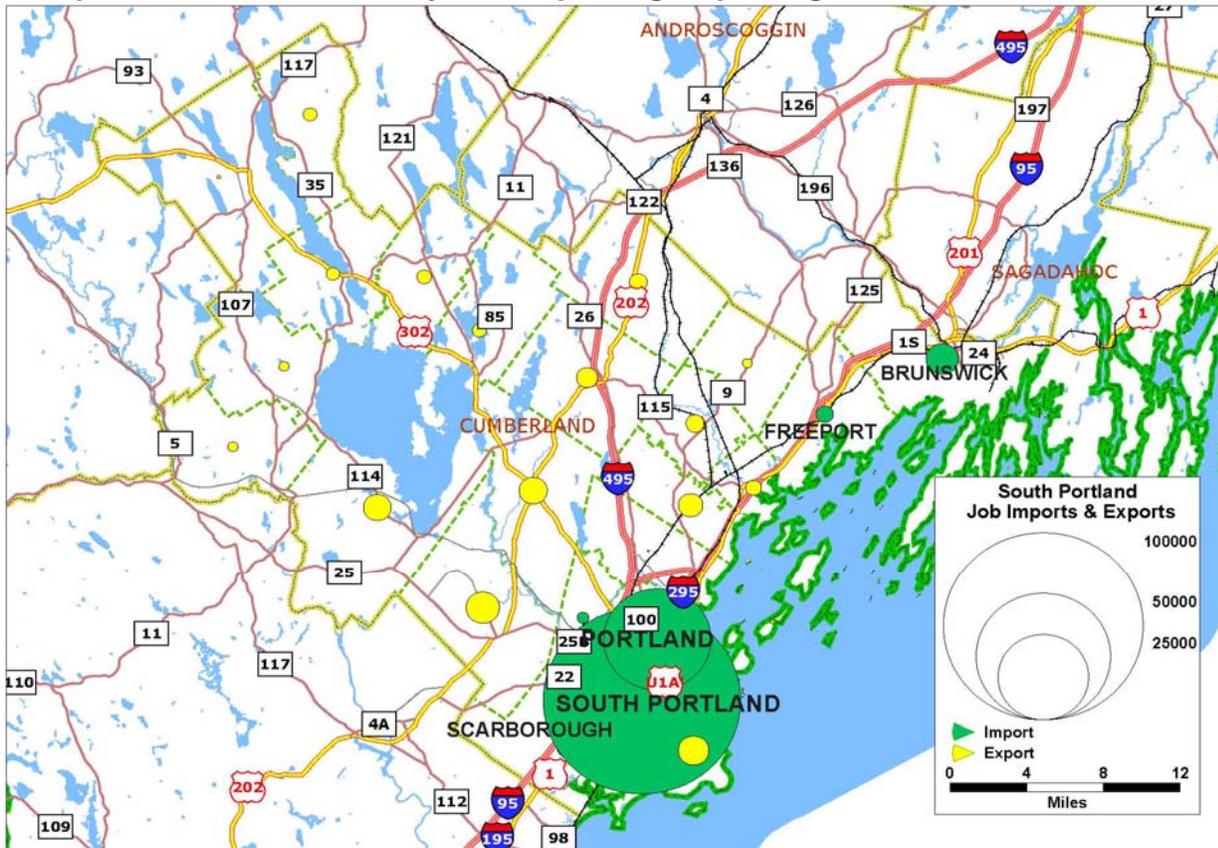
Among the other commuting time categories, Cumberland County has seen an increase in the percentage of commuters traveling between 25 minutes and greater than 60 minutes, and a fall in the percentage of workers traveling less than 15 minutes to work, reflecting either the loss of employment opportunities in the immediate region, an increasingly willingness or need for workers to travel greater distances to obtain desirable-affordably priced housing—or both. The state as a whole mirrors the Cumberland County changes from 1990 to 2000, with a significant decline in the number and percentage of workers traveling less than 15 minutes to work and a corresponding increase in each travel time category over 25 minutes. South Portland and surrounding areas such as Portland and Scarborough together and individually are likely draws for distance commuters, since each of these communities import workers and have travel times to each community of greater than 20 minutes.

C. Employment-Workers

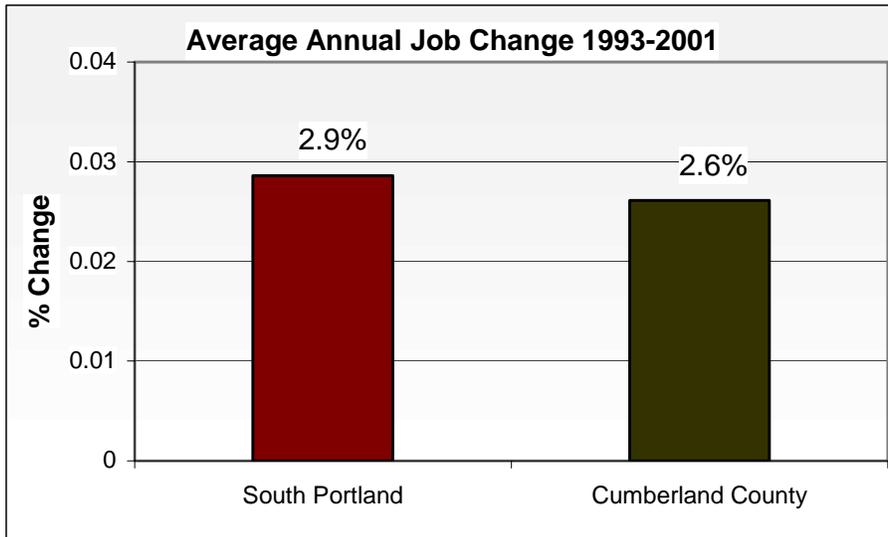
Map 2 shows the municipalities in Cumberland County that are either net importers or net exports of employees. The color of the circle in each municipality indicates a net importer or exporter, while the size of the circle indicates the relative quantity. South Portland imports nearly 9,800 workers for daily employment from the surrounding communities. In 2001, 6 communities in Cumberland County imported workers, while the remaining communities all exported workers, with Portland being the largest importer. As a whole, Cumberland County is a net importer of over 20,000 workers from surrounding communities.

Total employment in the City of South Portland over the 1993-2001 time frame increased by 4,784 jobs (or by 2.9% per year) using the Maine Department of Labor's job count data "covered" under the State Unemployment Insurance program. That

Map 2: Cumberland County Job Importing-Exporting Communities



corresponds to a slightly larger than proportional share of the total growth in “covered”

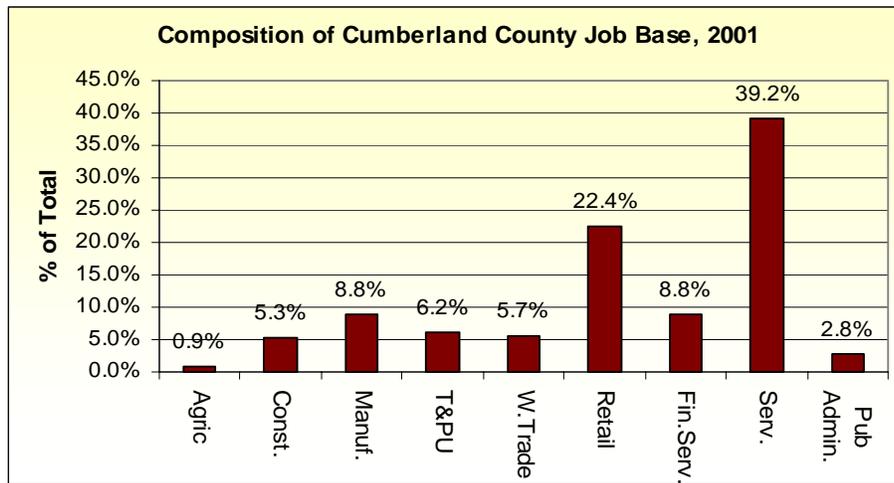


jobs over the period, with a 15.3% share of the total job growth in the county overall (at 31,322 jobs over the period) for the city. This job growth activity corresponded to a 2.6% per year rate of job growth in Cumberland County overall, and reflected a slightly positive performance for the City of South

Portland in comparison to its 13.8% share of the total “covered” jobs in Cumberland County at the starting point back in 1993.²

² It should be noted that no industry specific, employment by place of work data was published by the Maine Department of Labor for the City of South Portland. The Greater Portland Council of

Looking at Cumberland County job mix in 2001, over half of the county's jobs were found in two industry divisions, Services and Retail Trade—at 39.2% of the total and 22.4% of the total



respectively. Overall, the county's employment structure is fairly diverse. The Services sector is the largest sector in the county, and is composed of wide array of services business types. These include business

services, education services, and professional services. It also includes several sub-sectors that pay above-average wages. The whole manufacturing division accounted for 8.8% of the county's total job base in 2001, with just fewer than 15,000 jobs.

For the City of South Portland, 2001 unpublished job count data clearly show the importance of the city's services, retail trade, and goods-producing job base. The retail trade category (at 30.4% of the job count total in 2001) and the services category (at 33.2% of the city's total job base) dominated the South Portland job base. The city also had an above average job count concentration in the manufacturing category, at 10.6% of the total in the city's "covered" job count versus an 8.8% "covered" job count concentration for Cumberland County overall. The city had below average job concentration in Construction (at 2.2% in 2001 for the city versus a 5.3% concentration for Cumberland County) and in the services sector—despite its importance to the city's job base (at 7.0 percentage points lower in the city versus the 39.2% for Cumberland County in 2001).

Relative to 1993, the city gained share in manufacturing (+0.4 percentage points over the 1993-2001 period), services (+7.9 percentage points over the 1993-2001 period), transportation (at +1.1 percentage points over the 1993-2001 period), and in public administration (at +0.3 percentage points over the 1993-2001 period). Over the same period, the city lost share in construction (at -2.0 percentage points over the 1993-2001 period), wholesale trade (at -1.1 percentage points over the 1992-2001 period), retail trade (at -3.2 percentage points over the 1992-2001 period), and in the finance sector (at -3.4 percentage points over the 1993-2001 period). Although these data are

Governments maintains a data base of unpublished job count estimates by place of work for member communities. However, since the City is not a member of the GPCOG, unpublished job data for the City have been requested for this analysis but have not yet received from the Maine Department of Labor.

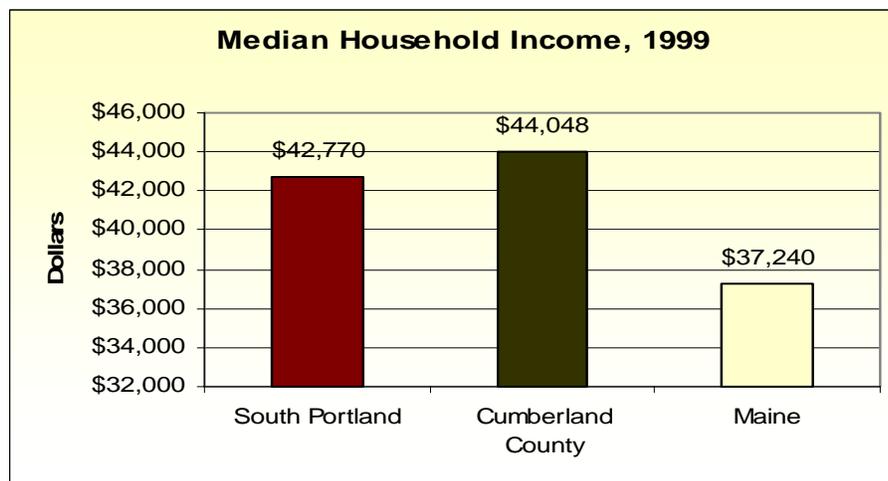
Table 1-1: Comparison of Jobs Base for South Portland and Cumberland County

Industry (NAICS-Basis)	Percent of Total 2001	
	City of South Portland: Jobs by Place of Work	Cumberland County Total: Jobs Place of Work
Construction	2.0%	5.3%
Manufacturing	10.6%	8.8%
Wholesale Trade	5.7%	5.7%
Retail Trade	30.4%	22.4%
Transportation & Warehousing	6.5%	6.2%
Finance and Insurance	9.2%	8.8%
Services	33.2%	39.2%
Public Administration	2.3%	2.8%

Source: Maine Department of Labor

the latest currently available, the reader will note that these data do not reflect developments since December of 2001.

D. Economic and Demographic Profile of Households

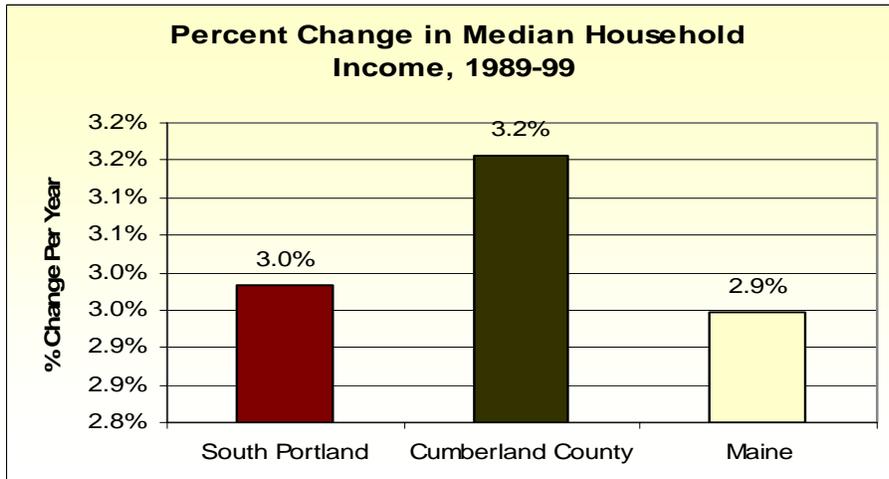


The city's median household income in 1999 was \$42,770, a level that was significantly greater than the average for the State of Maine. Relative to the Cumberland County median household income of \$44,048, the city's median household income

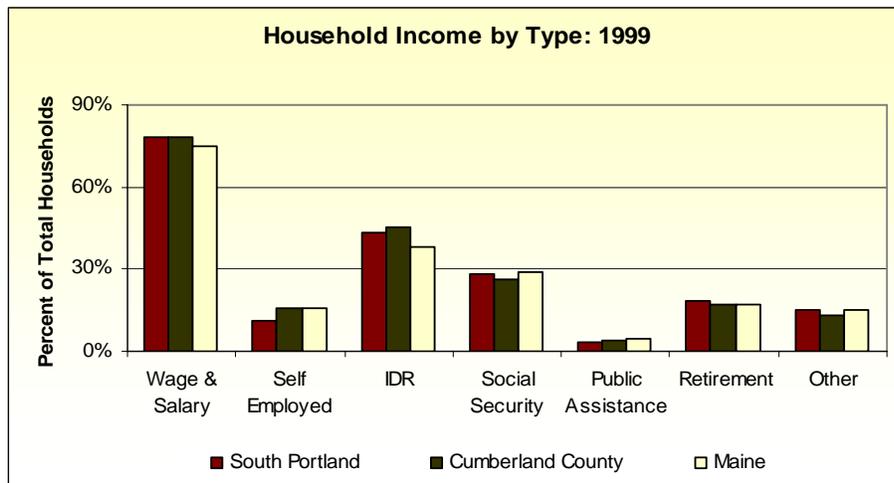
level was approximately \$1,300 lower than the county average. The city's median³ household income level in 1999 was 114.8% of the state average median household income of \$37,240. Relative to the Cumberland County average, the city's median household income was 97.1% of the county's median. Over the 1989-1999 period as reported by the 1990 and 2000 censuses, the city experienced a 3.0% average annual rate of increase in its median household income during the 1990s, slightly greater than the 2.9% average annual rate of increase for the state as a whole, and slightly lower than the annual average rate of increase for Cumberland County. As a result, the city's percentage higher than average level of the statewide median household income level stayed relatively constant, rising by just 0.4 percentage points over the decade of

³ The term "Median" is defined as the household income level where 50% of the City's households are arrayed above this value and 50% of the City's households are arrayed below that dollar amount across the entire distribution of all households reporting income in the City of South Portland.

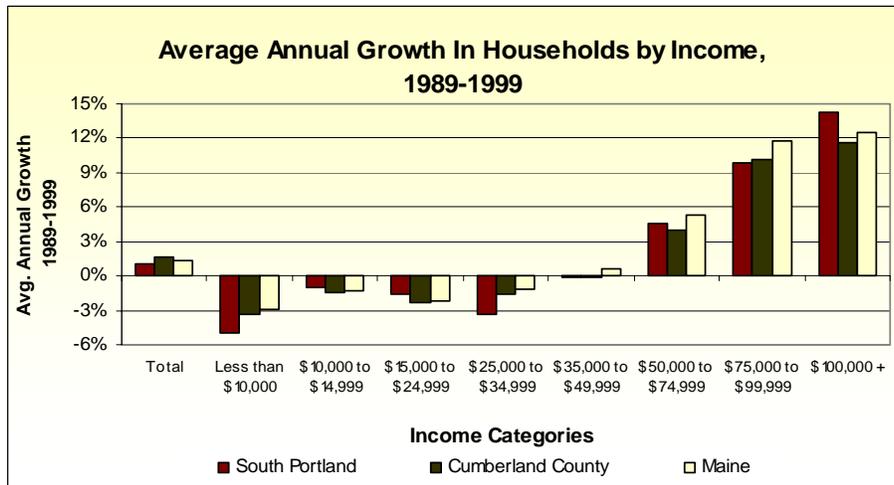
the 1990s from 114.4% to 114.8% of the state average. In contrast, Cumberland County's 115.9% median household income level relative to the statewide median in 1989 rose by 2.4 percentage points over the 1989-99 period, from a 115.9% of the state median reading in 1989 to a 118.3% reading in 1999.



Looking to the sources of household income in the city, almost 8 of every 10 of all households in South Portland, Cumberland County, and the state reported receiving wage and salary income in 1999. Cumberland



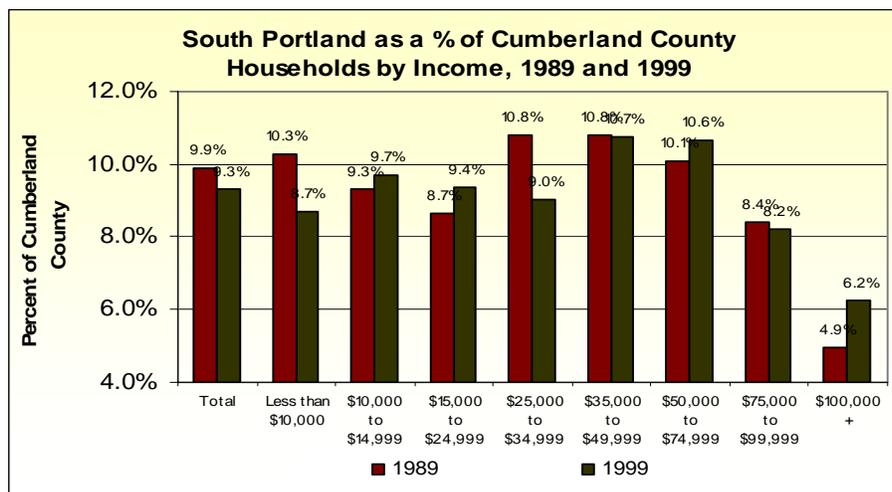
County had a slightly greater percentage of households receiving Interest, Dividends and Rent income (IDR) at 45.3% of households versus either the City of South Portland (at 43.5% of its households) or the state as a whole (at



37.8% of its households). However, as indicated by the data above, the city also had a significantly greater percentage of its households receiving Interest, Dividends, and Rent in comparison to the percentage of households statewide. A total of less than 20% of the households in the City of South Portland, Cumberland County, and the

state received Social Security income, although the city (at 18.5% of households in 1999) had a slightly higher percentage of its households with retirement income versus the county (at 17.2% of households in 1999) or the state (at 17.4% of its households in 1999). The city had a slightly lower percentage of households (at only 3.5% of its total households in 1999) receiving public assistance income, as compared to either the Cumberland County average (at 3.8% of total households in 1999) and the average for State of Maine overall (at 4.8% of its total households in 1999). In 1999, South Portland also had a significantly lower percentage of its households with self-employment income (at 11.2% of total households) versus both the state (at 15.8% of its total households) and the county (at 15.7% of its total households) percentages.

Examining the comparative distribution of households for the City, Cumberland County, and the State by major income category, indicates that all three areas



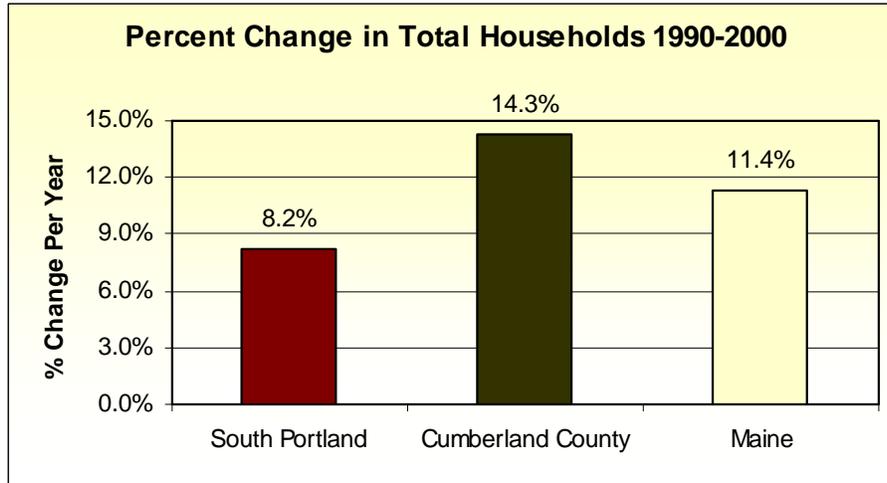
declined in terms of the percentage of households in the lowest four income categories. Overall, the city experienced the slowest rate of increase in these four household income categories under \$35,000 between 1990-2000 overall. The city, Cumberland

County, and the state overall also experienced their largest rate of growth in the households with income over \$100,000 over the 1989-1999 period (as indicated by the 1990 and 2000 Censuses), with the city recording the highest rate of growth among the three peer geographical groups in this highest household income group category.

Overall, the City of South Portland's percentage of Cumberland County's households by income category has not changed dramatically between 1989 and 1999. The city declined slightly as a percentage of the total Cumberland County households in three of the four lowest household income categories under \$35,000 in household income in 1999. More specifically, the City of South Portland accounted for a slightly lower percentage of households with household incomes under \$10,000 and between \$25,000 and \$34,999 in 1999 (relative to 1989), but a slightly higher percentage in the \$15,000 to \$24,999 household income group in 1999 versus 1989. In the over \$35,000 household income categories, the city had somewhat higher shares of the Cumberland County averages in the \$60,000 to \$74,999, and Over \$100,000 in household income categories in 1999 relative to its share in 1989. In the \$35,000 to \$49,999 household income category, the city's share was essentially unchanged in 1999 versus its share of total county households in 1989.

