

TOWN OF Provincetown - Board of Selectmen
MEETING MINUTES
THURSDAY - JANUARY 26, 2017
Provincetown School Auditorium, 12 Winslow Street, Provincetown

Chairman Richter convened the open meeting at 5:37 p.m. noting the following attendees:

BOS members present: Raphael Richter, Erik Yingling, Cheryl Andrews, Tom Donegan

YRRHT Members Present: Tom Donegan, Chris Mathieson, Chris Andrews, Rob Anderson, Kevin Mooney

Staff: Town Manager David Panagore, Assistant Town Manager David Gardner, Community Housing Specialist Michelle Jarusiewicz

Consultant: Peter O'Connor

Joint Public Hearing Potential Acquisition of Harbor Hill Condominium property at 3, 4, and 8 Harbor Hill Road and at 37 Bradford Street Extension:

Tom Donegan reads Public Hearing notice into the record for the Year Round Rental Housing Trust; Raphael Richter reads Public Hearing notice into the record for the Board of Selectmen.

The Provincetown Year-Round Rental Housing Trust Board of Trustees will hold a joint Public Hearing with The Provincetown Board of Selectmen on **Thursday, January 26, 2017, at 5:30 p.m. in the Provincetown School Auditorium, 12 Winslow Street (entrance from front door, parking available in the rear at the Grace Hall Parking Lot),** Provincetown, MA 02657, pursuant to Section 5, Chapter 305 of the Acts of 2016, to discuss and take comments on the potential acquisition of the Harbor Hill Condominium located at 3, 4 and 8 Harbor Hill Road and at 37 Bradford Street Extension, Provincetown. Comments may be submitted in writing by Tuesday, January 17, 2016, 12 noon to the Office of the Board of Selectmen, 260 Commercial Street, Provincetown, MA 02657 or selectmen@provincetown-ma.gov or in person at the hearing.

Tom Donegan described the process for the evening with members of the Trust, the Selectmen, and the Town Manager making comments through the power point presentation.

Trustees Chris Mathieson and Rob Anderson began the power point presentation [see attached slides] with the history of the purpose of the Year Round Market Rate Rental Trust including its adoption by town meeting in 2015 and again in 2016 which was enacted by the Governor on 11/3/16. The Trustees were appointed shortly thereafter by the Board of Selectmen and are subject to the Town charter and by-laws. It is unique to Provincetown and to Massachusetts. The Trust can acquire property; it can sell, lease, and exchange property. The Trustees have begun to set mission, policies, and procedures in the short time since. The ultimate goal is to bring Provincetown home. Provincetown lost 489 residents from 2000 to 2010 and continues to see a decline in year round residents. Housing costs have skyrocketed. The market has created a surge of weekly rentals leading to a decline in year round rentals. This is particularly acute for middle income residents and workers. The Town has had some success in providing housing for lower income residents but nothing has been available for the squeezed out middle.

The Trust intends to hire professional management and leasing services and has worked on policies to allow for the maximum local preference as allowed by law, requiring year-round residency, and may allow limited co-habitation.

The Harbor Hill acquisition opportunity arose during the time of the establishment of the Trust. Four buildings with 26 condominium units are located at Bradford Street Extension; they were built in 1995/1996 with 23 two-bedroom units, 1 three-bedroom unit, and 2 one-bedroom units for a total of 51 bedrooms. The units include washer/dryers, outdoor space, parking, and some have fireplaces, skylights, and views.

Town Manager David Panagore described the delicate balance as a public municipality engaging in a private bid/auction process. Municipalities are regulated in ways that private developers are not. The timeline has first round bids due by February 14, 2017 and, if within the top 4 bids, proceed to Round 2 with bids due February 27, 2017. As numbers are refined, the Town is committed to remain in the financial confines with no additional property tax impact. If successful, the Town intends to fast-track preparations for the renovations to be ready to start upon closing, which could be June or July 2017. The Town has evaluated the needed repairs and renovation, zoning, growth management, ADA, sewer/septic, electrical, water, market conditions, financing, and risk. The Town has evaluated what operating expense might be covered by the Town and what by the Trust.