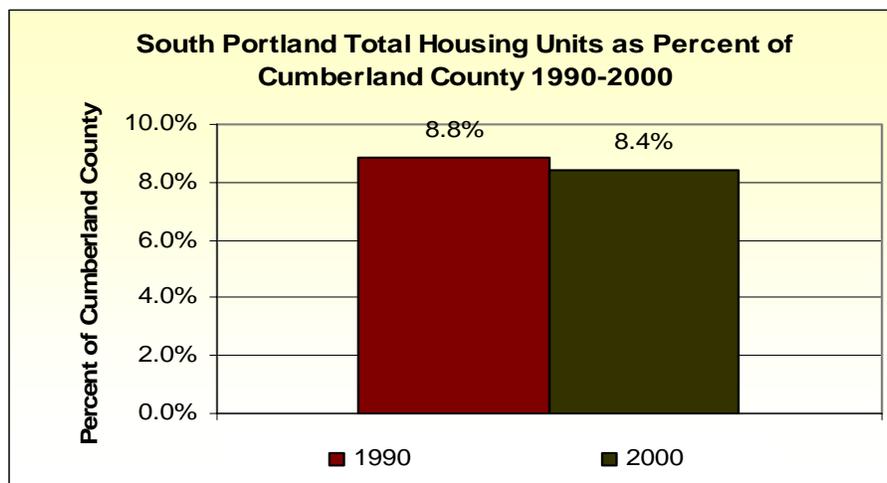
E. Trends in Housing

Over the decade of the 1990s, the City of South Portland experienced a much slower rate of increase in total housing units than either the average for all Cumberland County communities or the state overall. Over the 1990s, the City of South Portland



added only 636 housing units, corresponding to a rate of just under 64 units per year. That rate of housing unit addition represented an average of 0.6% per year, much lower than the 1.1% average annual rate of increase for both

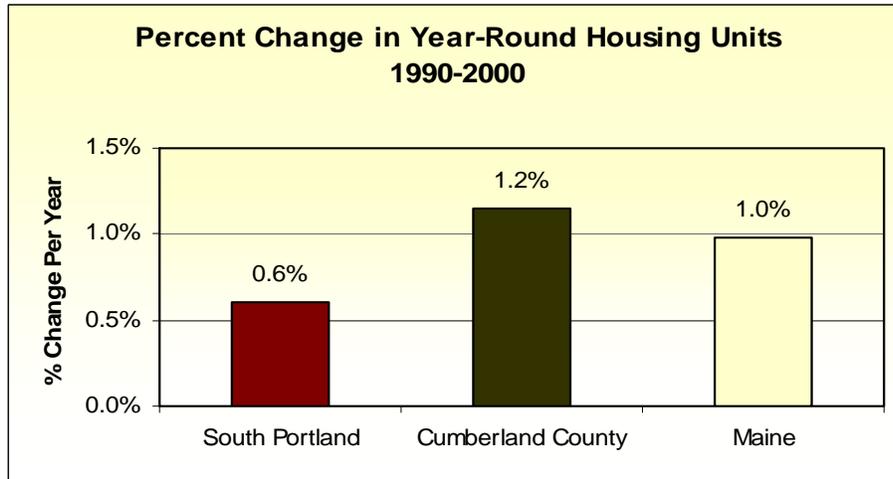
the county and the state over the 1990s. As a result, the city's share of Cumberland County's total housing unit stock declined over the decade of the 1990s from 8.8% of the total housing units in the county in 1990 to 8.4% in 2000. Looking at the year-round housing unit stock—that is the number of housing units in each geographical area less the



seasonal housing unit inventory—a similar picture emerges. In 1990, census data showed that the city accounted for 9.7% of the total number of year-round units in the housing stock of Cumberland County. By 2000, the city's share had

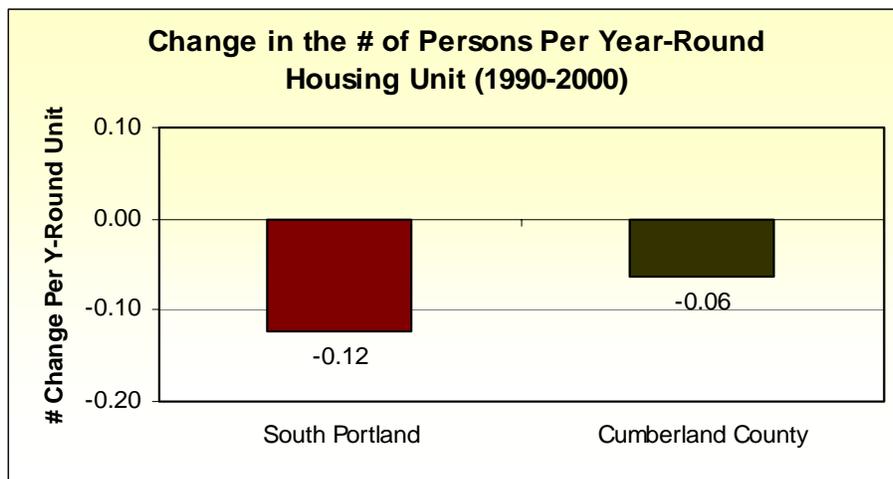
declined to 9.2% of Cumberland County's year-round housing stock, representing a slightly larger decline of 0.5 percentage points relative to the total housing unit inventory decline over the same 1990-2000 time period.

The apparent discrepancy between the differing shares of the county's housing units and households is due in part to the very small seasonal housing stock in the city, relatively faster growth in seasonal housing units in the county over the 1990s versus the growth rate in the year-round housing stock, differences in average household size



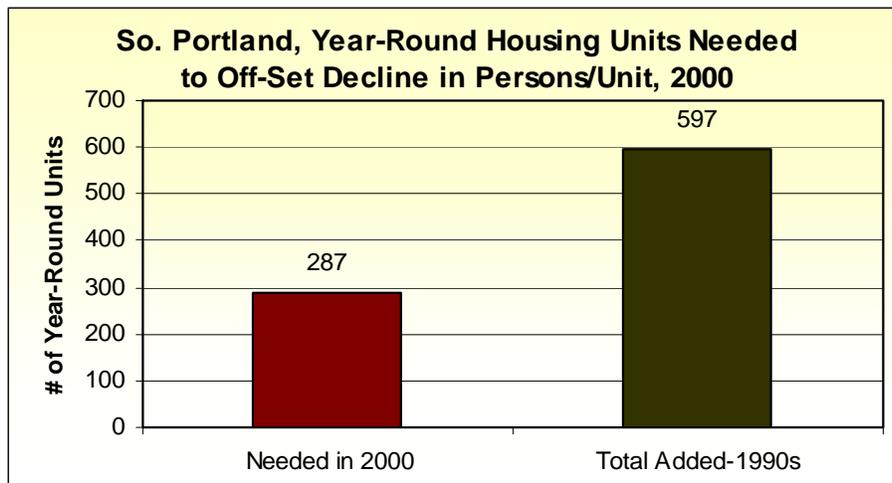
in year-round units, and the presence, at least in some cases, of multiple households occupying a single year-round housing unit. Regarding the household size issue, South Portland's average household size was approximately 2.32 persons in 2000

and the number of persons per year-round unit in 2000 was 2.27 persons. The average size of a Cumberland County household, in contrast, was 2.46 persons in 2000, while the number of persons per year-round unit was 2.38 persons. Over the 1990 to 2000 time frame, both the number of persons per household and number of persons per year-round housing unit declined for both the city and the county. The decline in the number of persons per year-round housing unit in the city was roughly two times the decline for the county overall, at -0.12 persons per year-round housing unit in the city over the 1990s versus -0.06 persons per year-round housing unit in the county over the same period overall. While those do not look to be significantly different numbers in and of them, it should be remembered that these small differences are magnified when they are applied to the 10,256 year-round housing units in the city in 2000 and the 111,754 year-round housing units in the county in 2000 as a whole.



For example, the 0.06 person per non-seasonal or year-round housing unit larger than average decline in the city over the 1990s (relative to the county) translates into a need to find housing for an additional 650

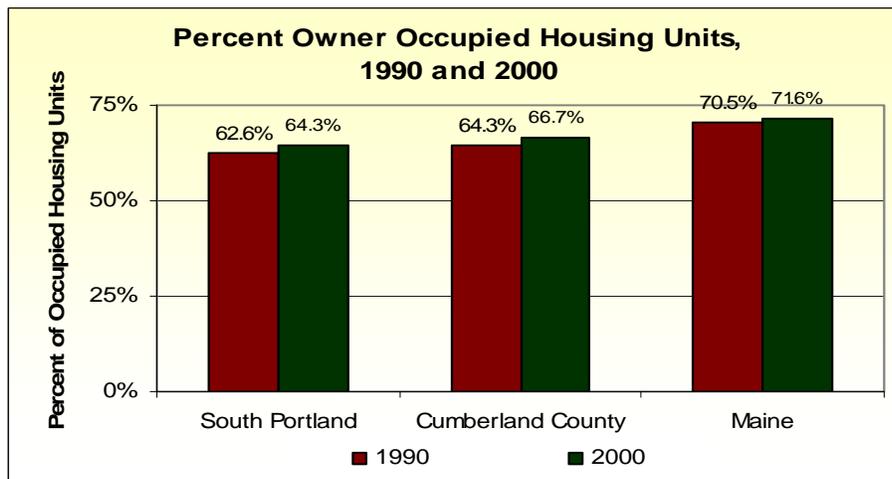
persons in South Portland in 2000, because of the larger than average decline in the number of persons per year-round housing unit in the city. At 2.27 persons per year round housing unit, that means that there is a need for an additional 287 year-round housing units in the city in 2000 (relative to 1990) simply to accommodate the larger than average decline (relative to the Cumberland County average) in the number of



persons per year round housing unit. When compared to the 597 year-round units that were added to South Portland's year-round housing unit inventory over the 1990-2000 time frame, that 287 unit total represents 48.1% of the entire number of year-round housing units

that were added to the year-round housing stock in the city over the entire decade of the 1990s.

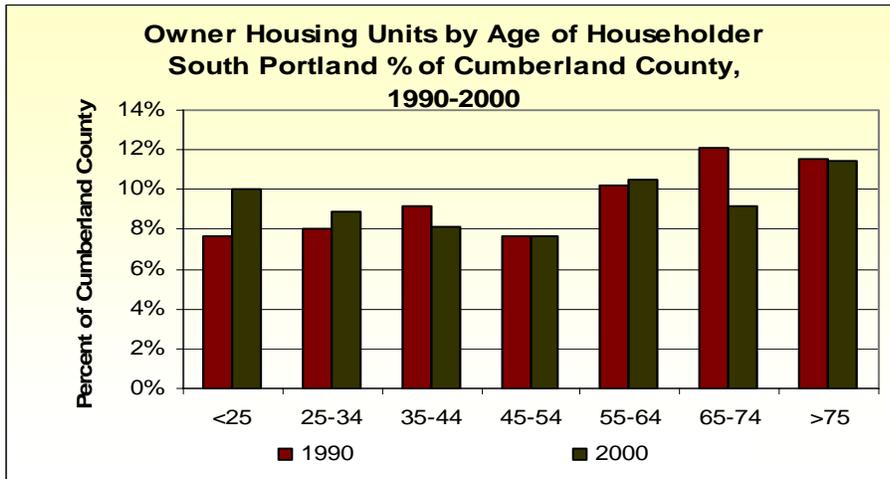
Declining household size and the decline in the average number of persons per year-round housing unit means that the city and regional housing stock must work much harder per 1,000 persons in the population today than was the case back in 1990. This, in part, begins to explain the rising housing cost pressures that have been occurring in the city and in the entire Cumberland County region over the last 10 or so years—and particularly over the last 5-6 years—as housing market activity in the Greater Portland region has accelerated.



Examining trends in occupied housing units in the city, it is evident that South Portland also does not look markedly different from Cumberland County, even if its percentage of owner units is slightly lower than the average for the county and

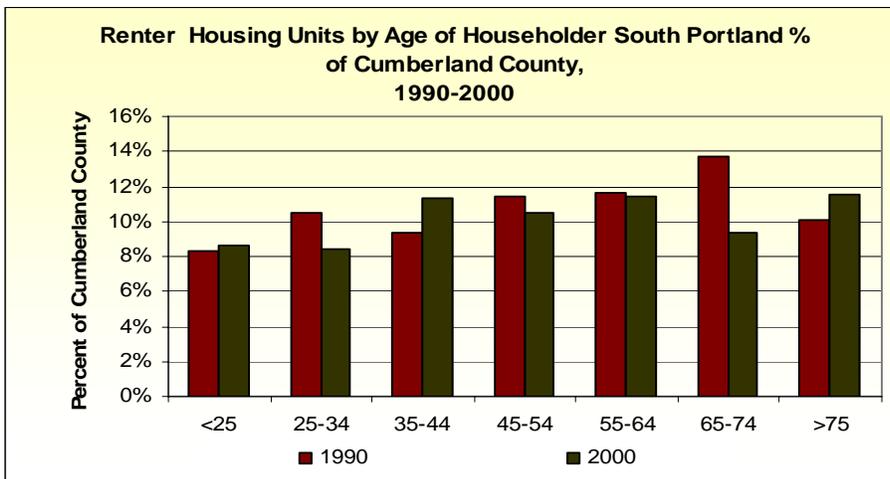
significantly lower than the percentage for the state. Over the 1990 to 2000 period, the city followed the general increasing trend evident in the county and the state on the ownership side of the housing ledger, registering a roughly similar 1.7 percentage point increase in the percentage of units occupied by owners. At the same time, the city also experienced a corresponding decline in the percentage of the community's housing units that were in the renter category over the 1990-2000 time period,

although its -1.7 percentage point decline was smaller than the 2.4 percentage point average decline for the county. As a result, South Portland gained share of Cumberland County owner housing units with householders the Under 25 Years and Aged 25-34 Years categories from 1990 to 2000. Over the same period, there was



no significant change in most other age categories of householders—except for the significant decline in the Age 65-74 Years age category. The decline in the city’s share of owner housing units headed by householders in the 65-74 Years age category and the increase in owner units headed by householders in the two under 35 Years age categories is consistent with a housing profile that: (1) appeals to moderately-affordably priced housing stock that attracts younger families/first-time home-buyers, and (2) includes a dynamic where downsizing older families move further away from the urban core area to higher-end homes outside of the metro area that appeal to empty-nest (or emptying-nest) couples that may be either at the end or are winding down their careers.

In the renter category, the City of South Portland gained the most in county share in the Over 75 Years and the Aged 35-44 Age categories of householders between 1990 and 2000. Over the period, the city also posted a small increase in share in the Under 25 Years category as well over the decade of the 1990s. The largest decline in county share was found in the Aged 65-74 Age category. There also was a corresponding

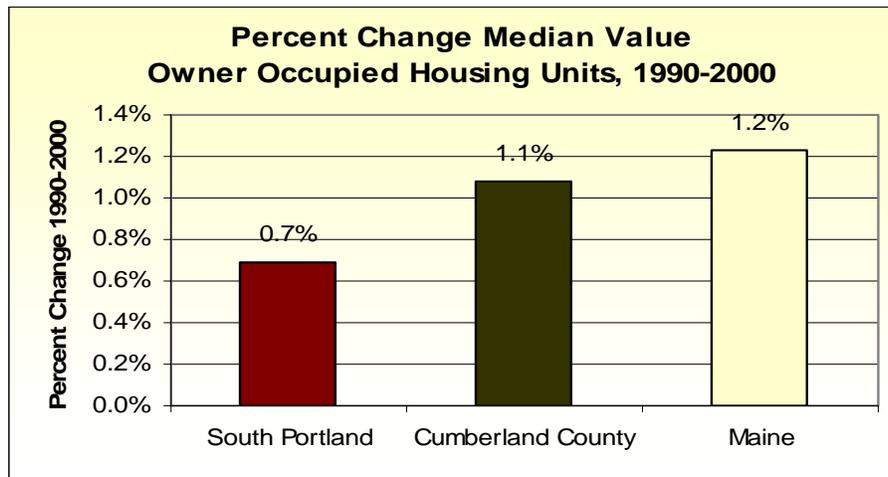


decline in the city’s county share percentage in the Aged 25-34 Years category, but this percentage was less dramatic than the increase in the ownership share percentage over the same 1990-2000 time frame. Taken together the same dynamic in the city’s share of the Age 45-54 Years householder group suggests there is a

decline in the city’s county share percentage in the Aged 25-34 Years category, but this percentage was less dramatic than the increase in the ownership share percentage over the same 1990-2000 time frame. Taken together the same dynamic in the city’s share of the Age 45-54 Years householder group suggests there is a

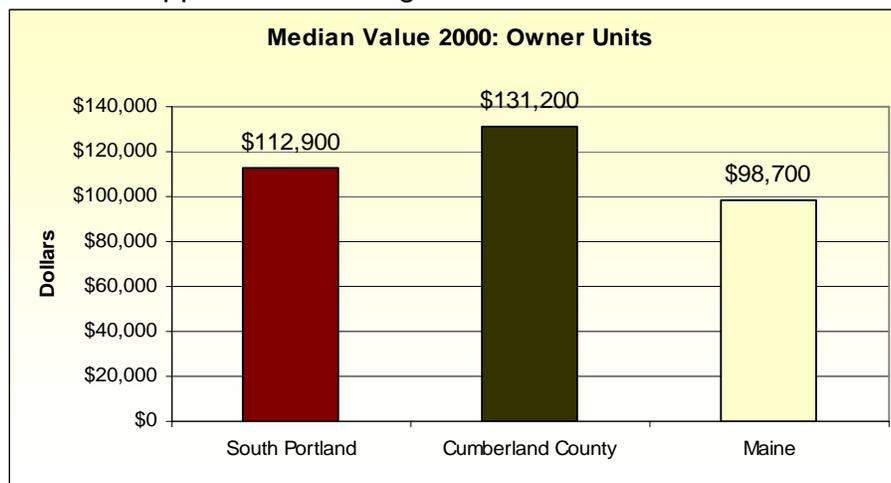
significant amount of “household churning” as many of the city’s renter households seek and acquire owner housing both inside and outside of the city—with a higher percentage obtaining owner units outside of the city.

In terms of change in housing unit values between 1990 and 2000, the City of South Portland experienced the smallest relative increase in median value for owner housing



units versus the ten-year increase in either the Cumberland County or state averages. The average annual rate of change for owner units in the city rose by just 0.7% per year, between 40 and 50 percentage points lower than the average for owner

unit value appreciation during the decade of the 1990s for both the Cumberland



County region and the State as a whole. In 2000, City of South Portland owner units had a higher absolute median value in 2000 (at \$112,900) than the average for the state as a whole (at \$98,700), but a median value for owner units that

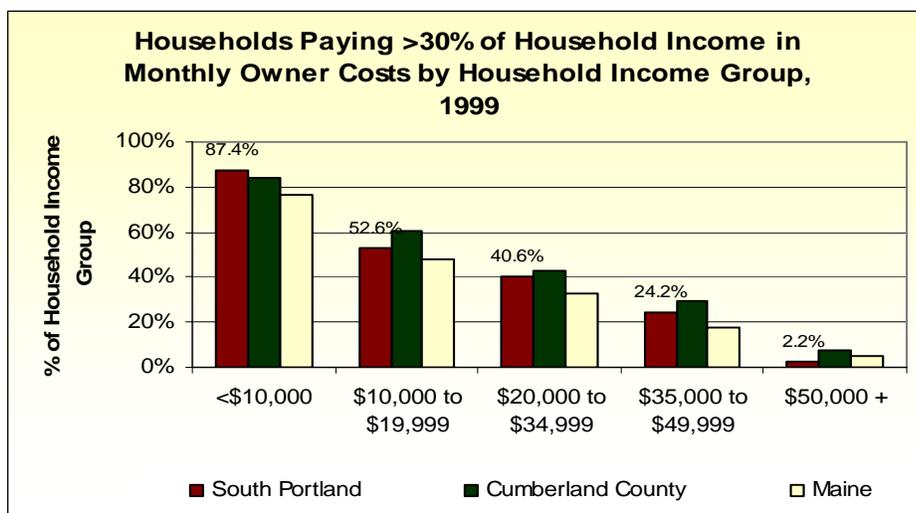
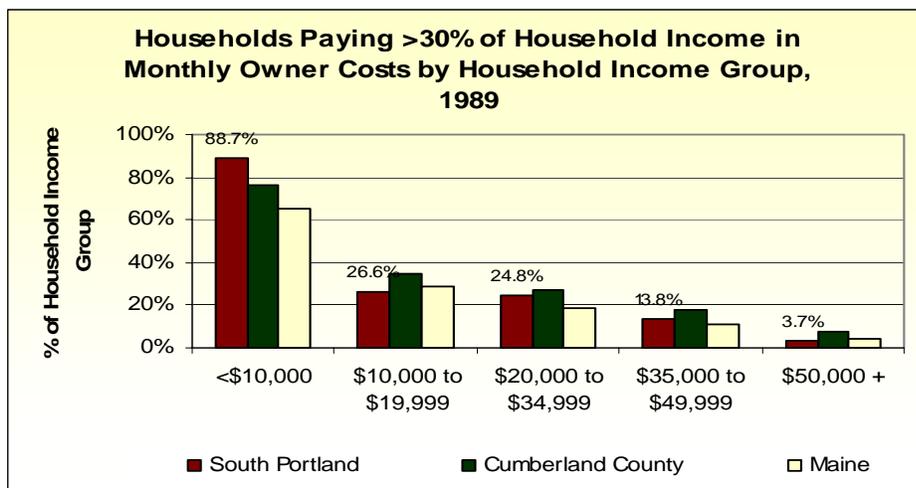
was roughly 14% lower than the median value for owner units for the Cumberland County region overall in 2000.

F. Initial Signs of Growing Housing Cost Stress in the City

With the above as a backdrop, data from the 1990 and 2000 Census were reviewed in order to take an initial snap shot of the trend in housing costs during the 1990-2000 period. For this section of the background context for the city, the study examines the trends in households that are paying more than 30% of their income on housing costs—whether these households rent or own their home. Both national and state level standards use housing cost burdens that exceed the 30% level of household

income level as a threshold that is indicative of housing cost stress—although this benchmark obviously has limitations as a housing cost stress indicator. Those households paying more than 30% of household income on housing costs (rent and utilities for renters; or mortgage utilities, taxes and insurance for owners)—this reasoning goes—are recognized as experiencing serious financial stress due to housing costs. At worst, these identified households are considered as potentially not being able to afford their home over the longer-term.

The two housing cost burden graphs indicate that housing affordability at the state level and on the Cumberland County level have eroded across all income categories

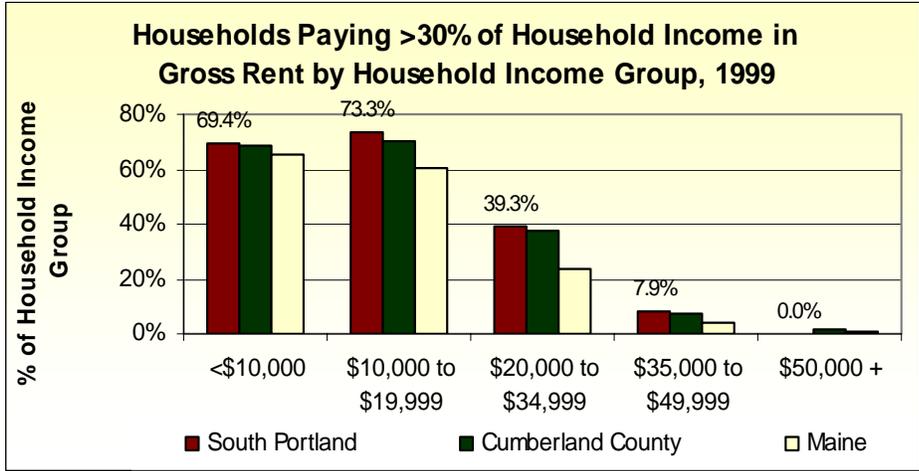


over the 1990s. In contrast, the City of South Portland's percentages eroded in the three income categories between \$10,000 in household income and \$49,999 in household income. In the \$10,000 to \$19,999 household income category, the percentage of the city's households that exhibited "housing cost stress" rose significantly faster than the average increase for the county and the increase for the state as a whole.

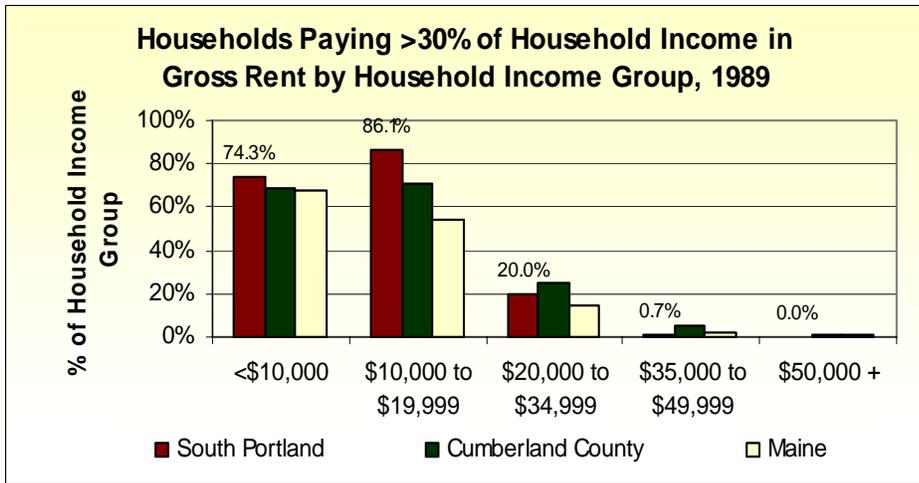
For the City of South Portland, there was a dramatic 55.9% decline in the number of households reporting less than \$10,000 in household income that were exhibiting housing cost stress in 1999 (corresponding to a decline of 176 of 315 stressed households in 1989). There also was a decline in the percentage of households in the greater than \$50,000 in household income category as well in the city from 3.7% in 1989 to just 2.2% of the households in this category in 1999. However, it is unclear whether these declines are an artifact of better household income-financial position or

whether these households have simply left the community for lower cost housing or a change in lifestyle elsewhere inside or outside the region. For the middle income categories, the apparent increase in housing cost stress would likely have been greater if not for the very favorable interest rate climate that prevailed for a significant part of the late 1990s and the relatively affordable character of the city's housing inventory.

In the renter category, the City of South Portland by 1999 had an equal or higher percentage of owner-occupied households paying 30% or more of their income in



housing costs than the average in Cumberland County for all income categories, except for the greater than \$50,000 income category (with its 675 total renter households or about 1/5 of the city total of just



under 3,500 renter households). Just as in 1989, the city's renter households in the two under \$20,000 in household income categories had significantly higher levels of apparent housing cost stress than either the Cumberland

County or state averages (at 69.4% in the Under \$10,000 category and at 73.3% in the greater than \$10,000 to \$19,999 income categories). The same was true for the city in 1989 as well, but the gap in the percentages for the city vis-à-vis the county and the state were significantly greater back in 1989 than they were in 1999—indicating a significant decline in the percentages of stressed households in each of the city's lower household income categories.

The opposite is true for the city in the \$20,000-\$34,999 household income category, where the percentage of apparently stressed households increased between 1989 and 1999 by more than 19 percentage points (or from 20.0% of households in this

category to 39.3% of total households in 1999). Relative to 1989, the city went from a significantly lower percentage of its households experiencing apparent housing cost stress relative to the Cumberland County average to a situation in 1999 where the city's percentage actually exceeded the county average. Even though the city's percentage of apparently housing cost stressed households in this category was significantly above the state averages in both 1989 and 1999, it is worth noting that the city's rate of increase in the percentage of renter households in this category was roughly double the rate of increase experienced by the state as a whole over the 1989-1999 period (at 9.2 percentage points for the state versus a 19.3 percentage point increase for the city).

G. Overview of Current Housing Stock

South Portland has experienced a very large increase in the number of new housing permits issued since 2001. Between 1997 and 2001, on average 61 new housing permits were issued by the city. In 2002, the city issued 219 housing permits that, for the most part, reflected the approval of two, large and extraordinary apartment projects. Indeed, that level of activity represented a 257.8% increase over the average of the last five years, and the strongest (at roughly 80 units) single family home construction year in the city since the turn of the new century. This increase appears to reflect a logical real estate market response to the exceptionally tight housing market conditions in the greater Portland region over the late 1990s and into the early 2000s, and also appears to be indicative of a typical real estate cycle.

Table 1-2: New Housing Permits

Land Type	1997	1998	1999	2000	2001	2002
Residential	55	72	71	74	34	219

Source: City of South Portland Office of Code Enforcement

Looking at the city's existing housing stock, tax records show there are currently 7,835 parcels categorized as residential usage. Within those residential parcels, there are

Table 1-3: Residential Housing

Type	Parcels	Total Units	% of Total
Single Family	6068	6068	67%
Duplex	631	1262	14%
3-Family	126	378	4%
4-Family	74	296	3%
5-Family	14	70	1%
Condo	864	864	10%
Waterfront	56	56	1%
Mobile Homes	2	2	0%
TOTAL	7835	8996	100%

Source: City of South Portland Grand List as of 2/11/04

not less than 8,996 residential units (Some rental units are in the 8 units and up category making a precise estimate difficult from tax list data). The greatest share of residential housing in the city is single family homes, representing 67% of the total residential units. Following at a distant second and third are duplex (or two family housing) and condo residential units, with 14% and 10% respectively.

According to Table 1-7 (see below table entitled “Land Use by Zoning District”), residential homes are found not only in typical residential zones, but also in not so typical residential areas such as commercial, professional office, limited business, light industrial, industrial, and even in non-residential industrial zoning areas.⁴ As of the end of 2003, there were 278 residential parcels located outside zoned residential areas in the City of South Portland.

H. Age and Condition of Existing Housing Stock

An important indicator of a city’s housing stock quality and its historical housing unit growth rate is the age of the existing housing stock. In general, older units were built prior to today’s modern materials and techniques and typically were built below present day building codes. According to 2000 Census data, 60.7% of South Portland’s housing stock was construction prior to 1959 and one-third (32.5%) was built between 1960 and 1989. Compared to the surrounding communities within Cumberland County, South Portland has the third oldest housing stock with a median year built of 1952. Only the Portland and Long Island have older housing stocks, with median year built at 1941 and 1940 respectively.

Table 1-4: Median Year Built of Housing Stock, Cumberland County, 2000

Year	Community	Year	Community	Year	Community
1940	Long Island	1970	Brunswick	1975	Harrison
1941	Portland	1971	Baldwin	1975	Naples
1952	South Portland	1971	Bridgton	1975	Raymond
1955	Westbrook	1971	Cumberland	1975	Standish
1962	Falmouth	1971	Yarmouth	1975	Windham
1963	Cape Elizabeth	1974	Gray	1977	Freeport
1965	Sebago	1974	Pownal	1978	Scarborough
1969	Frye Island	1975	Casco	1980	New Gloucester
1969	Harpswell	1975	Gorham	1980	North Yarmouth

Source: 2000 U.S. Census

The median age of South Portland’s housing stock is older than that of the state as a whole.⁵ This indicates that the city did not experience a revival or insurgence of newer homes over the decade of the 1990s as many other towns and counties have experienced throughout the state. By way of comparison, approximately 45% of the counties in Maine have median year of residential home built equal or greater than 1969.

⁴ Information as of South Portland’s Grand List February 11, 2004 prepared by Assessor’s Office, zoning code data from Assessor’s Office are estimate and not 100% reliable.

⁵ State of Maine median year residential home built: 1964

I. Vacancy

According to the 2000 Census, there were an estimated 302 vacant residential housing units in the City of South Portland as of April 1, 2000. Approximately half (51.6%) of the vacant residential housing units in South Portland were single-family homes, the remaining 48.4% were multi-unit residential units. Of the total 302 vacant residential units, only 83 units were classified by the Census as primarily rental units, the remaining units were either for sale, rented or sold yet unoccupied, for seasonal use, or in the other sub-category.

J. Housing Stock by Age of Owner

One-quarter of South Portland's housing stock is owned by persons 65 years of age or older. Married elderly couples own 38.9% of the 1,601 units owned by the elderly population. The population of elderly persons owning a residence in South Portland is evenly split between people who live alone and those who reside with a spouse or other family member.

Table 1-5: Elderly Housing Stock by Household Type, Age, and Gender

	Family Households				Non-Family Household				Total	
	Married Couples		Non-Married No Spouse		Male Living Alone		Female Living Alone			
Total	75		75		75		75 and			
Owner	and		and		and		75 and			
Occupied	65-74	over	65-74	over	65-74	over	65-74	over		
	6,461	396	227	89	92	47	152	246	352	1,601

Source: 2000 US Census

The largest majority of owners of housing stock in South Portland are the people between the ages 25 and 64. Sixty-one point eight percent of the housing stock in South Portland is owned by this age grouping. Similar to the elderly grouping of housing stock owners, the largest group of home owners in the 25-64 age category are married couples, making-up approximately 78.0% of the 3,995 housing units owned.

Table 1-6: Housing Stock by Household Type, Age, and Gender

	Family Households				Non-Family Household				Total	
	Married Couples		Non-Married No Spouse		Male Living Alone		Female Living Alone			
Total	45-		45-		45-		45-			
Owner	25-44		25-44		25-44		25-44			
Occupied	25-44	64	25-44	64	25-44	64	25-44	64		
	6,461	1,401	1,715	294	209	128	119	71	58	3,995

Source: 2000 US Census

Of the 3,995 housing units owned by 25-64 year olds in South Portland, over half (52.6%) are owned by persons between the ages 45 and 64. Where it may seem that through the normal churning nature of the real estate market, the homes owned by persons 65 years old and older will be made available, there are a significant number of middle-age or baby-boomers following closely who will demand much of this new market. This will be particularly noticeable in areas zoned and used for elderly housing where there may be a higher demand as more persons move into the elderly housing market.

K. Summary Overview of Land and Land Use

The City of South Portland has 18 zoning districts, four overlay districts that provide an additional layer of development regulations for shoreline and wetland protection, and nine conditional zones. Residential housing exists in all districts, though new residential housing is restricted to 11 zones. The city’s medium and high density residential zones (A and G) provide land owners and developers the greatest flexibility in terms of lot size and the type of residential units allowed. The most restrictive residential zones in relation to lot size and the type of residential units allowed are Rural Residential (RF) and Residential low density (AA). Residential units are also allowed in most commercial and industrial zones with differing requirements on unit density, parcel size, and mix usage, these zones include: Limited Business (LB), Commercial (C), Industrial (I), Professional Office (PO), Suburban Commercial (CS), Residential (G-2), and Spring Point (SP).

Table 1-7: Land Use by Zoning District

Use	Zone(s)		Parcels	Value	Average Value
Residential	Residential (12,000 SF lot size)	A	4984	\$720,707,101	\$144,604
Residential	Residential (20,000 SF lot size)	AA	667	\$176,488,100	\$264,600
Residential	Residential	A-1	2	\$238,700	\$119,350
Residential	Limited Business	LB	94	\$14,997,400	\$159,547
Residential	Commercial	C	66	\$22,893,100	\$346,865
Residential	Suburban Commercial	CS	1*	\$9,109,500	\$9,109,500
Residential	Residential (multi-family)	G	1888	\$278,044,900	\$147,270
Residential	Conditional Residential & Limited Commercial Use	G-1	1	\$112,000	\$112,000
Residential	Industrial	I	187	\$23,850,900	\$127,545
Residential	Light Industrial	IL	1	\$760,600	\$760,600
Residential	Non-residential Industrial	INR	2	\$960,800	\$480,400
Residential	Professional Offices	PO	2	\$272,800	\$136,400
Residential	Rural Residential (2 acre lot size)	RF	1	\$4,200	\$4,200
Residential	Transitional Residential	RT	1	\$393,000	\$393,000
Residential	Vacant				
	Residential (12,000 SF lot size)	A	210	\$5,431,900	\$25,866
	Residential (20,000 SF lot size)	AA	50	\$3,362,200	\$67,244
	Limited Business	LB	7	\$122,900	\$17,557
	Commercial	C	7	\$122,700	\$17,529
	Residential (multi-family)	G	57	\$1,149,200	\$20,161

	Conditional Residential & Limited Commercial Use	G-1	1	\$112,000	\$112,000
	Industrial	I	1	\$65,100	\$65,100
	Professional Offices	PO	1	\$2,400	\$2,400
	Rural Residential (2 acre)	RF	1	\$4,200	\$4,200
	Total Residential Vacant		335	\$10,372,600	\$30,963
Commercial	Residential (12,000 SF lot size)	A	26	\$13,179,200	\$506,892
Commercial	Residential (20,000 SF lot size)	AA	1	\$923,000	\$923,000
Commercial	Limited Business	LB	198	\$86,934,500	\$439,063
Commercial	Commercial	C	48	\$16,719,800	\$348,329
Commercial	Central & Regional Commercial	CCR	91	\$383,132,400	\$4,210,246
Commercial	Transitional Central & Regional Commercial	CCRT	8	\$49,288,800	\$6,161,100
Commercial	General Commercial	CG	11	\$15,381,200	\$1,398,291
Commercial	Suburban Commercial	CS	20	\$23,557,500	\$1,177,875
Commercial	Handicapped & Elderly Housing	G-2	35	\$11,925,800	\$340,737
Commercial	Conditional Residential & Limited Commercial Use	G-1	1	\$679,300	\$679,300
Commercial	Industrial	I	144	\$10,313,900	\$71,624
Commercial	Light Industrial	IL	27	\$92,479,100	\$3,425,152
Commercial	Non-residential Industrial	INR	8	\$9,282,500	\$1,160,313
Commercial	Professional Offices	PO	6	\$48,968,200	\$8,161,367
Commercial	Vacant Land				
	Residential (12,000 SF lot size)	A	4	\$1,047,200	\$261,800
	Limited Business	LB	10	\$470,600	\$47,060
	Commercial	C	12	\$265,900	\$22,158
	Central & Regional Commercial	CCR	10	\$4,361,800	\$436,180
	Transitional Central & Regional Commercial	CCTR	7	\$3,834,700	\$547,814
	General Commercial	CG	7	\$1,685,400	\$240,771
	Suburban Commercial	CS	1	\$398,900	\$398,900
	Residential (multi-family)	G	10	\$567,500	\$56,750
	Conditional Residential & Limited Commercial Use	G-1	2	\$205,200	\$102,600
	Industrial	I	1	\$115,100	\$115,100
	Light Industrial	IL	13	\$4,587,900	\$352,915
	Non-residential Industrial	INR	4	\$260,700	\$65,175
	Professional Offices	PO	15	\$5,976,800	\$398,453
	Rural Residential (2 acre)	RF	1	\$194,700	\$194,700
Commercial	Total Vacant		97	\$23,972,400	\$247,138
Industrial	Residential (12,000 SF lot size)	A	9	\$1,124,700	\$124,967
Industrial	Residential (20,000 SF lot size)	AA	1	\$46,700	\$46,700
Industrial	Limited Business	LB	2	\$12,097,700	\$6,048,850
Industrial	Commercial	C	31	\$60,764,800	\$1,960,155
Industrial	General Commercial	CG	1	\$1,728,000	\$1,728,000
Industrial	Suburban Commercial	CS	2	\$246,100	\$123,050
Industrial	Handicapped & Elderly Housing	G-2	9	\$2,475,900	\$275,100
Industrial	Industrial	I	36	\$89,182,300	\$2,477,286
Industrial	Light Industrial	IL	8	\$14,767,100	\$1,845,888
Industrial	Non-residential Industrial	INR	16	\$37,954,700	\$2,372,169

Industrial	Vacant Land				
	Residential (12,000 SF lot size)	A	23	\$589,200	\$25,617
	Limited Business	LB	1	\$248,600	\$248,600
	Commercial	C	3	\$157,800	\$52,600
	General Commercial	CG	1	\$18,200	\$18,200
	Residential (multi-family)	G	5	\$119,100	\$23,820
	Industrial	I	8	\$3,205,900	\$400,738
	Light Industrial	IL	4	\$876,500	\$219,125
	Non-residential Industrial	INR	29	\$1,734,100	\$59,797
	Rural Residential (2 acre)	RF	1	\$5,100	\$5,100
Industrial	Total Vacant Land		75	\$6,954,500	\$92,727
TOTALS			9,142	\$ 2,273,285,801	

*Apartment Complex, greater than 8 units

Source: South Portland Grand List as of 2/11/2004, prepared by City Assessor's Office

As expected the majority of parcels used for residential housing are found within the Residential Districts (A), followed by Residential District (G). There are 335 vacant residential parcels with the City of South Portland as of February 11, 2004, with an average assessed value of \$30,963.

L. Assessed Value Versus 2003 Single Family Sales Prices

As will be discussed further in Chapter 2 of this study, there is a significant and, apparently, recently growing disparity between the average assessed value of a single family house in the city and the average sale price of single family homes. At nearly 1.18 to 1.0, this ratio may be indicating that the composition of single family home sales activity may be moving higher into the upper end of the price range in the city.

Table 1-8: Single Family Home Assessed Value vs. Sales Price

Land Type	Average Assessed Value	2003 Median Sales	Number Sold	Ratio of Sales Price to Assessed Value
Residential	\$150,611	\$178,000	359	1.18:1

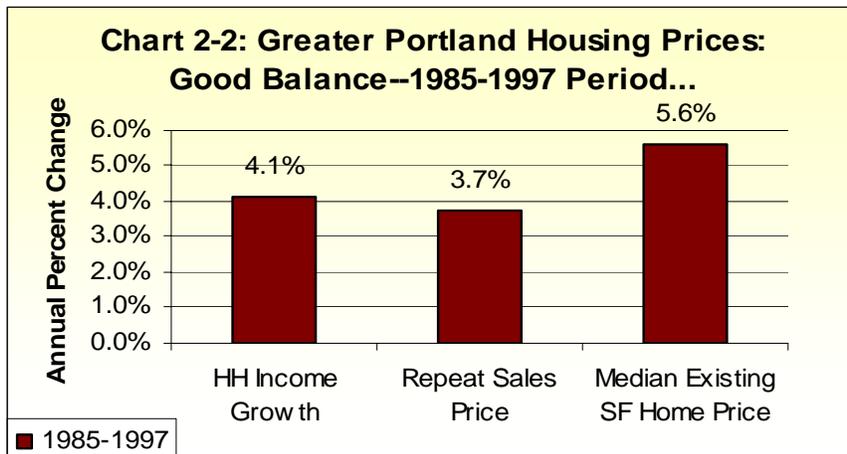
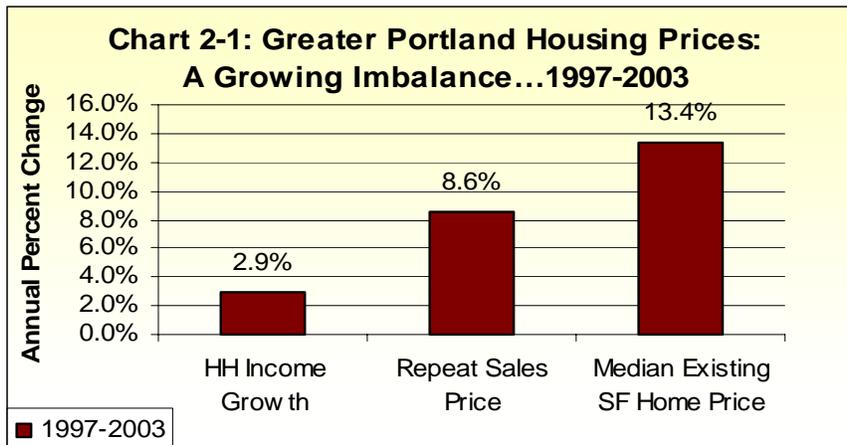
*Random Sample of Single Family homes sold between 2001 and 2003.

Chapter 2: Trends in Housing Prices and Affordability--More Evidence of Growing Housing Cost Stress?

The housing cost stress data presented in Chapter 1 measure changes between the 1990 and 2000 Censuses. Anecdotal evidence indicates that housing markets in the greater Portland NECMA region and in South Portland have changed significantly over the past roughly four years. With interest rates near “45 year lows,” price appreciation in the greater Portland region and in several metro areas in New England has been reported in various news stories to be strong. In this section, we examine recent developments in the Portland regional and the city’s housing markets in order to complete the picture of housing activity.

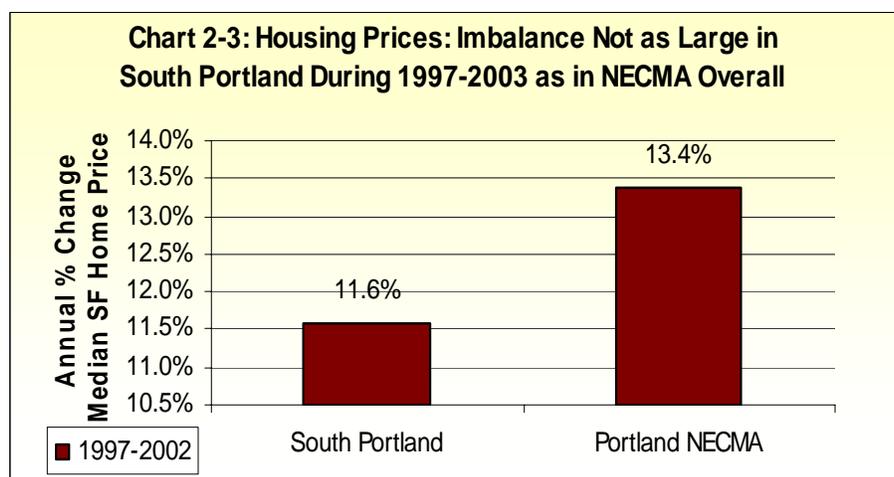
Recent housing market activity will be an important part of the economic-demographic and housing market forecasts to come in subsequent parts of this housing assessment study. Also as part of this chapter, an initial “snapshot” estimate of housing affordability will be presented for both owners and renters in the city.

A. Overview of Regional Housing Market Developments



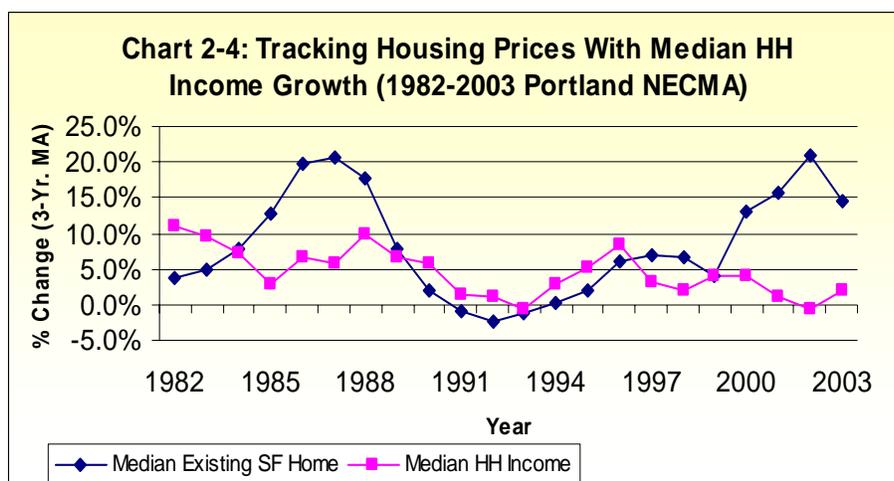
The orderly transition out of current double-digit rate of housing price increases in the greater Portland NECMA region to a more typical supply-demand-price change environment is a key assumption in the long-term regional economic-demographic outlook. Looking at comparative data with respect to the key fundamental economic indicator in the region—median household income—and two housing price variables over the past six years in the region indicates that there has been a growing

imbalance between housing prices and household income growth in the greater Portland NECMA region (see Chart 2-1). More specifically, both the median sales price of a single family home in the greater Portland NECMA region has increased at a 13.4% annual rate over the last six years—a level more than four times the 2.9% average rate of increase in regional household income. In addition, the rate of price increase in the “Repeat Sales Price Index” shows a similar, but somewhat less pronounced trend (at +8.6% per year in home prices—or a level more nearly three times the 2.9% annual increase in household income). In each instance, the level of imbalance is much more pronounced than the generally well-balanced period between 1985 and 1997 as shown in Chart 2-2. Chart 2-3 shows that the price imbalance is only marginally better for the city with its 11.6% average annual rate of increase in single family home prices versus the 13.4% average annual rate of increase for the region as a whole.



In addition to the above, Chart 2-4 shows that this imbalance between the regional economy’s underlying income growth fundamentals and housing prices has only recently emerged. This period of apparent imbalance follows a

relatively long period where housing prices have generally tracked household income growth for a



relatively long period of time dating back to the 1980s. In many ways, the current imbalance from a visual perspective is starting to reach a level that is roughly equal in magnitude to the very pernicious late-1980s housing price

boom in the region. It should be noted here that the harmful housing market imbalance of the late 1980s was indeed a regional housing price “bubble” that ultimately resulted in a nearly five year period of housing price declines-very

restrained period of price appreciation from the late 1980s through the early-1990s. That period of housing price decline-weakness in the greater Portland region was perhaps the longest period of housing price decline for the region since the Great Depression of the 1930s.

B. Anatomy of a Housing Price “Bubble”

The question of whether the current situation constitutes a housing price “bubble” situation similar to the late 1980s is still an open question at this time. Given that uncertainty, the study next turns to a description of typically occurs when housing prices are pushed higher than can be supported and sustained by the performance of the underlying fundamentals (e.g. job and income growth) of a regional economy—thereby resulting in a “housing price “bubble.”

At the time of a housing price “bubble,” housing prices increase at a level that is consistently higher than job-income growth for a sustained period of time. This situation, then leads to speculation that prices will continue to go even higher and higher, and buyers continue to bid up prices for homes—artificially inflating housing prices beyond those that can be sustained by the regional economy over the long-term. Then, when the regional economy experiences a disruption where jobs are lost and/or income growth stalls—or even falls—the number of buyers who can purchase a home at inflated prices falls. Eventually, housing prices-values then fall as well.

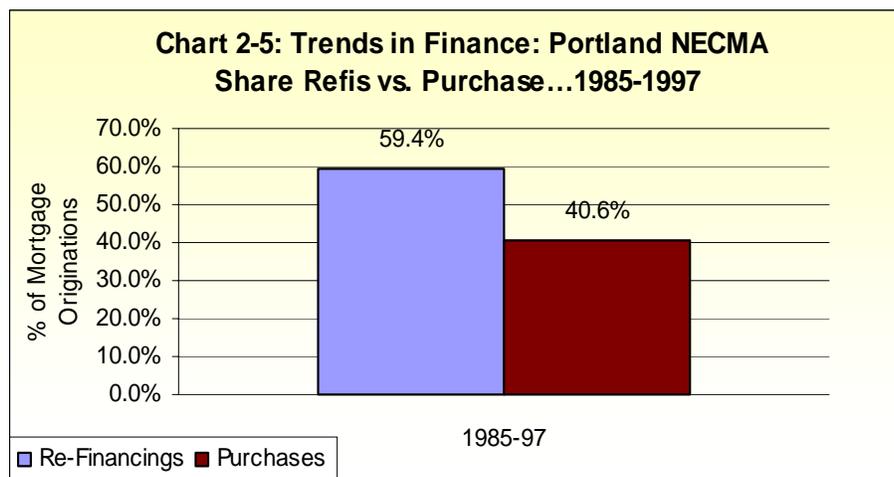
This housing price “bubble” dynamic can be a major set-back for a regional economy if significant numbers of individual homeowners in the region have borrowed against, cashed-out, and/or bought in to the housing market at previously inflated prices with highly leveraged positions (e.g. 10% equity levels and below). Under such a housing price “bubble” circumstance, substantial numbers of homeowners in a region or community could find themselves in a “negative equity” position—owing more on their home than the total market value of their largest investment. If enough (e.g. too many) homeowners in a region or a community find themselves in such a “negative equity position,”⁶ this can have large and negative impacts on regional economic performance overall. This negative effect can be very pervasive, and would be particularly pernicious in the areas of reduced household consumption expenditures (the largest component of any regional or community economy) and reduced activity in the construction sector. Although there indeed appears to have been a disconnect between housing price increases and household income growth in the greater Portland NECMA region over the last five years, there are three significant reasons to believe the current situation will not result in a repeat of the half decade-long housing price decline-appreciation weakness environment of late-1980s/early-1990s period in the region.

First among those reasons is the fact that the current robust housing environment involves a logical portfolio adjustment to the now three year unwinding of the

⁶ Such as was the case in the southern New England region during the early 1990s.