Overall the units are in good condition; many are move-in ready with clean-up. Many doors and some windows need replacement or repair. Some renovations required for staircases; roofs on 3 buildings need replacement; and assuming the below-ground septic system will need pump-out, replacement of distribution boxes, and access upgrade. We have construction contingency of \$200,000. If close by the end of June, hope to complete repairs by end of December.

Mr. Panagore described the rental cash flow analysis and “The Ask.” The voters are being asked for borrowing authority of \$10,700,000 with a not-to-exceed all in budget of \$12,500,000. The Trust fund has \$1,500,000 available for maintaining a reserve and otherwise available for a bid. In the future there may be additional sources of income if needed such as the Airbnb tax if enacted. They have an exit strategy should it be needed where some, or even all, of the property could be sold off. He described the impact of bonding and debt limits.

The Town anticipates that there will be a ramp up on the rentals of about 25% per quarter. Housing costs are usually about 1/3 of household income. The goal is to provide a range of opportunities with various income levels up to \$107,940 +/- as a function of area median incomes. The rents will vary from about \$1200 to \$3100 with tenants paying their own electric bill. Water, septic, parking, and trash covered in the rent.

Tom Donegan provided some of the Pro-arguments including priorities for local preference. 26 units will have a substantial impact on the overall goal, high demand, property will be managed by professional firm, business plan calls for trust funds only, there will not be an increase in the tax levy for this project, the Trust has ability to sell off all or part if needed. The existing \$1.5

million in Trust funds could acquire 3 to 5 units, this deal leverages the money to acquire 26 units.

Cheryl Andrews presented the Con-arguments including this is first-time effort by untested Trust; that every pro-forma is an estimate; there may be unforeseen cash needs; and all rental trust properties are tax-exempt.

Public Comments & Questions:

Maureen McCarron: has lived here all her life, her daughter was employed by Stop & Shop but had to move with her daughter. She has 2 boys in school, 1 daughter in Switzerland, they would love to move back here. Must co-habitants be income eligible? What about enforcement regarding less than 100 days? What kind of penalty?

Mr. Donegan replied that the market has created a long-time tradition in Provincetown where seasonal workers move into year round market rentals with friends. Tenants will be paying market rents. If beyond 100 days, then it becomes joint eligibility requirements. They are looking at similar programs in Aspen and other places.

What if Airbnb? Mr. Donegan said that's different and becomes a commercial issue.

Dennis Minsky said that he has the same question, co-habitants is not clear. How can you determine? Mr. Donegan explained that they haven't set up the rules yet. But tenants are income qualified at move-in but things change. Want the process not to be overly burdensome. This is a year-round home, not seasonal. We want people to participate in the Provincetown economy in all ways including in the winter.

Mark Del-Franco: questioned the affordable limits and number of people per bedroom. If have the space, could someone get empty bedroom? Mr. Donegan responded that it won't be the exact same rules as affordable developments; if the tenant is income qualified, can afford the rent, not interested in number of heartbeats per bedroom.

Clarence Walker: former member of the finance committee, the Housing Trust was their idea. He backs the Trust 100%. What has been done distorts the original purpose as proposed by the finance committee with the idea to start small 1 or 2 units per year. These people would stay in the community and circulate their income. Triple benefit. There is benefit to getting your feet wet, you can define the process. Winslow had to be done immediately. VFW had to be done immediately. What's the goal? Why not step back and craft structure that all are comfortable with? This will fail because of weak construct; can't ask to commit to debt.

Raphael Richter responded that we should give a round of applause to the finance committee that created this. Mr. Cliqqot is firm supporter of this because of the depth of the crisis. \$1.5 million of Trust funds can leverage and create 26 units. There is no real available housing. Unoccupied units become condos and they get rented weekly. Slow progression can be good but opportunities come up. We need 100s of units over the next 10 – 20 years to make a dent. Real estate market is largest single business entity in Town.