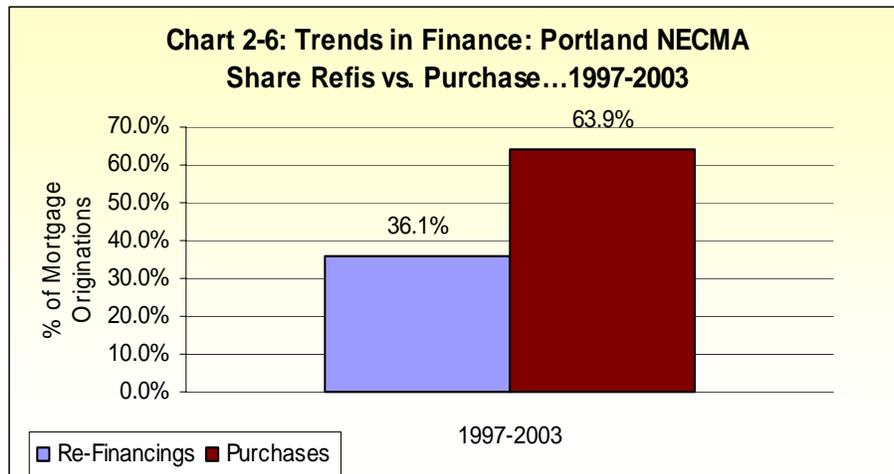
speculative equity market price bubble that peaked in March of calendar year 2000. Since that unprecedented run-up in stock prices, many investors pulled significant amounts of equity market-generated wealth out of stocks and invested substantial amounts of those funds in real estate. This source of funds has over the last roughly four years had the effect of substituting for substantial amounts of funds that under ordinary circumstances would be generated by income growth. This portfolio re-adjustment is a logical extension of the several trillion dollars in wealth created and subsequently liquidated (a significant amount of this wealth was lost as well) over the past roughly four years.

Secondly, conversations with real estate professionals and developers in the region also indicate that there may also be a “safety and security” dynamic in the aftermath of the terrorist attacks of September 11, 2001 at play in real estate markets over the past roughly 2½ year period since those terrible attacks. Given the on-going threat of additional terrorist attacks—this reasoning goes, substantial numbers of homebuyers from more “at risk” locations in other parts of the northeastern U.S. region (e.g. southern New England, the Boston metro area, and the greater New York City—Washington DC corridor have cashed out their real estate holdings in those higher priced areas and moved to the region—investing those funds in the “safer and lower average priced” regions of the greater upper New England-Northeast U.S. region—including the greater Portland, Maine NECMA (northern New Hampshire and Vermont). As a result, this activity has resulted in significantly heightened bidding activity for real estate inventory in the region. Again, these external monies significantly expanded the pool of funds in the region to purchase housing, and have substituted for dollars that typically have been generated by regional income growth in the past.



Third, and perhaps most importantly, is the pervasive impact on housing prices of historically low levels of mortgage interest rates—with rates still brushing near a 45 year lows for the greater part of the past year. These historically low

interest rates have kept housing markets nationally and in the region exceptionally strong during the recent period of national-regional economic recession. They also have generally led to continuing expansion of housing supply in the region despite the economic-job market-income growth struggles that normally slow housing markets



down significantly.⁷ In addition, an unprecedented mortgage re-financing activity also has likely put an enormous amount of cash into regional housing markets as well. This is evidenced by the significant shift in the share of mortgage

originations in the region over the 1997-2003 period in comparison to the 1985-97 period. If national averages for cash out re-financings are anywhere near the actual cash-out re-financings in the region, this activity has likely substituted for many millions of dollars of household income to support regional housing sales activity in the greater Portland NECMA region.

The assumption that the current household income-housing price imbalance in the regional and the city will work itself out in an orderly fashion over the next 2-3 years is a critical one in this study. Without orderly un-winding of the double-digit pace of housing prices, the greater Portland NECMA region could experience significant swings in supply additions—and potentially even housing supply disruptions—and curtailed demand at some point in time over the next several years. Forecasts do not generally include the likelihood of such a discontinuity. This baseline economic forecast likewise does not anticipate that housing markets will become severely disrupted due to this household income-housing price change condition. However, the reader is cautioned that such a condition remains a possibility—but not a probability.

C. 2003 Snapshot of Affordability in South Portland

With the Chapters 1-3 information and data as background, the next logical question in the current housing situation in the city involves developing an estimate of the housing stock that is “affordable” in the city. This estimate is done by income class by using the mortgage (for owner units) and rent (for renter units) affordability guidelines of the U.S. Department of Housing and Urban Development (HUD) and using those to develop a direct tie to the current costs of living in the current housing stock of the city.

⁷ It should be noted that a lack of supply growth—or inelastic supply—is also an important pre-condition of a housing price “bubble” that does not appear to have been present in the greater Portland NECMA region.

1. Measuring Housing Affordability.

According to the HUD guidelines mentioned above, owner occupied housing is affordable if not more than 29% of a household's gross income is spent on a mortgage payment.⁸ For renter units, the HUD standard is that no more than 30% of a renter household's income should be spent on rent and utilities (including fuel for heat, hot water and cooking, electricity for lights, water and waste water charges, and trash removal). Also for the purposes of this study, the data are grouped according to the following major groups: (1) households at 30% of the estimated median household income and below, (2) households between 30% and 50% of the estimated median household income, (3) households between 50% and 80% of the estimated median household income, (4) households with between 80% and 100% of the estimated median household income, and households with greater than 100% of the estimated median household income.

For 2003, the estimated South Portland City Median Family-Household income was \$51,912. Median Family Income for the city was estimated in two steps. The first involved using household income conversion factors from the 2000 Census (which includes money income from calendar year 1999 for the city). The second included a series of factoring calculations that recognized the relative rate of historical rate of household income growth in the city over the 1989-1999 period vis-à-vis the broader Greater Portland NECMA area household income growth rate (at 94.5% of the regional household income growth rate during the 1989-99 period).

Using the HUD household income benchmark, estimates of various housing costs for owners and renters were developed using a variety of primary and secondary research to establish representative housing expenses for key categories for those who both own and rent their housing in the city. Tables 2-1 and 2-2 show the detail of these key housing expenditure categories for owners, including items such as insurance and taxes, and including an estimated affordable mortgage payment amount (assuming a 5% down payment), assuming a 5.75% mortgage interest rate as determined through a regional survey for early 2004 in the Greater Portland metro region. This affordable mortgage payment calculation was necessary to back-calculate the maximum affordable housing price amount by average household income class. This affordable housing price was then compared to the number of single family housing units at or below those calculated amounts in the city's April 2003 tax list in order to get an estimate of the degree of affordability of the city's housing stock.

⁸ However, for this study it should be noted that a broader definition of costs were employed because home-owners also must pay utilities, real estate taxes as well. We also defer to the 30% benchmark for owner units as well, recognizing it is more rigorous than the 29% mortgage payment HUD standard in this very low mortgage interest rate environment.

For renters, a very similar reverse-calculation was undertaken, recognizing that renters spend significantly less (roughly 47% less according to the Northeast U.S. Consumer Expenditure Survey for 2001-02 from the U.S. Department of Labor) for utilities than those households who own their own homes. The affordable rent-utilities payment amounts were then compared to the estimated 2003 inventory of renter units in the city.

2. Owner Units.

Table 2-1 presents an estimate of the level of housing affordability for owner housing units in the City of South Portland. The table shows that there is a significant affordable housing price gap for city households at or below the 80% of median household income level by on estimated 2003 affordable and estimates housing sale prices. For households in the city at 100% of the median household income level and above, there is only a relatively small housing price gap of roughly 3% (or \$5,000) of the median sales price indicated.

Table 2-1: Snapshot of Affordability in 2003 (Owner Units)

<i>City of South Portland</i>	A	B	C	D
<i>% of Median HH Income</i>	30%	50%	80%	100%
<i>Annual HH Income</i>	\$15,574	\$25,956	\$41,529	\$51,912
<i>Monthly Utility Expense (Excluding Telephone)</i>	\$96	\$110	\$115	\$121
<i>Monthly Income</i>	\$1,202	\$2,053	\$3,346	\$4,205
<i>% of Income for Payments</i>	30%	30%	30%	30%
<i>Affordable Payments</i>	\$361	\$616	\$1,004	\$1,262
<i>Insurance Rate (Per \$1,000)</i>	\$3.95	\$3.95	\$3.95	\$3.95
<i>Insurance per Month</i>	\$16	\$28	\$45	\$57
<i>Tax Rate Per \$1,000 (2003)</i>	\$17.06	\$17.06	\$17.06	\$17.06
<i>Taxes</i>	\$70	\$120	\$196	\$246
<i>Affordable Mortgage</i>	\$274	\$468	\$763	\$959
<i>Mortgage Rate</i>	5.75%	5.75%	5.75%	5.75%
<i>Term (In Years)</i>	30	30	30	30
<i>Mortgage Value</i>	\$46,958	\$80,213	\$130,732	\$164,304
<i>Downpayment Percent</i>	5.00%	5.00%	5.00%	5.00%
<i>Downpayment</i>	\$2,471	\$4,222	\$6,881	\$8,648
<i>Affordable Home Price (Est. 2003)</i>	\$49,430	\$84,435	\$137,612	\$172,952
<i>Median Home Price (2003)</i>	\$178,000	\$178,000	\$178,000	\$178,000
<i>Affordable Housing Price Gap (2003)</i>	(\$128,570)	(\$93,565)	(\$40,388)	(\$5,048)
<i>Estimate of Year-Round Owner Units Below</i>	50	998	5,236	5,614
	0.7%	14.9%	78.1%	83.8%

Prepared By: Economic & Policy Resources, Inc. (3/31/04)

Using data from the April 2003 tax list for single-family housing units, Table 2-1 also indicates that the community has significant affordability pressures at the lower end of the household income spectrum—and especially in the 50% of estimated median household income and under, with somewhat better affordability in the higher end of the household income spectrum. A total of 14.9% of the owner housing units stock in the city and only roughly one-fifth the renter units were either at or below the “affordable level” for households at 50% or below the city’s median income level threshold (as determined by the above average cost-expenditure analysis). For the 80% of the city’s median household income level and below, the estimated number of affordable owner and renter housing unit percentages are estimated to be 78.0% and 77.3%, respectively. Although there are affordability pressures in the lower end of the household income spectrum, the situation in the 80% of regional median income categories and above and the 100% of median household income and above categories for both single family homes and renter units are indicative of a generally “housing-friendly” situation in the community—with between 8 of 10 renter units and more than 3/4 of the owner units “affordable” to the City’s households at the 80% of estimated median household income levels. The data at the 100% of median household income level indicates that roughly 8 of every 10 owner units and 9 of every 10 renter units are “affordable.” These data point to the fact that, like the City of Portland, it appears that South Portland has carried a significant share of the burden of providing affordable owner and renter housing to a significant portion of the Greater Portland region’s households.

3. Renter Units.

Table 2-2 presents the details of the parallel housing affordability calculation for renter units in the City of South Portland. The Table shows that similar to the owner analysis described above, that there is evidence of some stress in the City’s renter households—particularly in the 50% of the estimated regional median and below household income group. However, this situation improves significantly as the household income level moves closer to the City’s median.

Table 2-2: Snapshot of Affordability in 2003 (Renter Units)

<i>City of South Portland</i> <i>% of Median HH Income</i>	A 30%	B 50%	C 80%	D 100%
Annual HH Income	\$15,574	\$25,956	\$41,529	\$51,912
Monthly Utility Expense (Excluding Telephone)	45	52	54	57
Monthly Income	\$1,253	\$2,111	\$3,407	\$4,269
% of Income for Rent Payments	30%	30%	30%	30%
Affordable Rent	\$376	\$633	\$1,022	\$1,281
Estimate of Year-Round Rental Units Below	541 13.7%	851 21.6%	3,047 77.3%	3,715 94.2%

Prepared By: Economic & Policy Resources, Inc. (3/31/04)

D. Profile of Recent Single Family Home Sales Activity in South Portland

The data presented above reflect a snapshot estimate of the “affordability” of the existing housing stock in the city. Clearly, not all or even a substantial portion of the housing stock in a community is available for purchase (e.g. on the market) at any given point in time. In order to assure that an accurate portrayal of housing affordability in the city is made in this study, recent housing market sales trends were assessed using the most current and accurate home sales data available for the city. These data were obtained from the Maine State Housing Authority for the 1992-2003 period. Data for each valid housing sale transaction was obtained for the calendar years of 1997, 2000, and 2003. These transactions were collected and analyzed under a similar “affordability” analysis structure that was presented in Sections B1 through B3 above.

Consistent with affordability snapshots presented above, home sales data for the city covering single family homes (including condominiums) are presented in Chart 2-7 and Table 2-3 below. These data reveal the effect of the upward price movement experienced for single-family home sales in the city, and show a clear trend toward worsening affordability. Calendar year 2003 data indicate that less than one of every five sales of single family homes were affordable to households in the city who had a household income at or below 80% of the city’s median income. The situation is far worse for those households at or below the 50% and 30% of estimated median household income levels. Five years earlier in 1997, over 9 of every 10 housing sales were in affordable range at the 80% or below of the city’s median household income, and at least some units sold in the price range affordable to households in lower median income groups.

Looking at the upper end of the sales price spectrum, these data show that only 8.4% of the total number of single family home sales in 1997 were in the price range that was only affordable to those households at or above 80% of the median household income level. In 2003, the upward drift of housing prices in the city resulted in over 4 of every 5 (or 86.9%) of all single family sales in the city were affordable to households in the highest two household income categories. Housing sales that were affordable only to the highest household income category over the six year period had skyrocketed by more than 10 times from just over 4% of the total in 1997 to more than 50% of the total in calendar year 2003—or five of every ten single family homes sold in 2003.

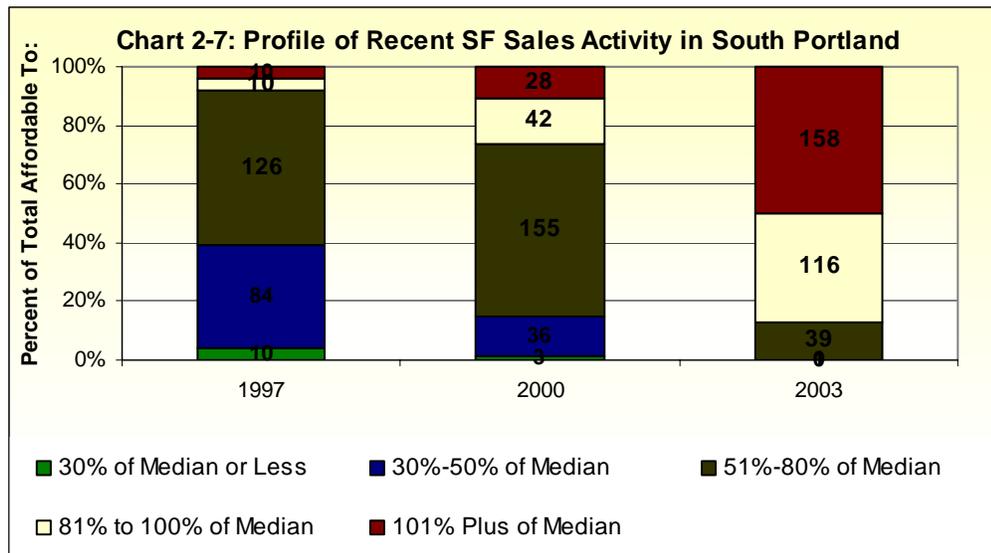
Table 2-3: Affordability Trends in Condo-SF Home Sales 1997, 2000, & 2003 - - South Portland

Year	Median Housing Price	50% of Median or Less	51%-80% of Median	81% to 100% of Median	101% Plus of Median	Total
1997	\$90,650	94	126	10	10	240
2000	\$124,500	39	155	42	28	264
2003	\$178,000	1	39	116	158	314
Percent of Total						
1997		39.2%	52.5%	4.2%	4.2%	100.0%
2000		14.7%	58.7%	15.9%	10.6%	100.0%
2003		0.3%	12.4%	36.9%	50.3%	100.0%

MEMO #1: Affordable Home Price	Dollars	MEMO #2: Median SF Price Change		1997-2003 Increase/Year
		Year	Median Price	
30% Median Income and Below	<\$49,430			
>30% Median Income, <50% Median Income	>\$49,430	1997	\$90,650	
	<\$84,435			
>50% Median Income, <80% Median Income	>\$84,435	2000	\$124,500	
	<\$137,612			
>80% Median Income, <100% Median Income	>\$137,612	2003	\$178,000	11.9%
	<\$172,952			
>100% Median Income	>\$172,952			

Totals may not add due to rounding.
Prepared By: Economic & Policy Resources, Inc. (03/10/04)

Looking more closely at Chart 2-7, the number and share of total housing sales transactions over the 1997-2003 period at the highest end of the price range have come to comprise the largest share of single family home sales in the community, dominating the lowest two affordable categories by a factor of more than two times. The decided shift—in fact a more than complete reversal—of the city’s single family home sales activity toward the high end of the price range over 1997 to 2003 is a significant trend indicating the deterioration of the affordability of its housing stock over little more than just one half of one decade. This is clearly not a positive development



in the city’s long-term housing affordability outlook.

Chapter 3: Regional Long-Term Economic and Demographic Forecast, 2003-13

The composition and pace of economic activity and growth in the region over the next decade will have a significant impact on housing demand and the number and types of housing units that will be added to the city's existing year-round housing supply. More specifically, the level and composition of demand and rate of additions to supply in the city over the next decade will largely be a function of two factors. These include: (1) future Portland metro area region and the city's economic-job market conditions, (2) how the underlying demographic trends play out in the region and city over the period, and (3) impacts of public policy decisions and initiatives. Clearly, the first of these factors will be driven by economic and demographic dynamics. This chapter deals with the underpinnings and presentation of the specifics of the first two factors listed above. The third factor dealing with the effects of public policies is addressed later.

A. Regional Long-Term Economic Forecast, 2003-13

Housing markets and developments in the economic-demographic environment governing housing supply and demand trends in the city are largely regional—and often national and global—in scope. Because of this external nature of housing-economic dynamics, a regional economic-demographic forecast was developed to fully incorporate the housing market supply and demand effects of the still sluggish U.S. and global economies on the greater Portland metro region. The following section describes the methods employed in developing, and the results of, the regional long-term economic forecast for the greater Portland metro region used in this housing study.

The first step in developing the regional long-term economic-demographic forecast for the Portland metro region involved developing a credible baseline forecast for the Portland NECMA.⁹ To complete this task, a long-term forecast for the region was obtained in February of calendar year 2004 from Economy.com—a nationally recognized economic forecasting and consulting firm. This forecast was reviewed and edited by Economic & Policy Resources, Inc., the primary investigators for this study. A summary of this regional forecast for the Portland metro area is presented in the following tables and charts.

⁹ NECMA refers to New England Consolidated Metro Area.

Table 3-1: Regional Economic-Demographic Forecast Through 2013

Portland Maine NECMA [1] Variable-NAICS Basis	1980	1990	2000	2003	2013	Annual Percent Change			Memo:
						1980-03	1990-03	2003-13	2000-03/Yr.
Selected Economic Variables:									
Gross Regional Product (\$Billions-1996)	5.3	8.8	11.5	12.4	15.7	3.8%	2.7%	2.4%	2.5%
Total Non-Farm Establishment Jobs (000s)	98.7	145.7	175.0	179.9	206.8	2.6%	1.6%	1.4%	0.9%
Total Private Sector Jobs (000s)	83.4	127.7	153.1	156.4	182.9	2.8%	1.6%	1.6%	0.7%
Construction (000s)	4.7	7.9	8.4	9.7	9.6	3.2%	1.5%	-0.1%	4.9%
Natural Resources and Mining (000s)	0.1	0.1	0.1	0.1	0.1	-1.3%	-2.6%	-0.4%	0.0%
Manufacturing (000s)	18.0	16.5	15.7	13.2	13.1	-1.3%	-1.7%	-0.1%	-5.7%
Professional & Business Services (000s)	6.5	15.9	19.4	19.7	26.1	4.9%	1.7%	2.8%	0.5%
Education and Health Services (000s)	10.9	17.9	27.6	29.8	38.7	4.5%	4.0%	2.6%	2.6%
Information (000s)	2.8	3.7	4.4	4.5	5.2	2.0%	1.3%	1.6%	0.5%
Retail Trade (000s)	13.4	23.2	27.2	27.6	29.4	3.2%	1.3%	0.6%	0.6%
Leisure and Hospitality (000s)	7.9	12.8	14.4	15.0	18.5	2.8%	1.2%	2.1%	1.4%
Transportation and Utilities (000s)	2.9	4.0	5.2	4.6	4.8	2.0%	1.2%	0.4%	-3.7%
Other Services (000s)	3.8	5.6	6.5	7.4	8.3	2.9%	2.2%	1.2%	4.5%
Government (000s)	15.3	18.0	21.8	23.5	23.9	1.9%	2.1%	0.1%	2.6%
MEMO:									
High Tech Employment (000s)	5.3	6.6	8.9	8.4	10.1	2.0%	1.9%	1.8%	-1.9%
Income:									
Personal Income (\$Billions)	\$2.1	\$5.3	\$8.5	\$9.9	\$14.6	7.0%	4.9%	4.0%	5.0%
Wages & Salaries (\$Billions)	\$1.3	\$3.4	\$5.6	\$6.4	\$10.0	7.1%	4.9%	4.6%	4.4%
Median Household Income (\$)	\$16,743	\$31,690	\$41,779	\$44,382	\$59,248	4.3%	2.6%	2.9%	2.0%
Median Household Income (% of U.S.)	94.5%	105.8%	99.5%	102.5%	102.8%				
Population:									
Total Population (000s)	216.6	243.9	266.0	271.1	280.5	1.0%	0.8%	0.3%	0.6%
Total Households (000s)	78.7	94.5	108.1	110.2	118.8	1.5%	1.2%	0.8%	0.6%
Persons Per Household	2.75	2.58	2.46	2.46	2.36				
Home Prices:									
National Assn. Realtors Median SF Home Sales Price (\$Current)	\$33,639	\$79,188	\$133,582	\$199,929	\$264,067	8.1%	7.4%	3.1%	14.4%
Repeat Purchase Sales Price Index (1995Q1=100)	ND	107.3	133.3	177.7	227.3	NA	4.0%	2.8%	10.1%
Notes:									
[1] The term "NECMA" means New England Consolidated Metro Area.									
ND means no comparable data are available.									

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Looking more closely at the variables presented in Table 3-1, Gross Regional Output in inflation-adjusted 1996 dollars is expected to post a 2.4% annualized rate of increase over the forecast period. This projected performance in output growth follows an estimated 2.5% average annual rate of gain over the 2000-03 period, and a 2.7% average annual rate of output gain in the region over the 1990-03 time frame. Total non-farm jobs, as measured by the job count survey of business establishments in the region, is forecasted to increase at an average annual rate of 1.4% over the 2003-13 period for the Portland NECMA. This forecasted job growth performance follows an estimated 0.9% annual average rate of growth for the 2000-03 period, and a 1.6% annual rate of increase over the entire 1990-03 period.

Private sector jobs are forecasted to increase at an average annual rate of 1.6% per year over the 2003-13 period, a rate slightly faster than job growth overall. That rate compares favorably to the 0.7% average annual rate of change over the 2000-03 period that included the last economic recession in the nation and the region, and is on par with the 1.6% per year average annual rate of increase over the 1990-03 time frame. The Government Sector (corresponding to the Public Administration category under North American Industry Classification System—NAICS), in contrast, is expected to experience a significantly slower rate of job growth in the region over the 2003-13 time frame—at a projected 0.1% average annual rate of growth over the period. That historically slow forecasted rate of annual change is a direct reflection of the expected long-term financial resources strain on public budgets at all levels of government in the post-“stock market bubble” public finance environment. It is the main reason underlying the relatively more upbeat job growth outlook for the Private Sector relative to the job growth outlook for payroll jobs in total.

Within the major job sector categories in the 2003-13 forecast, the Table also shows there are significant differences in the forecasted job growth performances between the major regional job group categories. The poorest relative job growth performance in the Portland NECMA among the major employment categories (e.g. including more than 1,000 payroll jobs in 2003) is projected for the Manufacturing sector (at -0.1% job change per year). Even though this important higher-than-average paying category of jobs is expected to decline over the period, this forecast expects that the sector’s long-standing rate of annual job declines will moderate relative to the -1.7% per year average for the 1990-2003 time frame and the -1.3% average annual rate of regional job decline experienced over the 1980-2003 time frame—covering roughly the last two complete business cycles. Even with those more moderate rates of job decline over the 2003-13 period, the forecasted number of manufacturing jobs in the Portland NECMA in 2013, at a projected 13,100 jobs, would represent a level that was 27.2% below the number of payroll jobs that existed in the regional manufacturing sector back in 1980. At the same time, it is also important to note that the above forecasted performance would also represent a significant improvement versus the -5.7% per year decline experienced over the 2000-03 period in this category in greater Portland regional economy.

On the other side of the ledger, three sectors stand out as significant job-adders over the 2003-13 period. One of the strongest job growth performances in the region over the forecast period is expected to be in the Professional-Business Services category (at +2.8% per year versus a +2.6% annual rate of increase over the 2000-2003 period and a +1.7% annual rate of increase 1990-2003). In addition, stronger than average regional job increases are expected in the Education-Health Services category (at +2.6% per year versus a +2.6% annual rate of increase over the 2000-2003 period and a +4.0% annual rate of increase 1990-2003), and the Leisure and Hospitality category (at +2.1% per year versus a +1.4% annual rate of increase over the 2000-2003 period and a +1.2% annual rate of increase 1990-2003). The second of those two categories is one that is closely associated with the regional tourism sector. The other regional category of some significance is the Other Services sector (projected to increase at +1.2% per year versus a +4.5% annual rate of increase over the 2000-2003 period and a +2.2% annual rate of increase 1990-2003). Lastly, the Government sector is expected to have a relatively flat job growth performance at +0.1% per year versus recent history. Over the 2003-2003 period, this category posted a +2.6% annual rate of increase. Looking back over history, payroll jobs in the Government category increased and a +2.1% annual rate of increase 1990-2003 and a 1.9% rate over the 1980-2003 time frame.

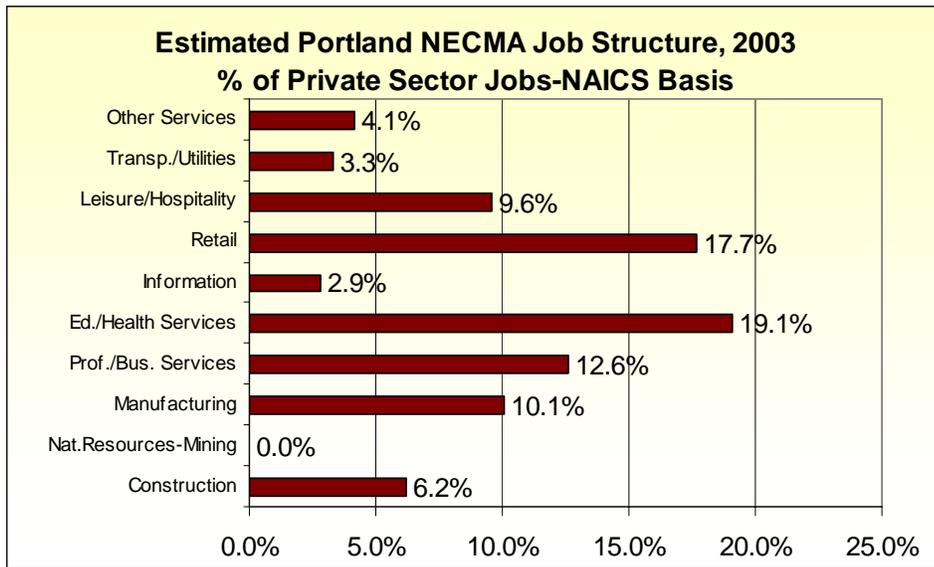
Turning to the other economic variables of significance to housing markets, Median Household Income is forecasted to increase at an average annual rate of 2.9%--a level that is about 1/3 higher than the rate of increase experienced over the 2000-2003 period. This projected rate of increase also is slightly faster than the 2.6% annual rate of increase during the 1990-2003 time frame, but is only about 2/3 of the average annual rate of increase (estimated at +4.3% per year) experienced in the Greater Portland region over the 1980-2003 time frame. The table also shows that projected regional population and household growth are expected to experience a significant slowing over the period, with both population (at +0.3% per year over the 2003-13 period) and household growth (at +0.8% per year over the 2003-13 time frame) experiencing average annual growth rates during the 2003-13 period that are only 1/3 to 1/2 as fast, respectively, as the historical annual average rates of growth experienced during their 1980-03 history.

Lastly, home prices as measured by both the new single family median home price average and the repeat sales price index are expected to experience more moderate 2.75%-3.25% rates of price increase over the 2003-2013 time horizon. Indeed, this forecast expects that the late 1990s-early 2000s rate of exceptionally strong rates of housing price increases will moderate over the 2003-13 time frame, and housing prices more closely track the average annual rates of household income growth over roughly the next decade. The projected +2.8% average annual rate of increase in the Repeat Purchase Sales Price over the 2003-13 period and the +3.1% average annual rate of increase in the National Association of Realtors Median Single Family Home Price level are each only about one-third to one-fourth of the actual double-digit rate of home price increase registered over the 2000-2003 period. The major forecast assumption underlying that forecast is that the gradual increase in interest rates

expected later this calendar year and beyond will result in an orderly transition from the current very strong rates of price increases in real estate markets to a more normal functioning market with prices that more closely track economic fundamentals such as job and household income growth.

Early data on the rate of price appreciation rate in the greater Portland region for calendar year 2003 (see Chapter 2 above) indicate that some moderation was evident in calendar 2003—at least in the National Association of Realtors Median Single Family Home Price indicator. However, the “orderly unwinding of the current strong price increase environment” assumption in this long-term forecast is perhaps the most significant forecast assumption in this study. Although there clearly is still some uncertainty with that assumption in this study, it does have roughly 40-50 years of actual housing price-household income growth history to support it.

Putting this long-term forecast in perspective, the following table (Table 3-2) presents



data that show that only relatively modest changes are expected in the overall job mix structure of the greater Portland metro area region during the 2003-13 period. According to the table, the strongest growing private sector job

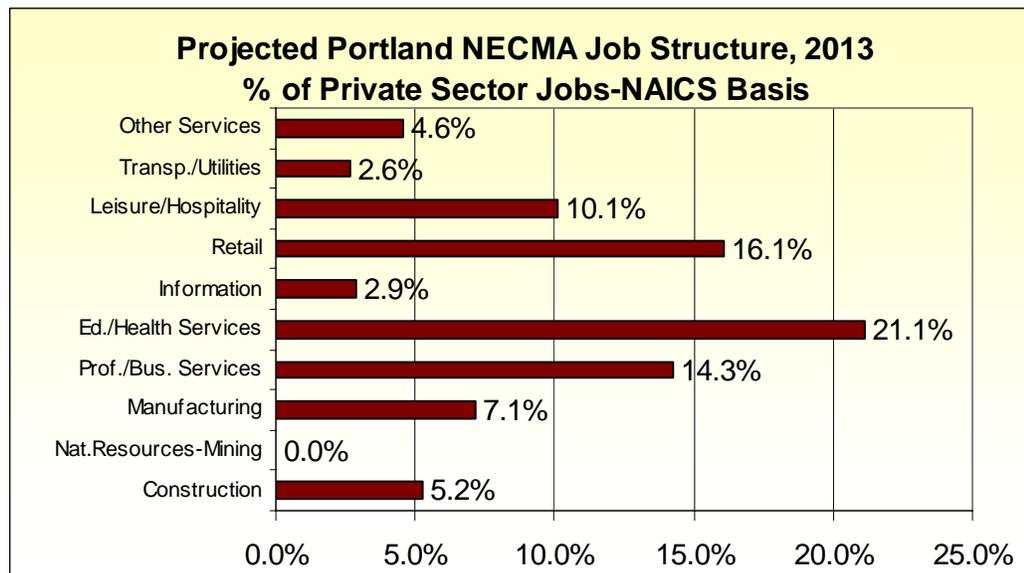
category in the region, Professional and Business Services, is expected to gain significantly in share over the next decade. In terms of total private sector non-farm jobs, this sector is expected to increase in prominence from an estimated 9.6% of the total in 2003 to 14.3% of the greater Portland region’s private sector job mix in 2013. In addition, this “status quo” forecast indicates that the Leisure and Hospitality sector is expected to add slightly to its 2003 share of total private sector payroll jobs at 9.6% of the total to a level of 10.1% of the regional total in calendar year 2013. Education and Health Services is also expected to gain in regional share over the 2003-13 period, increasing from the level of 19.1% of total private sector jobs in 2003 to 21.1% of the total in 2013.

Table 3-2: Payroll Job Forecast in Perspective

Portland Maine NECMA [1] Variable--NAICS Basis	Payroll Jobs		% Total Jobs		% Private Sector Jobs	
	2003	2013	2003	2013	2003	2013
	(000s)	(000s)				
Total Non-Farm Establishment Jobs (000s)	179.9	206.8	100.0%	100.0%	---	---
Total Private Sector Jobs (000s)	156.4	182.9	86.9%	88.5%	100.0%	100.0%
Construction (000s)	9.7	9.6	5.4%	4.6%	6.2%	5.2%
Natural Resources and Mining (000s)	0.1	0.1	0.0%	0.0%	0.0%	0.0%
Manufacturing (000s)	15.7	13.1	8.7%	6.3%	10.1%	7.1%
Professional & Business Services (000s)	19.7	26.1	11.0%	12.6%	12.6%	14.3%
Education and Health Services (000s)	29.8	38.7	16.6%	18.7%	19.1%	21.1%
Information (000s)	4.5	5.2	2.5%	2.5%	2.9%	2.9%
Retail Trade (000s)	27.6	29.4	15.4%	14.2%	17.7%	16.1%
Leisure and Hospitality (000s)	15.0	18.5	8.3%	9.0%	9.6%	10.1%
Transportation and Utilities (000s)	5.2	4.8	2.9%	2.3%	3.3%	2.6%
Other Services (000s)	6.5	8.3	3.6%	4.0%	4.1%	4.6%
Government (000s)	21.8	23.9	12.1%	11.5%	---	---

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On the other side, the Manufacturing Sector is expected to fall in employment prominence over the 2003-13 period, dropping an forecasted 4.0 percentage points over the period. If this forecast comes to pass, jobs in this important goods-producing



category for the region is expected to decline from 10.1% of total private sector payroll jobs in 2003 to 7.1% of the forecasted private

sector payroll job total in calendar year 2013. The Retail Trade category is similarly expected to decline modestly in share over the ten-year forecast period, declining from 17.7% of the private sector payroll job total in calendar 2003 to 16.1% of the private sector job total in the greater Portland metro region in calendar year 2013. Looking at the total public-private sector job base landscape, the Local Government is

expected to increase slightly in share through 2013 (as a percentage of total payroll jobs), declining from 12.1% of the total in 2003 to 11.5% of the forecasted payroll job level in the greater Portland metro region in 2013.

B. The Portland Region's Population Structure and Forecast, 2003-13

Closely tied to the long-term regional economic forecast discussed above, projected regional population growth and the changing characteristics of both the existing resident population and new population growth will also be important determinants of housing demand. The following sections highlight the important population growth and demographic factors that will likely be underpinning housing demand in the Greater Portland region and the city through 2013.

By way of background, it is important to note that during the period since the World War II and through the early 1990s, the net growth in the overall housing stock has tracked fairly closely with the number of new households that were formed.¹⁰ That means that despite wide swings in interest rates, increasing household incomes, and the like, the impact of demographics has been, and likely remains, the major long-term determinant of housing demand. The forming of new households and the composition of existing households rather than just simple population growth/changes are the key demographic determinants of housing demand. It should also be noted that new household formations are affected by a range of economic and social factors, including marriage rates, divorce rates, wage rates for job opportunities in a regional economy, and life expectancy in the region. Current and future changes such demographic issues of the population of the greater Portland region will therefore clearly have major implications housing demand, both regionally and in the city, over the next decade.

Looking back at the past two decades, it is well known that household changes have mainly reflected the maturing of the “baby boom” population. Baby boomers are generally defined as those persons who were born between 1946 and 1964—a period of time when the nation experienced strong population growth rates following the end of World War II. The oldest “baby boomers” are today in their mid- to late-fifties, and the youngest are now nearing the age of forty years. Therefore, the majority of this population group has already formed independent households—a factor that is very important to housing markets. The post-“baby boom” population—which is significantly smaller than the “baby boom” population—is currently in the primary age categories for forming new households. An overall slowdown in the rate of new household formations because of the aging of the “baby boomer” segment of the population is an overall demographic trend that is expected to continue to dominate over the next

¹⁰ Demographic Change and the Economy of the Nineties, Report for the Sub-Committee on Technology and National Security, Joint Economic Committee of the Congress of the United States (December 1991).

decade. This well known demographic dynamic will therefore affect the level and nature of housing demand over the next decade for the region and for the city as well.

Off-setting declining housing demand caused by the aging of “baby boom” population is the trend toward the declining household size—the trend toward fewer persons per household. The most obvious implication for housing demand from this trend is that more housing units will be required to house each increment of population growth in the region over the next decade than was the case over the last twenty to thirty years.

The decline in average household size reflects long-standing social changes that have resulted in smaller families and the increasing share of total households by non-family households. For years, the social literature has been filled with studies about the decline of the traditional married-couple family, the increase in single-parent families and the growth of single-person households.¹¹ The implication of smaller household size is increasingly responsible for greater housing unit need as the population grows with these new household characteristics. The result is potentially greater demand for smaller units characteristic of households headed by persons aged 50 years and older.

C. The Region’s Population-Demographic Forecast, 2003-2013

With the above discussion as background, Table 3-3 sets forth the key population and demographic variables for the greater Portland NECMA region through 2013. The Table shows that the greater Portland region is expected to add a total of 9,500 net new residents over the forecast period—corresponding to a 0.3% average annual population growth rate. That rate of increase is less than one-half of the 0.8% average annual rate of population increase experienced in the region over the 1990-2002 time frame and only about 1/3 of the long-term average annual population growth rate for the region over the 1980-2003 period.

¹¹ The number of single parent families rose sharply during the 1970s, but leveled off at about 15 percent of all families during the late 1980s and early 1990s.

Table 3-3: Regional Demographic Forecast Through 2013

Portland Maine NECMA [1]						Annual Percent Change			Memo:
Variable	1980	1990	2000	2003	2013	1980-03	1990-03	2003-13	2000-03/Yr.
Selected Demographic Variables:									
Population:									
Total Population (000s)	216.6	243.9	266.0	271.1	280.5	1.0%	0.8%	0.3%	0.6%
Population Aged Less than 24 Years (000s)	87.6	83.3	84.4	84.0	80.5	-0.2%	0.1%	-0.4%	-0.2%
Population Aged 25-44 Years (000s)	58.9	84.4	83.4	80.7	75.0	1.4%	-0.3%	-0.7%	-1.1%
Population Aged 45-64 Years (000s)	42.6	44.4	62.8	70.7	83.4	2.2%	3.6%	1.7%	4.0%
Population Aged 65+ Years (000s)	27.5	31.8	35.4	35.6	41.7	1.1%	0.9%	1.6%	0.3%
Households:									
Number of Households (000s)	78.7	94.5	108.1	110.2	118.8	1.5%	1.2%	0.8%	0.6%
Persons Per Household	2.75	2.58	2.46	2.46	2.36	-0.29	-0.12	-0.10	
Births:									
Total Births (000s)	ND	0.51	0.36	0.34	0.36	ND	-3.1%	0.7%	-2.6%
"Net" Population In-Migration (000s)	ND	ND	0.25	0.24	0.16	---	---	---	---
Notes:									
ND means no comparable data available									

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According to these regional projections, largest age group contributing to the region's overall population growth is the 45-64 years age category—up 4.0 percent per year over the 2003-13 period. This age group is expected to contribute roughly 12,700 people or approximately 1/3 more than the net total increase in residents that are forecasted to be added in the region as a whole over the 2003-2013 time frame. The next largest contributing category is the over 65 years age grouping—at 6,000 net additions, up 0.3 percent per year over the 2003-13 period. The Over 65 years category represents nearly 2/3 of the next increase in the region's population over the 2003-13 period.

According to the forecast, both the under 25 years age category and the age 25 years-44 years demographic categories are projected to decline in size over the next decade, at -0.2% per year and -1.1% per year, respectively, over the 2003-13 time horizon. The number of households is likewise expected to post a correspondingly historically slow 0.6% annualized rate of growth over the 2003-13 period. That forecasted annual average rate of household growth for the Greater Portland region is roughly two-thirds of the 1.2% per year rate of increase experienced during the 13 year period between 1990-2003.

D. The City's Population-Demographic Forecast, 2003-2013

The purpose of the following section of this report is to present a set of baseline population-household projections—including its age distribution. This baseline forecast was developed using the Greater Portland regional economic-demographic forecast presented above and is presented in Table 3-4 below.

Table 3-4: Baseline Population Projections for the City of South Portland

	1990	2000	2003	2005	2013	Abs Chge	Abs Chge	Abs Chge	CAA	CAA	CAA
						1990-00	1990-03	2003-13	1990-00	1990-03	2003-13
Total	23,163	23,366	23,706	23,929	24,310	203	543	605	0.1%	0.2%	0.2%
<15	4,288	4,269	4,276	4,289	4,271	(19)	(12)	(5)	0.0%	0.0%	0.0%
15-24	3,339	2,754	2,782	2,796	2,829	(585)	(557)	47	-1.9%	-1.5%	0.2%
25-34	4,309	3,431	3,404	3,347	3,373	(878)	(905)	(30)	-2.3%	-1.9%	-0.1%
35-44	3,608	4,073	4,167	4,171	4,055	465	559	(112)	1.2%	1.2%	-0.2%
45-54	2,075	3,303	3,410	3,227	3,762	1,228	1,335	352	4.8%	4.2%	0.90%
55-64	1,953	2,101	2,210	2,362	2,443	148	257	233	0.7%	1.0%	0.92%
65+	3,591	3,435	3,456	3,737	3,576	(156)	(135)	119	-0.4%	-0.3%	0.3%

According to this baseline forecast, the number of city residents is expected to increase by just over 600 residents between 2003 and 2013. The forecasted increase represents an average annual growth rate of 0.2% versus a 0.1% per year average that was experienced over the decade of the 1990s and a 0.2% average rate of increase estimated for the 1990-2003 time period. The fastest rate of population growth in the city is expected in the 55-64 years category, at just over 0.9% per year. The next fastest rate of population growth is expected in the Age 45-54 Years category at 0.9% per year over the forecast period, followed by the Over 65 years category (at 0.3% per year over the 2003-13 period). In terms of the age category with the largest number of resident persons added during the 2003-13 time frame, the

Age 45-54 Years category is forecasted to post largest absolute population increase at 352 persons—or 58.2% of the total. The second largest contributor is the Age 45-54 Years category (at 233 residents). The Over 65 Years category rounds out the top three, up by a total of 119 persons over the period. This profile generally reflects the aging of the baby boom population, the relatively favorably price positioned housing market for families, and the on-going out-migration of persons at both ends of the age spectrum—including both young people and a significant number of over 65 Years households. In addition, the Age 35 Years to 44 Years is forecasted to decline over the forecast time frame, declining by a projected 112 persons over the 2003-13 period—again likely reflecting the aging of the so-called “baby boom” population and the loss of the city’s young people who would be expected to age into this category over the 2003-13 time period if they had not migrated out of the city.

However, as was stated above, the formation of new households and the composition of existing households—rather than population growth alone—is the major determinant of housing demand. In this vein, Table 3-5 also sets forth household projections to 2013 by age of the householder for the various age categories. The table shows that the city is projected to see growth of just over 500 total new households over the 2003-2013 time horizon—representing an increase of 0.5% per year. That household growth rate is: (1) significantly lower than the 0.9% average annual rate of increase over the 1990-2003 period, and (2) is about 1/3 slower than the 0.8% per year registered during the decade of the 1990s.

Table 3-5: Baseline Household Projections for the City of South Portland

	1990	2000	2003	2005	2013	Abs Chge			CAA	CAA	CAA
						1990-00	1990-03	2003-13	1990-00	1990-03	2003-13
Total	9,288	10,047	10,320	10,562	10,850	759	1,032	531	0.8%	0.9%	0.5%
15-24	436	399	428	486	492	(37)	(8)	64	-0.9%	-0.2%	1.3%
25-34	2,004	1,536	1,361	1,339	1,297	(468)	(643)	(64)	-2.6%	-3.2%	-0.4%
35-44	2,046	2,338	2,538	2,634	2,557	292	492	19	1.3%	1.8%	0.1%
45-54	1,122	1,908	1,949	1,866	2,061	786	827	112	5.5%	4.7%	0.5%
55-64	1,254	1,511	1,629	1,700	1,879	257	375	251	1.9%	2.2%	1.3%
65+	2,426	2,355	2,416	2,537	2,564	(71)	(10)	149	-0.3%	0.0%	0.5%

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Not surprisingly, these projections follow the same age profile as the overall population projections, with the fastest growing age category being the 55-64 years group (at 1.3% per year), followed by the Over 65 Years category (at 0.5% per year) and the Over 45-54 Years category (at 0.5% per year as well). The largest age group contributing to this overall household growth is the 55-64 category (at approximately 250 households), with the Over 65 Years age category—up roughly 150 households and the Age 45-54 Years category (up 112 households over the period) both adding to the city’s household base.

In contrast, there is a forecasted decline in the number and percentage of households headed by middle-aged adults aged 25 to 34 years—at -0.4% per year over the 2003-13 period corresponding to a decline of 64 households. Small increases are expected in the 15-24 Years and 35-44 Years categories, but both of these age groups are expected to decline as a share of total households over the 2003-13 period. As

mentioned above, this reflects a continuation of the trend that began in the early to mid-1980s when the majority of the “baby-boom” population entered their late 20s. During the 1990s, this trend continued, with households headed by young adults aged 15 to 24 Years and 25 to 34 Years falling over the decade. By the year 2013, the number of total households headed by young adults aged 15 to 34 years is expected to experience a significant slowdown, even a slight turnaround over the 2003-13 period, as the “baby boom echo” generations enter the household formation years. The housing demand implication of this trend is that there is likely to be a slower overall rate of household formation relative to the total population across the next decade relative to the 1980s—but somewhat faster rate of new household formation over the decade relative to the exceptionally slow pace experienced during the 1990s.

Chapter 4: Regional Long-Term Housing Demand Forecast, 2003-13

Using the above long-term economic, population, and household forecast described above, the development of a forecast of the future demand for housing in the city was undertaken. This was completed by statistically applying housing and population ratios developed from review of the 2000 and past Censuses to the long-term economic and demographic forecast developed for this study (see Chapter 3 above for a description of this long-term forecast). The ratios relate to each individual community in the study region’s identified trends in various housing characteristics and variables over the past decade (and previous decades for population concepts), to the overall Greater Portland region and for the city over those same periods. Natality and in-migration and out-migration rates are captured in the economic and demographic forecast econometrically in the population forecasts presented above.

A. Long-Term Baseline Housing Demand Forecast, 2003-13

From a methodological standpoint, this approach of applying 2000 and previously trend-based ratios to population forecasts enables the reader of this report to use existing data regarding the region’s specific housing characteristics to interpret the future housing demand implied by long-term population forecasts. After determining the age and tenure breakdown going forward, the final step in developing housing unit demand involves normalizing each tenure class to a “smoothly-functioning market” standard vacancy rate,¹² and building in an assumed annualized unit destruction rate for the city based on past experience. The following section and tables provides a discussion of the results of applying this approach to the long-term economic and

¹² In the case of this study, a 2.5% vacancy rate was assumed for owner units and a 5.0% vacancy rate was assumed for renter units in the city in order to have smoothly functioning housing markets. Although these points are clearly open to debate, they were employed in order to present a “conservative estimate” of affordability and trends in affordability in this study.

demographic forecast for the Greater Portland region, and the population and household baseline forecasts developed for the city as well.

The results of the above-described approach are displayed in Table 4-1, Table 4-2 and Table 4-3. Table 4-1 summarizes the projected number of housing unit demand for the city according to tenure householder that will likely be requiring new housing over the 2003-13 period. Tables 4-2 and 4-3 detail the forecast for housing unit demand by tenure, and by the age category of the head of the household for the city—if this long-term regional economic and demographic forecast comes substantially true.

In this regard, the reader is cautioned that housing demand is typically driven by regional economic-demographic factors. In addition, many times the community's attitude as embodied by its housing policies also will have a strong bearing on in-migration into and out of an individual community (e.g. the current policy of the city of Portland to support rental unit growth within the community). It is therefore difficult to make long-term housing demand projections for individual communities because such policies and factories are inter-dependent and constantly changing. These projections are "status-quo" projections based on current policy and the absence any specific development constraints. There are presented in order to highlight the current trajectory of housing demand in the community under expected economic-demographic conditions in the region and without a major change in policy or community attitude in the city.

Overall, the Tables show that this baseline forecast expects that housing unit demand will increase by just over 600 units over the next decade in the city—corresponding to roughly 60 units per year. By far, the largest increase in the number of housing units demanded is forecasted to be in the owner category at over 500 total units—reflecting the long-standing owner housing orientation of the city and favorable ownership fundamentals over at least the initial part of the forecast period (e.g. historically low mortgage interest rates). The table also shows that unit demand also is forecasted to increase by a total of roughly 100 renter units over the 2003-13 period. Those forecasted unit demand increases correspond to a 0.6% average annual rate of demand increase for owner units, and a 0.2% average annual rate of increase for renter units also over the period. If the baseline forecast holds over the 2003-13 time frame, it would represent significant declines in both the owner growth rate and the forecasted annualized rate of increase in renter units over the next decade in comparison to the annualized rates of unit growth experienced in each category over the 1990-2003 period.