Karen Jasper: confirm numbers - \$10.7 million is a loan; interest & principal about \$650,000 with operating supplement of about \$160,000 per year? Mr. Panagore described the numbers include the vacancy rate of 5% and the intention to ramp up the first year. Ms. Jasper said that she had a comfort level with exit strategy and increasing equity? -- Yes, plus the contingencies.

David Moulton: he tries to be informed; it is hard to make this big of a decision so quickly. How define year-round? How enforce it? -- There will be rules and regulations that would apply.

Shiron Caynon: are you offering lease beyond one year? She supports as it would encourage people to stay. She watches friends with constant turnover; housing security is important.

Jon Sinaiko: the fire department is appreciated but taken for granted; same for those who work in town. The core group of the volunteer fire department who attack fires are local, they know the streets, the people. The bottom line is that 30 people show up for a working fire, they drop everything. We have lost people to Harwich and Eastham. They would live here if they could. Response time is critical. This is an opportunity; it will help employers of the Town. Affordable Housing is for anybody. Want to see people contribute to the community. It's like climate change, Provincetown version. Will it work perfectly? Probably not..

Francis Santos: asked if property tax exempt? – Yes, all Trust properties will be tax exempt. Mr. Santos applauds the efforts. He walked the property and was concerned about the electric heat. What else is happening? Backup plan for other properties? Other ideas like Habitat? Mr. Panagore described the goals for this year including the disposal of the former community center. Three proposals submitted initially. The community center will go to a community use. Trying to proceed methodically. Next will be the VFW and there is the police station out there to consider. Now there is a vehicle for community housing -- the Year Round Rental Trust.

Tom Donegan wanted to thank the Trustees who have been meeting 3 times per week in the last month. The contingency is to buy 1 unit at a time. At that pace, they will spend more overtime; this is the most cost effective path.

Randy Janson: what about paying off the debt? Do the rents stay the same? Mr. Donegan explained that they could not present 10-year cash flow under the circumstances but assume that rents would increase overtime. He has been here 20 years and has a cleaning business. We are not getting replacement people; 9 of his cleaners are over 55. With the new administration cutting or eliminating visas, he strongly urges to work on that.

Bob Hazard: resident and former landlord. These were used as 3-season units and heated by electric. Is there a plan to change that? Any estimates for cost to tenant? Mr. Donegan responded that the Cape Compact has a renters program that they are investigating. Ultimately migrate the systems.

This is big scale – is it possible to buy all 4 and sell 1 or 2? – yes possible. Trustees are trying to maximize the impact.

Susan Mitchell: she owns property with an attic apartment. It could be expensive to rent out with upkeep and repairs. She appreciates the effort. She is nervous about unpredictability, could be sticky wicket to rent. How does \$10.7 million not get paid by taxpayers? If put \$1.5 million into it, where does the \$160,000 come from? Mr. Panagore indicated that the Trust intends to put \$160,000 per year and there is potential for other source of revenue and the exit strategy. She asked about the ½% transfer tax could work on that.

Chris Snow: biggest alarm, as approach a foreclosure sale. Assuming goes as planned, for \$12.5 million which is double the assessed valuation? What is the business structure? With regard to other bidders could be strategically a reckless approach. Are we walking away from \$230,000 in owed taxes? Mr. Panagore said that either way, the Town would be paid back taxes. Mr. Panagore indicated that Town is competing with sale condo deal and assessed values are typically little low. Mr. Snow was concerned that straw bidders would drive the price up at taxpayers' expense. This would be owned by the Trust, what about accountability? Town will lose control. Mr. Panagore said that the Trust is like any other Town board.

Mark del Franco: welcome to Board of Trustees. He joined fincom as an alternate and feels the fire. He would like to hear more about the policies and procedures. Year round housing, need to close the loopholes in the process. Technically residents, but in winter they are not all here. Define "resident" and "year round workers." The fincom will meet next Friday to discuss.