Table 4-1: South Portland Total Housing Unit Demand Projections

Year-Round	1990	2000	2003	2005	2013	Abs Chge	Abs Chge	Abs Chge	CAA	CAA	CAA
						1990-00	1990-03	2003-13	1990-00	1990-03	2003-13
Total	9,346	10,351	10,694	10,922	11,301	1,005	1,348	608	1.0%	1.1%	0.5%
MEMO:											
Owner Units	5,811	6,544	6,819	6,973	7,321	733	1,008	503	1.2%	1.3%	0.6%
Renter Units	3,535	3,807	3,875	3,949	3,980	272	340	105	0.7%	0.8%	0.2%

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Looking more closely at the age grouping data for the owner units category, this baseline demand forecast shows that the largest rates of increase in the three age categories Aged 45 Years and higher—excluding the relatively small unit numbers of the Aged 15-24 age categories. The largest contribution to owner unit demand is expected in the Aged 55 to 65 Years category and in the Over 65 Years categories. The Aged 55-65 Years category is expected to increase by +1.5% per year (or by an expected 229 units) over the period. The Over 65 Years age category is expected to increase at an annual rate of +0.75% per year, or by 155 units. The Aged 45-54 Years category is expected to post a 0.72% average annual rate of increase and add a total of 121 owner units over the period. Between those three categories, unit demand is expected to increase by nearly 500 units, or virtually all of the total net increase in unit demand across the 2003-2013 period. The table also shows that unit demand in the two categories that cross the 25-44 Years ages are projected to experience a small decline over the 2003-2013 time period, with unit demand dropping by an estimated 20 units. This represents a reversal of past fortunes for these two age categories relative to their experience over the 1990-2003 time frame. For the Aged 25-34 Years category, this forecast essentially expects the significant decline in demand experienced over the last 13 years to ebb and essentially cease over the 2003-13 time frame—a logical expectation given the aging of the population. For the Age 35-44 Years age group, this represents a small decline in demand following a period of significant increases as the backend, baby-boom generations aged over the 1990-2003 period.

The table also shows a delineation of this demand for owner units for household income levels below and above 80% of the estimated median level. Not surprisingly, the table shows demand for the less than 80% level is more than double the greater than 80% of median household income category.

Table 4-2: City of South Portland Owner Housing Unit Demand Projections

Year-Round Units						Abs Chge	Abs Chge	Abs Chge	CAA	CAA	CAA
	1990	2000	2003	2005	2013	1990-00	1990-03	2003-13	1990-00	1990-03	2003-13
Total	5,811	6,544	6,819	6,973	7,321	733	1,008	503	1.2%	1.3%	0.6%
15-24	48	48	62	75	79	(0)	14	17	-0.1%	2.1%	2.3%
25-34	781	683	633	636	629	(98)	(148)	(4)	-1.3%	-1.7%	-0.1%
35-44	1,454	1,484	1,552	1,585	1,536	30	98	(16)	0.2%	0.5%	-0.1%
45-54	793	1,411	1,460	1,406	1,580	618	667	121	5.9%	5.2%	0.7%
55-64	1,017	1,204	1,298	1,352	1,527	187	281	229	1.7%	2.1%	1.5%
65+	1,718	1,713	1,814	1,920	1,970	(5)	96	155	0.0%	0.5%	0.7%
Memo: Estimate of Change in Demand By HH Income Level											
< 80% MHHI									360		
> 80% MHHI									143		
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On the renter side of the equation, the tables show that the rate of growth renter house unit demand is projected to be only about ¼ of the rate of the growth in renter housing unit demand growth rate experienced in the city during the 1990-2003 period. This would be expected given the highly favorable ownership fundamentals for these households in this exceptionally low mortgage interest rate environment, and given the exceptional period of development in renter units in the city during the 2002-03 period.

Table 4-3: City of South Portland Renter Housing Unit Demand Projections

Year-Round Units						Abs Chge	Abs Chge	Abs Chge	CAA	CAA	CAA
	1990	2000	2003	2005	2013	1990-00	1990-03	2003-13	1990-00	1990-03	2003-13
Total	3,535	3,807	3,875	3,949	3,980	272	340	105	0.7%	0.8%	0.2%
15-24	396	377	392	436	438	(19)	(4)	46	-0.5%	-0.1%	1.0%
25-34	1,241	923	790	763	732	(318)	(451)	(58)	-2.9%	-3.7%	-0.7%
35-44	605	930	1,083	1,118	1,092	326	478	9	4.4%	5.0%	0.1%
45-54	334	548	552	515	556	213	218	4	5.1%	4.3%	0.1%
55-64	244	346	379	395	419	103	136	40	3.6%	3.8%	0.9%
65+	715	683	679	722	742	(32)	(37)	64	-0.5%	-0.4%	0.8%
Memo: Estimate of Change in Demand By HH Income Level											
< 80% MHHI									81		
> 80% MHHI									24		
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According to this baseline forecast, the city is expected to experience an increase in demand of roughly 100 renter units over the 2003-2013 time frame. The largest increase in demand is expected at both ends of the age spectrum. First, the largest collective number of units is expected in the upper two categories, or the two Aged 55 Years and Up—indicating a possible gentrification of rental housing demand in the city, and is consistent with demographic developments in the Greater Portland region. The largest single age category contributing to renter unit demand is, not surprisingly, the Aged 65 Years and Up group with more roughly 2/3 of the total net increase in renter housing unit demand accounted for by that category. The other significant contributors to the expected renter unit demand increase over the period is expected in the 55-64 Years category (at 40 units or 0.9% per year). The other larger contributor to renter unit demand is expected in the Age 15-24 Year group—at 46 units or an average annual increase of 1.0% per year. There are small positive additions to renter unit demand in the 35-44 Years and the 45-54 Years age

categories, but these are small in comparison to the upper age categories or the Aged 15-24 Years categories.

Looking at the lower than and greater than 80% of median household income categories, the table also shows demand for the less than 80% level is more than three times the greater than 80% of median household income category. This is an expected result given the economic and demographic dynamics of the region and the other factors affecting supply-construction decisions for renter units in the region.

B. A Cautionary Note

Before moving on to the supply side of the ledger and related to the reader caution first mentioned above, one final point with respect to the demand issue needs to be made. The reader will note that these demand projections correspond only to the demand within the city. As was pointed out earlier in Chapters 1 and 3, the economics of the regional housing market reaches beyond just the city, and demand for both renter and owner units in the city are in fact being driven by factors that are external to the city. In effect, it is possible—if not likely—that housing market developments in individual communities outside of the city have their origins in economic and demographic factors and developments that have occurred in the Greater Portland, Cumberland County, and the entire southern region of the state. The point is that housing demand by type (e.g. owner or renter) and housing “affordability” needs cannot be looked at in the vacuum of just the city or even the Greater Portland metro area region. This regional dynamic is likely one of the greatest housing and economic development policy challenges for each individual community in the region and for the region as a whole. This is especially true given the more than two centuries old culture of autonomy in the governance of communities throughout the Greater Portland region, the state, and the entire six state New England region.

Chapter 5: Update of the City's 2003 Housing Unit Inventory and Supply Forecast, 2003-13

This section of the study involves describing the methods employed in updating the housing inventory for the city. Updating the city's housing inventory was a challenging undertaking for a number of reasons. First, there is a lack of current and robust housing unit count data by type and tenure that could simply be added to the 2000 Census counts of the housing stock by category. While there are annual estimates of new occupancies from the code enforcement office, data on conversions or whether multi-unit housing is occupied by renters or owners and data on year-around to seasonal housing unit conversions (and vice versa) for the inter-census years are generally not available. There are other sources of data (including the Maine State Housing Authority), but these data are they generally are not configured as time series data, a configuration that is needed to complete the baseline forecast in the objective function of this study. Second, there is no timely and reliable data on the current values of owner-occupied housing or the current amounts of rents and utility costs paid for rental units in the city as well—outside of the HUD fair market rents data used in this study. Third, there is only partial evidence on vacancy rates in the region or for the city. Vacancy rates therefore were estimated in this analysis going forward from the 2000 Census snapshot.

In light of the above, a methodology was developed to develop estimates of the additions to the city's housing stock by tenure since the 2000 housing counts from the 2000 Decennial Census using a mix of both primary and secondary research. The development of this estimate of the city's housing inventory as of December 31, 2003 reflected the best possible methods for this housing inventory update consistent with time and resource constraints for the study. The following section provides a general description of the key issues and procedures employed in completing the 2003 housing inventory update for this study and the results of the housing unit count estimating procedures. This description is provided to assist the reader in the interpretation of the results of the gap analysis portion of this study that follows in a subsequent Chapter below.

A. Overview of Methods

As noted above, the first step in completing the housing inventory update for 2003 involved establishing a baseline or starting point housing unit count for the entire city. For this, this study employed the housing counts from the 2000 Census—the most recent decennial Census—as a starting point. These counts were used because the 2000 Census has a robust data base including total units occupied and vacant, by type of structure, and by tenure—which includes all of the specific housing categories of concern in this study. The second step in this estimating methodology involved deciding on the year of the inventory update estimates. For this step, it was determined that calendar year 2003 was the appropriate year for the inventory update

estimates since that was the last year where full property tax parcel and permit data were available from the city and other secondary sources. Both of those data sources were important in developing the updated estimates of housing units by type and tenure. Each of those estimates were subsequently crucial parts of developing the unit supply projections that formed one-half of the gap analysis calculations presented later in this study.

B. Update of the 2003 Supply and Baseline 2003-13 Forecast

The 2003 supply estimate update and the 2003-13 supply baseline forecast of supply in the city involved establishing the total housing unit count for the region for each tenure class—owner or renter for 2003. For the owner category, this 2003 supply update was accomplished by carrying forward the 2000 Census counts using occupancy data from the Department of Code Enforcement of the city for 2000 (for the 8 month period from April 1, 2000 to December 31, 2000), calendar year 2001, calendar year 2002 and calendar year 2003. This part of the study also involved an analysis of the changes in the city and region over the 1990-2000 period, an analysis of recent permit data published in Construction Report publications, and reconciling these data to the inventory estimates to the city. A specific estimate of the housing inventory of owner units in the city for the calendar year ending December 31, 2003 was completed according to the following “build-up method” formula:

$$HU_{2002} = HU_{2000} + NCU_{2000-03} - HUL_{2000-03}$$

Where:

HU₂₀₀₃ = Estimated Owner Housing Unit count in 2002 in the city

HU₂₀₀₀ = 2000 Owner Housing Unit Count from the 2000 Census in the city

NCU₂₀₀₀₋₀₃ = Estimated Newly Constructed Owner Units in the city over the 2000-03 period.

HUL₂₀₀₀₋₀₃ = Estimated Owner Housing Unit Loss (e.g. due to demolition) in the city over the 2000-03 period.

The results of this method were then reconciled with the actual estimate of the number of new occupancies by type in the city over the periods, and further cross-checks were made for reasonableness using the city’s Tax List data for the city as of February 2004. Renter units were estimated by rent level category using construction permit and occupancy data, and by allocating them to rent categories using Fair Market Rent data from HUD and the number of bedrooms per unit for each addition to the renter unit inventory over the April 1, 2000 to December 31, 2003 period. The results of these estimates are presented in Table 5-1 below. The table shows that the city has a good record of adding affordable units (affordable to households at or below 80% of the estimated median). This trend was clearly an artifact of the exceptionally large

additions to renter units in 2003. On the owner unit side of the ledger, the additions have been decidedly on the higher end of the price spectrum, with units affordable to those households with incomes greater than 80% of the estimated median outnumbering lower end additions by nearly 4 to 1.

Table 5-1: Estimated Inventory Additions 2000-2003

City of South Portland <i>Based on Occupancy Data</i>	2000[1] <i>[Est.]</i>	2001 <i>[Est.]</i>	2002 <i>[Est.]</i>	2003 <i>[Est.]</i>	Totals <i>[Est.]</i>
Total Units	48	57	45	352	502
Owner Units	43	57	45	69	214
MEMO:					
Low-Moderate Income Units @ <80% Median	7	17	5	14	43
Greater than <80% Median Income Units	36	40	40	55	171
Renter Units	5	0	0	283	288
MEMO:					
Low-Moderate Income Units @ <80% Median	5	0	0	283	288
Greater than <80% Median Income Units	0	0	0	0	0
Percent of Total:					
Low-Moderate Income Units @ <80% Median	25.0%	29.8%	11.1%	84.4%	65.9%
Greater than <80% Median Income Units	75.0%	70.2%	88.9%	15.6%	34.1%

Note:

[1] Between April 1, 2000 and December 31, 2000 only.

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The remaining years of the baseline forecast covering the calendar 2003-13 was completed using a combination of econometric and statistical techniques using the long-term regional relative to the regional-city baseline economic-demographic forecasts. The results of this approach are presented for owner units and renter units in Table 5-2. From the Table, the baseline forecast indicates that a total of just under 375 new owner units will be added to the city's housing stock during the 2003-2013 time period, an increase of 0.5% per year absent of any non-economic capacity constraints over the forecast time period. That level is consistent with the rate of increase experienced in the region over the 2000-2002 period. Overall, the number of owner units in the city is expected to increase at the rate of approximately 35 owner units per year—corresponding to 372 overall). The number of renter units in the city was estimated to have increased by roughly 14 units per year—corresponding to 139 overall.

Table 5-2: City of South Portland Total Housing Unit Supply Projections

Year-Round Units	Census 2000	As of 12/31 Year Ending:				Abs Chge		CAA 2003-13
		2000	2003	2005	2013	2003-13		
Total	10,090	10,138	10,525	10,618	11,036	511	0.5%	
Owner Units	6,488	6,531	6,702	6,775	7,074	372	0.5%	
Low-Moderate Income Units at <80% Median	5,193	5,200	5,236	5,257	5,347	111	0.2%	
Greater than 80% Median Income Units	1,295	1,331	1,466	1,518	1,727	261	1.6%	
Renter Units	3,602	3,607	3,823	3,843	3,962	139	0.4%	
Low-Moderate Income Units at <80% Median	3,377	3,382	3,598	3,614	3,729	131	0.4%	
Greater than 80% Median Income Units	225	225	225	229	233	8	0.3%	

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Chapter 6: Gap Analysis

The following section of this report pulls together the results of the current snapshot housing demand and supply estimates for 2003, and the baseline long-term housing unit demand forecast with the long-term forecasts—absent of any non-economic constraints on supply. This is conventionally termed a “gap analysis” in housing study terminology.

A. Overview of “Gap” Analysis Methods

Evaluating housing unit need under “gap analysis” involves evaluating future housing needs by two measures. The first measure of housing unit need under this gap analysis section of the study involved comparing the estimate of the updated 2003 owner and renter unit inventories relative to the to the housing demand projections above. Under this methodology, no projections were made for unit additions beyond those actually estimated to have been made between the 2000 Census and the December 2003 housing inventory estimate.

The second approach involves an analysis of housing unit demand relative to expected housing unit additions over the study period. These unit additions could arise from both market construction and/or the efforts of housing group (e.g. the non-profit sector) that can reasonably be expected to be added over the analysis period. The “gap analysis” under this more dynamic approach measure the difference between the two projected demand-supply estimates.

B. Results of the City’s “Gap” Analysis

The results of this approach show that the supply and demand for Renter Units appear to be in “general balance” in the city as of 2003—an apparent off-shoot of the significant additions to the city’s inventory over the 2003-03 period—although there is a significant unmet unit need when evaluated relative to recent experience with renter unit additions that do not include the 2002-03 period. For Owner Units, this approach results in a projected total housing unit need of roughly 144 units in the year 2003. That corresponds to roughly 1 ½ to 2 years of unit inventory additions—using the 2000-03 actual unit addition rate experience in the owner category in the city (including condominiums). The results of these comparisons are summarized in Table 6-1 below.

Table 6-1: City of South Portland "Static Gap Analysis"

As of 12/31 Year Ending:					Change 2003-13
Year-Round Units	2000	2003	2005	2013	
Total-Gap	213	169	397	776	-
Memo: Estimate of Change in Demand By HH Income Level					
< 80% MHHI					441
> 80% MHHI					167
Owner Units--Gap	13	117	271	619	-
Demand	6,544	6,819	6,973	7,321	503
Supply	6,531	6,702	0	0	-
Memo: Estimate of Change in Demand By HH Income Level					
< 80% MHHI					360
> 80% MHHI					143
Renter Units--Gap	200	52	126	157	-
Demand	3,807	3,875	3,949	3,980	105
Supply	3,607	3,823	0	0	-
Memo: Estimate of Change in Demand By HH Income Level					
< 80% MHHI					81
> 80% MHHI					24

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1. Estimate of the Owner Units Gap Under Static Analysis

Looking forward to 2012 for owner units, this gap analysis shows that without any inventory additions this amount grows to an estimated 271 units in 2005 and to an estimated 619 units in 2013. In the less than/higher than 80% of median household income categories, the numbers are 360 units and 143 units, respectively. These estimates employ the demand projections presented earlier in Chapter 4 above. The estimated need does not reflect market construction or local strategies by nonprofit organizations and/or municipalities to increase the number of units in the housing stock over the entire 2003-13 period.

These results should therefore be interpreted as the basic construction need for owner housing units over the 2003-2013 time frame given the long-term population and household projections for the six communities in the region and the city. These estimates represent "net" additions to the owner housing stock. They are therefore estimated additions needed in the owner housing stock after the additions to housing stock that are made to replace units that would be lost due to demolition or any other factor (e.g. fire, conversion to second homes, and others). It also therefore does not include demand for units or supply of units that may come from developments outside the six community study region—and it should be acknowledged that regional housing markets are broader in geographic terms than just the city.

It remains unclear how the regional construction market will respond to those needs—especially with respect to the needs of certain segments by type or price range of this overall estimate of owner housing unit need. The projected housing unit need in this case includes units that are necessary to maintain an overall average 2.5% vacancy rate for owner units in the city overall, and to replace housing units that could be lost for one reason or another (e.g. fire, demolition, etc.) over the period. The concept of housing unit need then corresponds to the net additions to the regional housing stock needed over the 2003-2013 study period.

2. Estimate of the Renter Units Gap Under Static Analysis

For renter units, this gap analysis shows that without any inventory additions the current balanced situation grows to an estimated need of 105 units by 2013. These estimates employ the demand projections presented earlier as with the Owner Unit Static Gap Analysis presented above. The estimated need does not reflect market construction or local efforts-strategies to increase the number of renter units in the regional housing stock of the city over the 2003-13 period. These results should therefore be interpreted as the basic unit addition need for renter housing units over the 2003-2013 time frame based on internal population and household growth within the city.

As with the owner category, these results should therefore be interpreted as the basic construction need for renter housing units over the 2003-2013 time frame given the long-term population and household projections for the region and that interplays with the city. These estimates represent “net” additions to the renter housing stock. So these estimates therefore are needed additions to the renter housing stock after the additions to housing stock that are made to replace units that would be lost due to demolition¹³ or any other factor (e.g. fire, conversion to second homes, or other factors). It also therefore does not include demand for units from outside the city—and it should again be emphasized that regional housing markets are broader in geographic terms than just the City of South Portland.

In addition, the renter side of the equation also has an important, additional consideration related to the supply and demand implications. This issue concerns the potential for there to be sub-standard renter units in the city.¹⁴ Many housing groups in the Greater Portland region have reported that while there may be many a significant number of renter units in the region, at least some of these units may be in the city and may not be suitable for families because of concerns that they may not meet the a standard to serve all populations. If there are in fact a number of units in the city region that are sub-standard, these units may not be available to meet a significant portion of renter demand—particularly subsidized renter unit demand in the

¹³ 2001 statistics from the city show that demolitions over the 2000-03 period 22 units—but most appeared to be owner units—single family homes.

¹⁴ This potential is supported by the “Year-Built” housing stock statistics presented in Chapter 1 (above) of this study.

city. Because the facts regarding the existence and location of these sub-standard units in the region is not currently known, these “net demand estimates” should be considered preliminary and would likely need adjustment (likely significantly increased) to take into account either: (1) the need to replace any sub-standard units that exist in the region, and/or (2) upgrade the quality of any potential sub-standard units to acceptable levels so that they are “available” to meet the city’s demand for renter units. This is, of course, a particularly important issue at the lower, publicly-subsidized end of the rent level spectrum where minimum standards are required for program eligibility.

Beyond the above issues and similar to the owner unit static gap analysis, it also remains unclear how the regional market will respond to those needs—especially considering the current rental market dynamics in the larger rental unit markets in some communities in the region—especially given the recent efforts of the City of Portland. The projected housing unit need in this case includes units that are necessary to maintain an overall average 5.0% vacancy rate for renter units in the city, and to replace those units that could be lost for one reason or another (e.g. fire, demolition, conversion to owner units, etc.) over the period. The concept of housing unit need then corresponds to the net additions to the regional housing stock needed over the ten-year, 2003-2013 study time frame.

3. More Research On the Unit Distribution by Value-Rent Level Is Needed

The reader will note that the delineation of income classes used in housing studies other than the 80% class (e.g. less than 30 percent, 50 percent, and 120 percent of median household income for renters and owners) is not presented in either the demand and supply forecasts or in this gap analysis. This is primarily because additional research is needed to: (1) accurately capture the current market dynamics of which value classes in the owner category and which monthly rental unit households in the renter category in the city are currently occupied, and (2) accurately count (instead of estimate as this study does) the actual number of owner unit additions by value class and the actual level of renter unit additions by rent level over the 2000-2003 period to the regional housing unit inventory. Without that additional research, such a gap analysis by detailed income class could result in misleading results. This is primarily because it is difficult to systematically capture the current living arrangements by housing unit value class or rent level category of households in various income classes that have housing choices.

This is because not every household in the region chooses to rent in the category that corresponds to its highest level of affordability. For example, higher income households—for lifestyle reasons or past savings and other forms of accumulated wealth—may choose to live in and compete for housing units in value categories or rent level units that are significantly below the highest value unit or highest rent/utility payment unit that they are financially able to afford as determined by HUD housing cost-expenditure stress threshold guidelines. This dynamic has significant implications for such an affordability analysis in income classes other than perhaps

the very-low household income classes—which have very few housing choices. It suggests that higher income households—who have relatively more choices—may in fact be competing with and rationing out lower income households who have relatively fewer choices for lower cost housing options. This competition may also be behind what have been perceived to be recent upward price pressures on rent levels in the city and around the Greater Portland NECMA region as well.

In addition, an analysis that includes the other low and upper income classes would also have to assume—without additional research—that owner households would be acquiring and moving into a housing units at today’s value or price levels. This is true despite the fact there are likely a significant number of owner households who are long-term residents living in the same value-appreciating housing unit than they would if they were buying a home at current values today. As households age, they tend to accumulate wealth and may in fact be significantly less inclined to move. This important aspect of housing market dynamics across the rest of the income class categories would likely not be adequately captured by data analysis employed here. Such a study would likely need to include the collecting of additional empirical data of households in those income classes and would likely be a time-consuming and relatively expensive endeavor.

C. Dynamic Gap Analysis: Adding Anticipated Inventory Expansion

However, it seems clear that the private homebuilding industry and other groups interested in developing housing projects in the region will at least add some inventory to the housing stock of the City over the study’s 2003-2013 time frame. These anticipated economically-based unit additions to the inventory of the City were described above in Chapter 5 above in the long-term baseline unit supply forecast. Those unit additions were forecasted assuming there were no non-economic constraints placed on unit construction-other efforts over the 2003-13 period. The results of this more dynamic gap analysis were previously set forth in Table 6-2 below.

Table 6-2: City of South Portland "Dynamic Gap Analysis"

Year-Round Units	As of 12/31 Year Ending:				Change 2003-13
	2000	2003	2005	2013	
Total-Gap	213	169	304	266	97
Memo: Estimate of Change in Demand By HH Income Level					
< 80% MHHI					199
> 80% MHHI					(101)
Owner Units--Gap	13	117	198	248	131
Demand	6,544	6,819	6,973	7,321	503
Supply	6,531	6,702	6,775	7,074	372
Memo: Difference-Demand Relative to Supply By HH Income Level					
< 80% MHHI					249
> 80% MHHI					(117)
Renter Units--Gap	200	52	106	18	(34)
Demand	3,807	3,875	3,949	3,980	105
Supply	3,607	3,823	3,843	3,962	139
Memo: Estimate of Change in Demand By HH Income Level					
< 80% MHHI					(50)
> 80% MHHI					16

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From the table, the baseline projection scenario expects that 372 owner units can be expected to be added to the city's owner housing unit inventory over the 2003-13 year study period—a level that is roughly 2/3 of the actual unit addition experience in the city between 2000 and 2003. That projection results in total owner unit supply at the level of an estimated 6,775 owner units in the year 2005, and a total of 7,074 owner units in the city in the year 2013. That scenario results in a projected total owner unit gap or need of an estimated 198 units in 2005, and an estimated roughly 248 owner unit gap in 2013—a level that is approximately 130 units above the estimated gap in 2003 and is equal to nearly 5 years annual additions at the roughly 50 unit per year rate of unit supply expansion that occurred during the early 2000s.

For renter units, the baseline supply projection indicates that approximately 10-15 renter housing units will be added to the city's renter unit inventory per year over the 2003-13 period—a level that is significantly below the extraordinary 2003-03 period and is consistent with the actual experience in the city between the 1990 and 2000 Censuses. That projection results in total renter unit supply estimate totaling 3,820 renter units in the City overall in calendar 2005, and an estimated 3,936 renter units in the city in calendar year 2013. Under that baseline supply forecast scenario, this study concludes that there will be an unmet need of approximately 18-20 total renter units in 2013—a level that is roughly one-fourth of the estimated gap in 2003 and representing about 1 to 1½ years average annual additions to supply relative to what is expected over the 2003-13 study period.

Looking at the distribution by the above or below 80% of estimated median household income categories, the results are in line with what would be expected given the earlier discussion of these results. For the owner category, there is a continuing and intensifying affordability gap in the less than 80% of median household income

category—given the trends in recent additions to the city’s inventory. Demand is relatively higher for such lower-more moderately priced owner units over the 2003-13 time period, as the market has not been delivering such moderately priced units into the inventory in recent times. There are a variety of reasons that have been cited for this situation (e.g. the rising cost of land, and increasing permitting costs, etc.), and these conditions are not expected to ease in the near future. On the renter side of the tenure equation, this analysis expects the overall renter unit gap will narrow between 2003 and 2013. But there will still be significant gap in the greater than 80% of estimated median household income will remain in the aftermath of the extraordinary 283 unit addition to inventory in the less than 80% of median household income category that occurred in 2003.

D. A Final Cautionary Note

While those levels of unmet housing needs under the “baseline forecast” scenario appear significant, but are likely manageable in size, it should be noted that the baseline supply addition scenario assumes there are no supply-side constraints on either market construction or the initiatives of other groups in achieving that relatively high level of unit addition activity that is forecasted over the 2003-13 period. The reader is cautioned to assess the likelihood that such a condition could prevail over the next 10 years given current growth impact issues that are currently surfacing throughout the city. In addition, some have also expressed additional concerns about the declining inventory of develop-able land assets in the city and the sub-standard condition of a significant number of renter units in the region. Those supply constraints could place significant restraints on the ability of market construction and non-profit organizations to deliver the anticipated number of units per year into the city region’s housing inventory over the long-term time frame of this study.

Chapter 7: Homelessness Assessment

This section of the report covers a wide range of indicators that describe the situation of homelessness in the community-region and the services infrastructure available to address the needs of the homeless.¹⁵

A. Homeless Needs

There are no homeless shelters in South Portland. If an individual or family seeks shelter through the City Welfare Office, the Welfare Director works with the household to find arrangements. The director may seek a shelter in another municipality, help find arrangements with the household's friends or relatives, or provide a motel room for the household. Motel rooms are provided through municipal General Assistance and the cost is split between the municipality and the State.

Table 7-1: Households Assisted by South Portland Welfare Office

Fiscal Year	Unique Persons Assisted	Total Number of Visits
2002-2003	282	561
07/01/2002-03/11/2003	196	359
2003-2004 (to date)	223	482

In fiscal year 2003, the city of South Portland provided assistance to 282 homeless unique individuals or households. There were 561 total visits which includes repeat visitation by the same household as well as those who asked for assistance but were denied for any reason. In estimating the change in demand between last fiscal year and fiscal year 2004, the same period of time is analyzed. As of March 2004, the Welfare office has seen a 15% increase in unique cases assisted. However, total number of visits has increased by 34%. These increases are a result from only 9 months of data. By the end of the fiscal year the increase will almost certainly be higher. Most telling about this data is that the number of homeless households being denied service or need additional visits is increasing a faster rate than those assisted. The exact reason for this increase is not known and would require additional primary data gathering.

While the total number of households assisted provides insight into the demand for City welfare services it is not an accurate estimate of total homeless households. Many people who request assistance are not homeless. The welfare director visits with each case and knows first hand if a client is homeless. While long-term data was not recorded for the homeless cases in South Portland, the Director's estimate, based on his observations, is approximately 15 -20% of the total cases are homeless households. Since October 2003, the Welfare office has kept records of the number of homeless households that requested assistance. Table 7-1-1 shows the number of

¹⁵ This portion of the study was completed by Michael Crane, Principal of Crane Associates, LLC of Burlington, Vermont.

homeless cases the South Portland Welfare Office had reviewed for each of the past 5 months. On average, the Office helps 7 homeless households per month.

Table 7-1-1: Homeless Households Requesting Services from the South Portland Welfare Office

Month	Homeless Cases
October	7
November	8
December	5
January	7
February	7

By using 7 as the average number of homeless cases per month, the annual estimated average of homeless households in South Portland is 84. If one is to use the Welfare Director’s estimated percentage of 15 to 20% of the total number of visits as those who are homeless the result is (.15 x 561 = 84.15; .20 x 561 = 112) approximately 84 to 112 cases for last fiscal year. This fiscal year (2004), the Office is seeing a 34% increase in total cases. Therefore it is reasonable to assume that the total number of homeless cases in South Portland will increase beyond the 84 figure of last year. For the purposes of this study the mid point between 84 and 112 is chosen as the estimated number of homeless households in South Portland. It is estimated that South Portland has approximately 98 homeless households.

Another indicator of the amount of homelessness in the city is the number of Case Incidents recorded with the South Portland Police Department. This is not to imply that all homeless persons are involved in Police matters, they certainly are not. The Police Department was interviewed to understand their perspective on homelessness in the city, the possible locations of homeless individuals or groups, and any observed trends in homelessness in the city. The Police Department keeps a record of any incident that develops a report. In the city, there were a total of 10,766 cases that developed reports last year. Of the total cases, 49 involved people without an address. This amounts to 17% of the 282 cases that the General welfare office provided assistance to last year. As a point of reference, the total of 10,766 cases amounts to 46% of the city’s total population. Of the total 49 cases, only 4 individuals reported living in a homeless shelter. All others reported not having an address. Police data as an indicator of homelessness does not appear to contradict the case numbers the city’s welfare office is addressing each year.

B. Other Welfare Services

The City of South Portland provides a range of other services to help both the homeless and other impoverished citizens. The services include food assistance (food stamps), Transitional Assistance for Needy Families (cash), fuel assistance, and rental assistance. The maximum allowance the city provides for each of these programs is shown in Table 7-2 below. The total amount spent in FY 03 was \$95,637. Within the first 9 months of FY 04, the total spent on this assistance was \$90,800. In

other words, 95% of last year’s total budget has been spent within 75% of the time. As in the case with homeless services, it is highly likely the demand will surpass last year’s level.

Table 7-2: Maximum Allowable Assistance Per Month by Program

Food Assistance	TANF	Fuel Assistance	Rental Assistance
\$141	\$230	80%	\$550 0 bedroom \$590 1 bedroom \$778 2 bedroom \$977 3 bedroom \$1079 4 bedroom
TOTAL		\$95,637	\$90,800

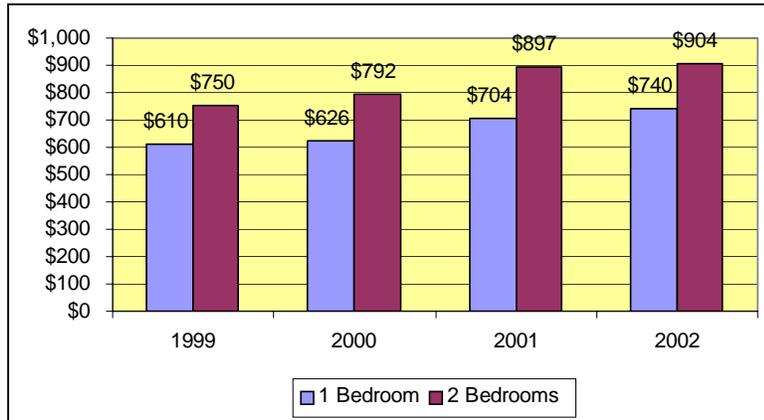
A point-in-time survey conducted by the City’s Welfare Office shows a sample of asking rents in the city as of December 2003. The median rent for a 1 bedroom apartment was \$639, while the median rent for a 2 bedroom apartment was \$792. Both median rent prices exceed the amount of assistance provided.

Table 7-3: Point-In-Time Rental Survey

South Portland Rental Survey December 2003		
1 Bedroom	2 Bedroom	3 Bedroom
\$800 w/heat	\$835 no heat	\$1,050 no heat
\$650 no heat	\$700 no heat	\$1,200 no heat
\$500 no heat	\$675 no heat	\$1,200 no heat
\$565 w/heat	\$950 no heat	
\$650 no heat	\$675 no heat	
\$650 no heat	\$840 no heat	
\$650 no heat	\$875 w/ heat	
\$650 no heat	\$790 no heat	

Rental price data is also available from the Maine State Housing Authority. MSHA collects rental market data 4 times per year by reading the classified advertisements on the first Sunday of the quarter. According to this source (as highlighted in the Chart below), the average rent for a 1 bedroom unit in South Portland was \$740 in 2002. The average rent for a two bedroom unit in the city was \$904—also during 2002. There is approximately \$100 difference between the two data sources. The reader should be aware that the point in time survey is collected from those needing welfare assistance so they are categorically the lower income group of City households and most likely seek the lowest rents in the City. The MSHA data is all renter units in the market. Also the point-in-time rental data are “paid rents.” There may be a definitional difference in these data sources since the MSHA data are “asked-for rents” and not necessarily what the market is actually paying during the period indicated.

Rental Price Data from MSHA (2002)



There are a total of 3,586 renters in South Portland. Thirty seven percent of them, or 1,331 households, are paying over 30% of their household income toward rent and a majority of them are paying over 50% of their income on rent. Most rental units in South Portland do not come with utilities . In fact, 77% of the rental units in

South Portland require one or more utilities to be paid by the renter.

C. Overview of Transitional and Supportive Housing

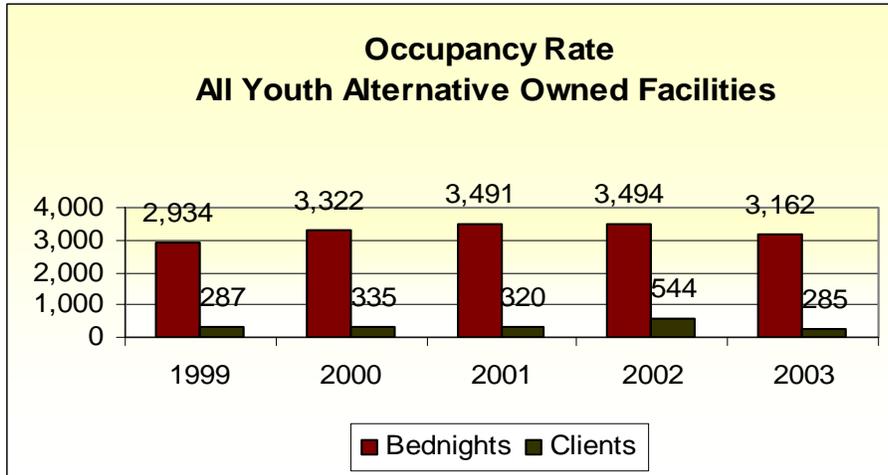
The following discussion on transitional and supportive housing is divided into three sections: Youth services; transitional housing and supportive housing. The youth facilities are both transitional and supportive. Transitional housing refers to housing that is short term (less than three months) and provides social services such as counseling, crisis intervention, and vocational training. Supportive housing refers to housing that is long term and provides additional and necessary personal care such as nursing and mental health services. None of the following categories are “shelters” which strictly provide a place to sleep for people with no other options.

There are two youth facilities in South Portland, one for boys and the other for girls. There are a total of 17 beds between the two. Both provide similar services yet the boys facility is short term and the girls facility is long term.

Table 7-4: Teenage Transitional Facilities in South Portland

Facility	# of beds	Services
Reardon's Place	10	Counseling; vocational training; crisis intervention
Heritage House	7	Counseling; vocational training; crisis intervention

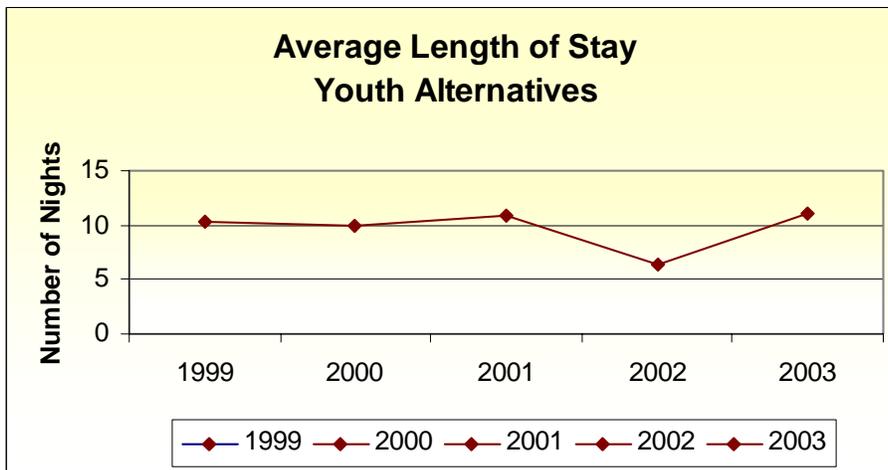
Reardon’s Place is 10 bed facility for boys 18 years and younger. It provides vocational training, and counseling services. Reardon’s Place is a 21 day facility after which guests must move to more permanent housing. If guests are not able to go back home they are typically transferred to the Lighthouse in Portland or New Beginnings in Lewiston.



Reardon's Place served 167 individuals in FY 03. Twelve of them, or 7%, were from South Portland. Most stay through the entire 21 night program while others are asked to leave for behavior problems.

Reardon's Place also houses the United Way /Family Conflict program which is a 7-night program designed to resolve family disputes. The occupancy rate is 98%. The waiting list for Reardon's place is approximately 25 names long.

Heritage House is a homeless shelter for girls 18 years and younger. This is a longer term facility where girls stay for approximately 9 months. There is a 96% occupancy rate at this facility. Both facilities accept youths from all over the State. In the director's estimates, approximately 5% are from South Portland.



Occupancy in 2003 for both Youth Alternatives facilities was 3,162 bed-nights.

A bed-night is a single person occupying one bed for one night. The beds were occupied by 285 guests for an average length of

stay of 11 nights. The average length of stay for these two facilities have hovered around 11 nights for the past 5 years, however, in 2002 there was nearly a 45% decrease from this average to 6.4 nights. The reason for this decrease is not known.

There are a total of 4 transitional housing facilities in South Portland. Combined they provide 24 housing units to victims of domestic violence and mental illness patients. A description of each is found in Table 7-5 below.

Supportive housing in South Portland consists of three facilities, one of which is 123 units large. The Betsy Ross House is an elderly supportive living facility owned and operated by the South Portland Housing Authority. There are 123 elderly rental units in the building. Renters have access to housekeeping, transportation, meals, and minor nursing services. The other two supportive units are for mental illness patients with 4 and 6 units respectively. Both provide long term care for those unable to live on their own.

Table 7-5: Adult Transitional Housing

Name	Owner	Units	Population Served	Services Provided
(confidential)	Community Housing of Maine	3	Domestic violence	counseling; vocational training; substance abuse treatment; legal assistance
Sawyer Street Residence	Creative Health Foundation	9	Mental illness	medical monitoring; substance abuse; vocation goals; crisis stabilization
81 Ocean Street	Creative Health Foundation	4	Mental illness	
Gordon Green	Ingraham Inc	8	Mental illness	meals; daily living activities; medical; recreation

Table 7-6: Adult Supportive Housing

Name	Owner	Units	Population Served	Services Provided
Betsy Ross House	South Portland Housing Authority	123	Assisted Elderly	housekeeping; 1 meal/day; transportation; security; minor personal care
19 Colony Lane	Port Resources	4	Mental illness	long term care
Wilson Street	Shalom House Inc	6	Mental illness	long term care

D. Lead Based Paint and Age of Homes

According to the Center for Disease Control children under the age of two years old are at the greatest risk for lead poisoning than any other age category. The CDC recommends a blood lead level of 10 micrograms per deciliter (10ug/dL). Sampling of blood lead levels in South Portland’s children was recently conducted by the Maine Bureau of Health. In 2001, the Department screened a sample of children less than 6 years old. There were 239 screened and 8 individuals or 3.3% tested positive for elevated lead blood levels (>10ug/dl). In 2002, the percentage was 4%. The Maine state average was 4.2% in 2001 and 3.5% in 2002.

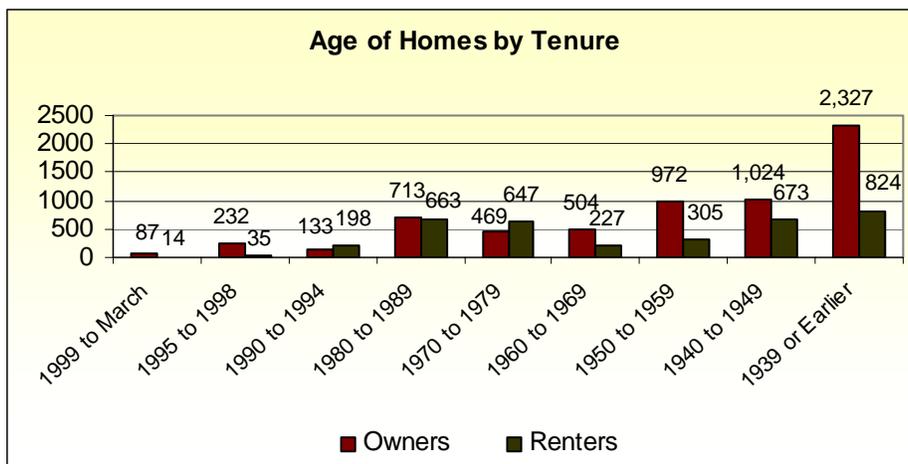
The City of Portland completed a screening of their children and found that 21% had blood lead levels over the CDC's safe standard. Nationally, 11% of the child population has lead levels higher than acceptable standards. Although we do not recommend using Portland as an accurate proxy in determining the lead risk to South Portland's population, the two municipalities do have similar development histories, age of buildings, and number of owner occupied households living in poverty. These factors are used in estimating lead risk to children.

Table 7-7: Households below the Poverty Level

Tenure	Portland	South Portland
Percent of Owner Occupied Households Below Poverty Level	2.50%	2.70%
Percent of Renter Occupied Households Below Poverty Level	21%	15%

Table 7-8: Age of Homes

Median year structure built	Portland	South Portland
Total	1942	1951
Owner occupied	1947	1949
Renter occupied	1940	1960



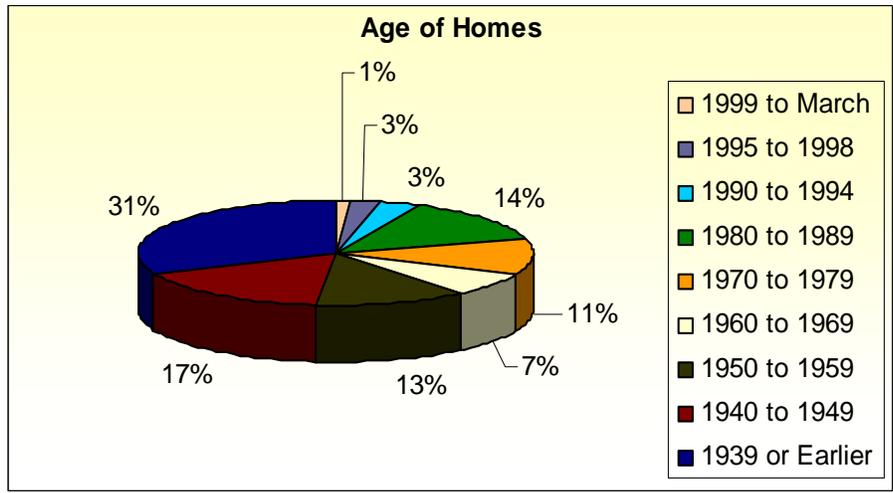
According to the Presidential Task Force on Environmental Health Risks and Safety Risks to Children,¹⁶ lead paint in homes is by far the single greatest source of lead poisoning to children in the United States and

that older housing stock is the greatest source of lead paint. The State of Maine has the 8th oldest housing stock in the nation. Although the use of lead paint was banned in 1978, it still poses a risk if it is exposed to children.

South Portland has the third oldest housing stock in Cumberland County. The median age of the housing stock in South Portland is older than 24 other

¹⁶ Eliminating Childhood Lead Poisoning: A Federal Strategy Targeting Lead Paint Hazards February 2000

municipalities in Cumberland County. Only the City of Portland and the Town of Long Island have an older housing stock (see Chapter 1 above). Over 48% of South Portland's housing stock was built prior to 1950. The Maine State average for housing stock built prior to 1950 is 41%.



Approximately 78% of the South Portland housing stock was built before 1978 and may therefore contain a lead paint risk to children. This older housing stock is spread fairly homogeneously throughout the city.

E. South Portland Housing Authority--Current Stock

The South Portland Housing Authority has 641 rental units under its management. A large majority of those units (545) are restricted to elderly or disabled individuals. There are only 96 units, or 15% of the total stock, available to families. The last time the Housing Authority constructed or rehabilitated new units for family occupation was in 1982. According to the Director of the Housing Authority the greatest demand for subsidized housing is for 3 bedroom family units. There is an imbalance of supply between elderly and family units which should be corrected. In addition to three bedroom rental units, the Director stated that there are many families in their system that would benefit from a supply of owner-occupied units. The demand for \$125,000 to \$150,000 starter homes is great. According to the Housing Authority, many families in the city's public housing would be able to afford a starter home. However, options are few because land supply is limited and available stock is almost non existent. The demand for family housing is so great that the Housing Authority has never had a vacancy.

The last elderly units were constructed in 2000. They consisted of 123 one-bedroom units in the Betsy Ross House of which 50 are market rate rentals. The Betsy Ross House provides supportive services including transportation, personal services, and security. According the Housing Authority Director, the supply for elderly housing is adequate.

Table 7-9: Current Inventory

PROPERTY	BUILT/ REHABBED	# UNITS	# Bedrooms	DEMOGRAPHICS	TYPE
425 BROADWAY EAST	BUILT 1973	100	(65 efficiency/29 1 BR/6 2BR)	ELDERLY AND/OR DISABLED	CONVENTIONAL PUBLIC HOUSING
1700 BROADWAY WEST	BUILT 1981	100	(1 BR UNITS)	ELDERLY AND/OR DISABLED	SAME
LANDRY VILLAGE	BUILT 1977	50	(48 1BR/2 2BR)	ELDERLY AND/OR DISABLED	SAME
SCATTERED SITES (<15 UNITS AT EACH SITE)	BUILT OR REHABBED BETWEEN 1979-1982	96	(2 1BR/65 2BR/15 3BR/8 4BR)	FAMILY	SAME
MILL COVE APARTMENTS	BUILT 1982	82	(72 1BR/10 2BR)	ELDERLY AND/OR DISABLED	SEC. 8 NEW CONSTRUCTION
RIDGELAND ESTATES	BUILT 1993	80	(1 BR)	OVER 55 AND/OR DISABLED	100 % TAX CREDIT
BETSY ROSS HOUSE	BUILT 2000	123	(1 BR)	ELDERLY (WITH 1 MEAL /DAILY)	50 TAX CREDIT UNITS 23 AFFORDABLE UNITS 50 MARKET RATE UNITS 202 LOAN
ADAM COURT	BUILT 1989	10	(2 BR)	100 % WHEEL CHAIR ACCESSIBLE ELDERLY OR FAMILY	

F. Waiting Lists

The South Portland Housing Authority waiting list for Section 8 vouchers is 250 names long. The amount of time it may take the last person to be served is approximately 10 months. The waiting list for public housing though the Authority is approximately 150 households. The size of this list never seems to be reduced. Whenever one family is served another is added to the list. As stated earlier, the Authority has never had a vacancy.

G. Capital Improvement Plan

The South Portland Housing Authority has recently completed a five year capital improvement plan. Over \$384,000 is scheduled to be spent each year for the next five years on improvements to their buildings. In the next two years, several housing authority buildings will see new siding, paint, kitchen cabinets, washer/dryers, windows, and flooring. Nearly \$10,000 is set aside each year for contingency expenses.

H. Section 8 and Other Subsidized Housing

In addition to the South Portland Housing Stock other agencies and private developers have built subsidized housing in the city. The best way to inventory subsidized housing is to review the funding agency records. The Maine State

Housing Authority compiles an inventory of all units built with federal or state subsidies and is shown on Table 7-10 below.

According to MSHA there are 349 Section 8 vouchers allocated to the South Portland Housing Authority. However, the Housing Authority does not report vouchers to MSHA on a regular basis. Housing Authority records show 389 vouchers being tracked through their system¹⁷. Voucher holders can use their voucher in any municipality so all 389 vouchers typically do not go solely to subsidized housing in South Portland. The number of vouchers used in South Portland varies on a monthly basis but the Director reports that it averages around 350 in any given month.

Project-based subsidized housing is housing that uses government funds to build affordable housing. In South Portland affordable housing units are built using MSHA loans and grants and through the U.S. Housing and Urban Development funds. The Maine State Housing Authority reports a total of 870 subsidized housing units in South Portland. This is a conservative estimate because they report the Housing Authority as having 535 elderly units when the Authority actually has 545. There are approximately 50% more elderly units than family units in South Portland. There are a total of 294 affordable housing units available to families in the city. A vast majority of them were built by MSHA resources. A private developer is currently proposing to build a mixed-income project with 300 units in South Portland. At least 150 of these will be reserved for affordable housing. Nearly all of the affordable housing units in South Portland are categorized as assisted living projects where some level of assistance to the occupant is provided through the management company.

¹⁷ Personal interview with SPHA Executive Director

Table 7-10: Subsidized or Affordable Rental Units and Section 8 Vouchers

Sponsor	Project Based and Non-Project Based (Section 8 Vouchers)										
	Total Units	Total Assisted	Total Family	Family Assisted	Total Elderly	Elderly Assisted	Total Disabled	Disabled Assisted	Special Needs	Special Assisted	Market
LHA	349	349	164	164	185	185	0	0	0	0	0
LHA/HUD	346	346	96	96	250	250	0	0	0	0	0
LHA/HUD/ MSHA	92	92	10	10	82	82	0	0	0	0	0
LHA/ MSHA	203	177	0	0	203	177	0	0	0	0	26
MSHA	229	229	188	188	0	0	0	0	41	41	0
Total Units	1,219	1,193	458	458	720	694	0	0	41	41	26
	Project Based										
LHA/HUD	346	346	96	96	250	250	0	0	0	0	0
LHA/HUD/ MSHA	92	92	10	10	82	82	0	0	0	0	0
LHA/ MSHA	203	177	0	0	203	177	0	0	0	0	26
MSHA	229	229	188	188	0	0	0	0	41	41	0
Total Units	870	844	294	294	535	509	0	0	41	41	26
	Non-Project Based (Section 8 Vouchers)										
LHA	349	349	164	164	185	185	0	0	0	0	0
Total Units	349	349	164	164	185	185	0	0	0	0	0

I. Substandard Housing

Substandard housing in the City of South Portland is defined in city building codes under sections 12-6 and 12-42. Section 12-42 describes an eight point criteria which is used to condemn a house as “unfit for human habitation”. The criteria include:

- Existence of deteriorated conditions.
- Lack of toilet facilities.
- Plumbing inadequacies.
- Overcrowding.
- Rodent or vermin infestation.
- Inadequate or contaminated water supply.
- Infectious or communicable disease.
- Other conditions

If any one of these conditions exist, the City Code Enforcement Officer is authorized to placard the building and remove its inhabitants until such conditions are eliminated. The city condemns approximately 2 buildings per year.¹⁸ Identifying what residential structures have inadequate facilities can help understand the number of households living in substandard housing or at risk of living in substandard housing.

The Census Bureau provides a count of units with inadequate facilities. They are shown in Table 7-11 below. Lack of telephone is included although a perfectly healthy and safe house can be without a telephone. It is included here because a telephone is so common in most households that the lack of one may indicate financial stress. The results below show that 31% of those without a telephone are living in poverty.

Table 7-11: Inadequate Facilities by Tenure

Category	Renter	% in Poverty	Owner	% in poverty
Total	3,589	15.5% (558)	6,461	2.7% (175)
No Telephone	45	31% (14)	6	0
Lack Adequate Plumbing	13	0	0	
Lack Adequate Kitchen Facilities	0	0	25	0

Lack of plumbing facilities is a cause for condemnation. In South Portland, there were 13 residential structures without adequate plumbing in April 2000. All of them were renters. Interestingly, however, none of those households recorded themselves as having incomes below the poverty level.

¹⁸ Personal Interview: South Portland Code Enforcement Officer

J. Portland Homeless Shelters

Since there are no homeless shelters in the City of South Portland, this Plan should recognize the most probable destination for people seeking a homeless shelter. The City of Portland is accessible via bus service and has a number of homeless shelters available (see Table 7-12 below). The degree to which these shelters service South Portland residents varies by the shelter and with whom one speaks. Since the shelters are owned and operated by the city, shelter directors are pressured to return non-Portland residents to their respective origination. Yet, they also state clearly that they do not put people on the street. There are also non-profit owned shelters which are not limited by place of residence. There are no records on the municipality of origin of shelter guests.

The most common destinations are two shelters operated by the City of Portland, Oxford Street Shelter for individuals and the Portland Family Shelter for families. Both shelters saw an increase in clients in the past two years.

Table 7-12: Homeless Shelters in Portland

Name	2002			2001		
	Clients	Bed-Nights	Ave. Stay	Clients	Bed-Nights	Ave. Stay
Fair Harbor	181	1,701	9	291	3,207	11
Family Crisis Services	382	4,415	12	450	5,400	12
Ingraham - MaineStay	165	4,018	24	147	3,313	23
Ingraham -Bridge	171	3871	23	164	3,810	23
Lighthouse	272	2,064	8	264	2,529	10
Milestone	1,827	11,136	6	1,965	11,537	6
My Choice	100	2,087	21	86	1,856	22
Oxford Street	4,590	47,163	10	4,306	43,652	10
Portland Family	1,674	27,806	17	1,642	28,916	18
YWCA	213	4,300	20	269	5,290	20

K. PROP Community Action Services in South Portland

South Portland residents also receive assistance from the PROP (People's Regional Opportunity Program). PROP operates seven housing service programs and five community service programs. Of the housing program, there were a total of 412 households served in 2003 and 11% of them were from South Portland. South Portland residents received help in homeownership education, weatherization, central heating improvements, and above ground storage tank maintenance. The community service programs help people with food, emergency fuel, and social services. There were a total of 23,366 households served through PROPs' community services programs. Of that amount, 2,751 or 11.7% were South Portland residents.

PROP provides an annual report to each of its member communities. The report describes a broader description of the major programs and their expenditure to each community. Table 7-13 below provides the total amount of services to South Portland by major program category.

Table 7-13: PROP Services to South Portland Residents

Housing Services 2003.				
Program	Number of People Served		Amount spent in South Portland	Waiting List or # Turned Away
	Total	So.Portland		
CHIP (Central Heat Improvement Program)	87	6	\$13,150	
Weatherization	100	11	\$14,250	
Above Ground Storage Tank	34	6	\$9,000	
Home Repair Network	14	0	All loans	1
Keeping Seniors Home	0	0	0	
Home Ownership Education	177	22		
CMP Pole		0	0	
Community Service	Number of People Served		Cost	Waiting List or # Turned Away
Program:	Total	So.Portland		
Emergency Fuel	4384	414	131138	0
Social Services	6200	555	17760	0
Family Dev. Accounts	19	2		5
FEMA Food Vouchers	189	20	800	0
USDA Food Pantry	12574	1760		0

Program	Households Served, 2003	2002	Value of Service in 2003
PROP HOME			
Housing Programs	47	32	\$63,908
Fuel Assistance	414	353	\$131,138
PROP FAMILY			
Child & Family Services	78	163	\$709,800
WIC Food and Nutrition	99	99	\$92,976
PROP SENIORS			
Senior Volunteers	11	14	\$13,846
PROP YOUTH			
Maine Youth Action Network	34		\$27,200
PROP COMMUNITY			
Social Services/Social Work	555	539	\$17,760
The Women's Project	13	16	\$1,300
Communities Promoting Health	2012		\$10,213

L. Homelessness and Special Needs Population.

Lastly, this study includes a comprehensive table that quantifies the estimated need and compares it to the current inventory of services available to meet that need. This is a necessary submission of any comprehensive plan, and is provided in HUD format.

Table 1A
Homeless and Special Needs Population

		Estimated Need	Current Inventory	Unmet Need / Gap	Relative Priority
Individuals					
Example	Emergency Shelter	115	89	26	M
	Emergency Shelter	141	0	141	H
Beds / Units	Transitional Housing	50	17	33	M
	Permanent Housing	282	0	282	H
	Total	473	17	456	
	Job Training	217	0	217	H
	Case Management	46	46	0	L
Estimated	Substance Abuse Treatment	29	0	29	H
Supportive	Mental Health Care	29	0	29	H
Services	Housing Placement	75	60	15	L
Slots	Life Skills Training	65	10	55	L
	Other				
	Chronic Substance Abusers	5	0	5	H
	Seriously Mentally Ill	18	18	0	L
Estimated	Dually - Diagnosed	18	18	0	L
Sub-	Veterans	91	60	31	M
populations	Persons with HIV/AIDS	27	0	27	H
	Victims of Domestic Violence	30	0	30	H
	Youth	17	17	0	L
	Other				
Persons in Families with Children					
Example	Emergency Shelter	115	89	26	M
	Emergency Shelter	42	0	42	H
Beds / Units	Transitional Housing	50	17	33	M
	Permanent Housing	141	0	141	H
	Total	233	17	216	
	Job Training	108	0	108	H
	Case Management	30	30	0	L
Estimated	Substance Abuse Treatment	15	0	15	H
Supportive	Mental Health Care	21	0	21	H
Services	Housing Placement	66	0	66	H
Slots	Life Skills Training	15	0	15	H
	Other				
	Chronic Substance Abusers	15	0	15	H
	Seriously Mentally Ill	0	0	0	L
Estimated	Dually - Diagnosed	0	0	0	L
Sub-	Veterans	31	0	31	M
populations	Persons with HIV/AIDS	21	0	21	H
	Victims of Domestic Violence	19	0	19	H
	Youth	10	17	0	L
	Other				

Chapter 8: Overview of “Best Practices” Options for Housing the Work Force in the City

This final chapter is intended to begin the process of what to do about the research findings of this study. In that vein, this chapter first outlines a set of criteria for, and then lays out an initial list of possible policy alternatives that could be employed in the city to effectively deal with the growth-housing issues and the largely negative housing affordability trends that are evident for many of the region’s workers. The primary objective of this chapter therefore is to present helpful information on a range of “best practices” options that would help elevate the level of public discussion on housing policy issues. Included on this list of alternatives is a range of possibilities that could be discussed and, if appropriate, further developed. They include initiatives that could be pursued as an individual community, and/or through strategic partnerships with stakeholders and organizations in the Greater Portland region.

At this point, this study makes no recommendations on how to specifically address the housing issues in the city. It likewise has no specific proposals to deal with the emerging housing policy issues and the rapidly changing economic and demographic environment have foisted on the city and the entire Greater Portland metro region. It is a menu that can be employed to evaluate what the city already does with respect to all or parts of these “best practices options,” and what policies or aspects of these policies it may wish to discuss and consider for those “best practices options” or parts of those options that it presently does not do. This study does, however, recommend a set of proposed evaluative criteria that could act as a framework for which future growth-housing policy proposals could be evaluated. However, like the initial list of “best practices options” described in the above paragraph, these proposed evaluative criteria remain just that—an initial list of evaluative criteria for consideration, discussion and potential further development.

A. Proposed Essential Criteria for Effective Actions on Growth-Housing Policy in the City.

Within the context of the above, this section sets forth an initial set of policy criteria to be employed in developing and assessing the efficacy of growth-housing policy proposals. This initial list of proposed evaluative criteria includes the following:

1. Effective actions require public sector-private sector cooperation.
2. Effective actions will require cooperation between all levels of government (including the federal, state, and the city), and potentially with other individual communities in the region,
3. Effective actions will emphasize incentives-based approaches (e.g. emphasize the “carrot” rather than the “stick”).

4. Effective actions will require education of the public.

B. Inventory of Possible Actions.

With the above as background, the following section presents an initial list of possible actions to help house the regional workforce that have potential applicability for the city. The city may already be doing all or substantial parts of some of these “best practices” approaches. Still others require inter-municipal cooperation and/or cooperation by the state and/or federal government. It also is not meant to be an all inclusive list. Instead, it is hoped that this list will inoculate further thinking and discussion. Citizens are encouraged to make additions and deletions as may be appropriate to the particular circumstances of South Portland.

1. Inclusive Zoning.

Inclusive zoning is typically a series of policies adopted by local governments that differ between municipalities but have the same effect of encouraging the construction of affordable housing. In general, inclusive zoning is an integrated approach that allows density bonuses, leaner parking requirements, flexible lot setbacks, and other policy exemptions for projects that will build a certain number affordable housing. It could be mandatory or voluntary and has the flexibility to target a specific set of income levels—if desired.

2. Local Housing Development Density Bonuses.

A Density Bonus is often one component of an overall Inclusive Zoning approach. At times, has been employed independently of a broader Inclusive Zoning approach. Like most tools, density bonuses must be used correctly to have the desired effect. Density bonuses can allow the developer to build more units on a parcel than would otherwise be normally permitted under existing zoning regulations. For example, a developer with a 10-acre parcel in an R-40 zone is allowed to build 10 units. A 50% density bonus would allow 15 units to be built resulting in an average density of one unit per every $\frac{3}{4}$ of an acre. In this way, density bonuses are attractive in that they have the effect of lowering the per-unit cost of the land.

Numerous factors come into play to determine whether a density bonus program will succeed. The size of the lot and original density, the ability to hook up to municipal sewer and water, the size of the bonus, and local regulatory procedures all affect whether or not a developer perceives this as an incentive. Each municipality must design an incentive program that works in their jurisdiction. Some programs are a combination of mandatory and voluntary approaches. For example, Montgomery County, Maryland has a successful program that resulted in over 10,000 units being built over the past 20 years.

3. Regional-State Housing Trust Fund Approach.

Housing Trust Funds, established at either a state or local level, are specially earmarked sources of money to assist in the purchase of land and/or as part of a financing package to construct affordable housing units. Typically, such funds are capitalized through development fees on higher priced homes and/or the type of commercial development that employs lower wage workers. Such a fund can also accept other sources of revenue such as other taxes or donations, and is typically administered by a state or a regional agency, a non-profit housing agency, or a local municipality.

One such housing trust fund approach is currently being employed in the State of Vermont. During the mid-1990s, Stratton Mountain Resort (owned by Intrawest Corporation) developed and submitted a Master Development Plan proposal to state and local regulators to expand its operations, and to more than double the vacation home real estate inventory at the resort. During the development review process, the resort negotiated a collaborative deal with state and local officials that involved making payments into an escrow account in the amount of a certain percentage of the sale price each time a vacation home was sold. The prescribed amount reflected a subsidy level that would be necessary to close the affordable price gap between existing single-family home sales in the housing market area that encompasses the Stratton Mountain resort.

This payment system has been in place for over two years, and the escrow account is currently being administered by the Vermont Housing and Conservation Board. The proceeds from this program so far have supported the development of 16 affordable housing units to-date. This approach has subsequently been adopted in the state development review process as a template for three other major resort expansions in that state. The Trust Fund approach has also been effectively used in many local jurisdictions throughout the country, including: (1) Sacramento City-County, CA, (2) King County, Washington (State), (3) Columbus/Franklin County, Ohio, (4) Dayton, Ohio, and (5) Montgomery County, Maryland.

4. Workforce Housing Coalitions or Roundtables.

A workforce housing coalition is typically an assembly of housing advocates and business and industry representatives of a given region that seeks to expand housing availability for the purposes of ensuring a stable labor pool and healthy regional economy. Over the past decade, it has become increasingly clear that when labor struggles to afford housing in a region, businesses find it difficult to attract and retain employees. In that context, housing policy becomes inextricably linked to economic development and the creation-retention of high quality job opportunities in a region. Simply put, if households are spending more income on housing they have less discretionary income to spend in other sectors of the economy especially those things that improve their lives such as health care, education, clothing, and transportation, not to mention incidental services, retail, and entertainment. A workforce housing

coalition recognizes the interconnectedness between housing and the economy, and they typically work to advance both in collaborative public-private partnerships.

The City of Santa Fe, New Mexico is a good example of how such a coalition or roundtable is built. The Santa Fe coalition-roundtable is a coalition of city and county government officials, nine local nonprofit groups, and the Enterprise Foundation. This effort resulted in the Santa Fe City Council adopting a housing plan that set an ambitious schedule both to create affordable housing and to provide rent and mortgage subsidies to the estimated 5,000 families in the city in need of such assistance. Results of the plan include:

- (1) Working with developers and nonprofit groups to make half of all Santa Fe's future housing affordable to low- and middle-income groups.
- (2) Seventeen separate housing programs have been knitted together to provide everything from city-funded mortgage assistance to federally funded rent subsidies to equity financing from foundations.
- (3) In three years—and using just \$900,000 in city money—the roundtable has leveraged \$55 million in housing assistance from the government and the private sector. It has helped more than 600 families stay in Santa Fe and plans to assist 1,000 more families.

5. Live/Work Homebuyer Programs.

Live/Work Programs are intended to create incentives for people to buy homes either in or near the communities where they work. They can be valuable tools for regions that seek to reduce commuting traffic and for urban municipalities that would like to encourage increased homeownership that strengthens neighborhoods. The program stimulates homeownership in target areas by providing mortgages at below market rates, down payment assistance, closing cost subsidies, and mortgage insurance to qualified buyers. The program can also be used to rehabilitate structures in the same target areas. Qualified buyers are usually earning below 100% of the median income and are buying real estate at less than the median regional price.

One example of this approach is found in the State of Maryland. Under this program, the state has set aside \$40 million dollars for home mortgages financed at 4%. Eligible purchases under this program are established by municipalities participating in this program. Local employers have the option of participating in the program with matching funds and promotional support. Live/Work Programs represent an expanded version of this CHFA program as it is open to any participating employer.

Another part of Maryland's approach on this issue is the "Live Near Your Work" program, administered by the State's Department of Housing and Community Development. The program was established in 1997, and offers a minimum of \$3,000 in subsidies is provided for potential home purchasers (funded by a \$1,000 subsidy

each from the local municipality, local employer, and the State) towards the costs associated with a home purchase. The program does include location restrictions for eligible home purchases in order to link homes to work sites. In calendar 2002, the program is reported to have assisted over 800 households purchase homes throughout the state.

6. Accessory Units.

Accessory dwelling units are another widely used tool to expand the supply of affordable housing through the development of fully functional apartments built on a parcel that has an existing primary dwelling unit. Typically, accessory units can be attached or unattached, built new or come from a remodeled garage, be a carriage house or involve a basement. Accessory units must meet all local and state building codes for occupancy and have separate entrances. Permitting accessory units is entirely a local government decision. Their sizes, quantity, location, design and ease at which they are permitted is regulated within municipal zoning. The units are not sold but rented and the original parcel is not typically subdivided.

Accessory dwellings are often employed to help to meet the market demand for rental units without necessitating any government subsidies. They also typically provide homeowners with additional income to help ensure their ability to afford their home in the event of personal financial problems. Finally these accessory units help the families provide affordable housing options to relatives such as elderly parents or recent graduates first entering the job and housing markets. The recently passed city ordinance allowing for accessory units is consistent with this “best practices” approach.

7. Mixed-Use, Mixed-Income Developments.

Mixed-use mixed-income development is another tool that can be used to promote an expanded supply of affordable housing in a community and region. Mixed use approaches are implemented at the local level through well known devices zoning ordinances and capital improvement planning. Mixed income housing development is a favored approach in some communities because they preclude high concentrations of poverty, expose lower income residents (particularly children) to alternative lifestyles, helps break the “cycle of poverty” and encourages homeownership among renters.

Local governments can encourage mixed income developments by providing density bonuses (see above) to developers of market rate housing in exchange for some units to be deed restricted for affordability. Another benefit of this approach is if a development is mixed use (e.g. commercial/residential), the project would have the added benefit of providing essential commercial goods and services to the residents. This mixed-use development approach also can be an attractive option because it can combine economic revitalization funding sources with affordable housing sources to create a synergistic boost for projects in locations such as blighted areas. Blighted

areas typically involve locations where the market may not support development directly by itself, but are areas where social values need to be and could be enhanced through such an approach.

HOPE VI funding administered through the U.S. Department of Housing and Urban Development may be the greatest force today that seeks to disperse high concentrations of poverty. Since 1993, over \$4.5 billion in grants have been awarded to public housing authorities to demolish distressed public housing and to replace them with units that are more integrated into the community and which accommodate a variety of household income levels. HUD's "Moving to Opportunity" and Chicago's "Gautreaux" program focuses on moving residents out of high concentrations of poverty. The initial results of Gautreaux show that there has been a significant increase in employment among parents and higher test scores and greater rates of college attendance among children among program participants.

8. Low Income Housing Tax Credits.

Low-Income Housing Tax Credit is a federal program that provides developers additional construction capital when building affordable rental housing for low income households. Tax credits are a critical part of many low-income, multifamily financing proposals. Without such credits, rental income generated by an affordable housing complex would be insufficient to cover the costs of construction and maintenance for many projects. Developers who receive tax credits typically sell them to private investors who benefit from a reduction in tax liability. The proceeds from the sale generate equity for the development, reducing the need for debt financing, and enabling the owner to charge affordable rents. Programs typically require a developer to maintain affordable rents when taking advantage of this program.

9. Employer Assisted Tax Credits.

Employer Assisted Tax Credits are a tool that is very similar to Low Income Housing Tax Credits, except they are targeted toward local employers. Under this approach, the employer typically applies for an allocation of tax credits to fund various forms of financial assistance given to employees, typically ranging from subsidization of mortgage loans to down-payment assistance. The main issue here with respect to the city for this option is that developing such a program will require at least some form of financial assistance on the state or federal government levels.

10. Tax Increment Financing Districts for Affordable Housing.

A Tax Increment Financing (TIF) District is a tool designed to address areas of blight and low property values where a municipality is seeking to generate increased levels of private investment. Typically, state legislative authority enables municipalities to establish TIF districts. Once established, the assessed property values are frozen for a period of 10 years or longer—but generally not more than 20 years. TIF Districts

can be effective development tools because as new investments are made in the area, the incremental property taxes that would otherwise be generated can be used to fund abatements for TIF district investors or to help leverage public investments in growth-enabling infrastructure assets such as sewer, water roads, and other public amenities within the district. A TIF district for Affordable Housing would allow the municipality such as the city to invest the incremental property tax revenue that would otherwise be due from investors into providing an expanded inventory of housing options within a targeted area within a community.

11. Fair-Share Approaches.

One affordable housing tool which has been employed around the country over the past two to three decades has been the so-called “fair share” approaches to expanding the supply of affordable housing in regions or groups of individual communities surrounding a metro area. State and regional housing studies over the 1980s and into the 1990s which have attempted to deal with this issue have tended to focus on identifying needs for certain types of housing and to develop “fair share” allocation plans.

“Fair share” strategies as they relate to housing generally have been developed to deal with the fair distribution of affordable housing between individual jurisdictions. They have the common goal of expanding housing opportunities and choice for lower-income families vis-a-vis what existed prior to the development of a “fair share” approach. These “fair share” schemes also have been developed with the additional objective of reducing existing concentrations of low- and moderate-income families in one jurisdiction versus another, and preventing their potential development of additional concentrations low- and moderate-income households in single or a relatively few individual communities in the future. Lastly, “fair share” approaches have been based on the assumption that all communities in a defined region have a responsibility to provide for some amount of affordable housing for low- and moderate-income residents. “Fair share” approaches try to improve upon the status quo by allocating affordable housing unit responsibilities between communities in a rational and equitable manner.

“Fair share” allocation strategies have been developed across a broad array of structures and approaches. Some approaches have been voluntary and others have involved mandatory approaches. Some have followed so-called formulaic allocation methods and others have employed simple guideline approaches. Voluntary plans over the years have tended to rely on the willingness of individual political jurisdictions to accept their moral obligation to provide affordable housing and participate in regional “fair share” efforts. Mandatory “fair share” plans usually have involved devices such as regulatory tools (e.g. development sanctions or development review requirements) and/or some form of incentive funding (e.g. federal HUD money, federal and state monies for rehabilitation projects, and the like) in order to implement “fair share” allocation strategies. Other programs such as the statewide approach being employed in New Jersey have come into existence because of a judicial mandate.

Once the allocation methodology approach has been completed (e.g. a formula or set of guidelines has been developed), the next step in a “fair share” approach has been the development of an allocation strategy. Within this part of strategy development, the sometimes problematic and difficult discussion of choosing between possible methods of implementation has occurred.

For mandatory programs, these have historically involved devising methods for enforcement to assure movement toward the actual attainment of “fair share” allocation goals. For voluntary programs, the strategy has often been to try to devise creative ways to encourage all individual communities in the area or region to participate in the “fair share” approach/effort. The literature has indicated that totally voluntary programs have experienced difficulties achieving compliance since there has been no legal way to compel reluctant communities to participate. This same experience also has indicated that mandatory programs likewise have not fared well without some monetary inducement to help off-set the costs associated with affordable housing development. One approach that has been reasonably successful has been the King County (Washington) Growth Management Planning Council approach that blends a fair share approach using the quality of jobs created in a community-region over time. There are also other examples of fair share approaches under a variety of structures throughout the country.

There have been periodic discussions about “fair-share” or “fair-share”-like programs from time to time in the region. In most communities throughout the New England region these approaches—even voluntary approaches—have generally not received warm receptions. Mandatory formula approaches for housing, such as state-imposed requirements in Massachusetts (e.g. anti-snob zoning) and in Connecticut are not very popular among many communities in each state because such requirements are viewed as a top-down encroachment upon local control.

12. Other Options.

In addition to the above, there are a multitude of other initiatives in place around the country that deal with many of the same housing issues faced by the city. These include a wide range of options ranging from land use and cost reduction to other funding, education and similar tools. The following is a listing of selected programs that have not already been mentioned above by type:

a. Land Use Tools

1. Density transfers,
2. “No net loss” Provisions for Housing,
3. Increased Density Allowances in Transportation Corridors,
4. Replacement Housing Ordinances,
5. Conversion Allowances of Rental to Owner Housing,

6. Linkage Programs (to local planning and land development regulations).

b. Cost Reduction Tools

1. General Property Tax Abatement for Housing (including land and structures),
2. System Development Charge Abatements for Housing,
3. Building and Land Use Development Fee Waivers,
4. Tax Foreclosed Donation Programs for Housing,
5. Special Financial Abatement Incentives for Senior Housing.

c. Others

1. Housing Rehabilitation Financial Incentives,
2. Education Programs (e.g. AHEAD in North Grafton and Coos Counties, NH) where program participants learn the essentials of home ownership.