Clarence Walker: full backing for Trust. Need to work on the details. Look at sustainable income. Take 2 – 3 units at Harbor Hill sell to developer, earmark taxes for Trustees, each year create sustainable growth. This commits entire amount. Need to sharpen the numbers. Mr. Panagore said that there is no existing capital reserves and they are carrying numbers for a sinking fund.

Tom Donegan: Thanks to all for attending. They continue to want to hear from you. We don't underestimate the challenges and need help. This will be for 26 units for folks that want to be here. Dream big. This is the cheapest way to get scale. It is a meaningful way to make a dent. They are being as prudent as possible.

Thanks for attending the first public hearing under Chapter 305 of the Acts of 2016.

Adjourned 7:23 pm



**Year Round Rental Housing Trust
Public Hearing on
Potential
Harbor Hill Acquisition**

**Chapter 305 Acts 2016
Year-Round Market Rate Rental Housing
Trust Fund**

- Purpose of Trust is to provide stable year-round market rate housing for middle income individuals earning below \$107,960 (2 people \$173,360)
- Adopted by Town Meeting in the spring of 2015 & again in 2016
- Enacted by the governor on November 3, 2016
- Unique to Provincetown, Unique in Massachusetts
- Trust is a town board subject to charter, by-laws and all laws governing the Town.
- Finances subject to Finance Director & Treasurer

The Trust can:

- Acquire real estate and/or personal property
- Sell, lease, exchange real property
- Hire consultants and employees
- Seek funding through town meeting

YRRHT: Bring Provincetown Home

- Provincetown lost 489 residents from 2000 to 2010
 - US Census: 2000 - 3,431; 2010 - 2,942
 - Last five years 13 % decline in employed residents
 - Yet average number of local jobs remain the same
- Effects of Our Seasonal Economy
 - Housing costs have skyrocketed
 - Surge of weekly rental conversions = fewer yearly rentals
 - Year-round population has declined
- Provincetown must re-establish its year round economy
 - Rental Housing no longer available for middle incomes
 - The bedrock of our schools, our businesses, town has eroded.
 - Getting out of our vicious cycle includes middle income housing.

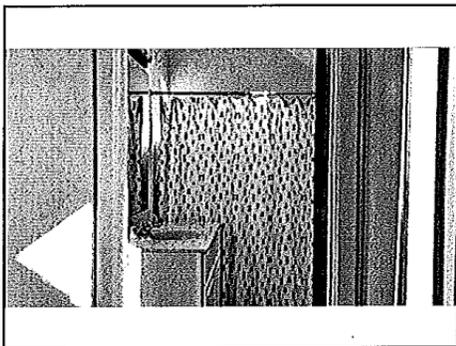
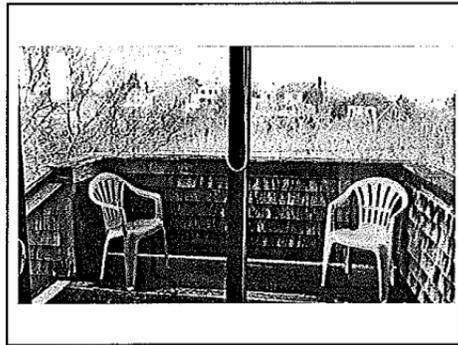
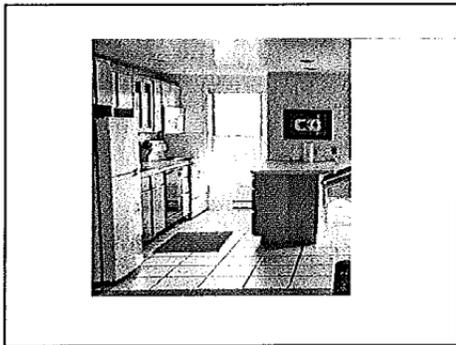
**Rental Trust Adopted
Management Policies**

- **Professional Property Management Services.** The Trust will hire a local professional property management company to maintain the property, as well as respond to resident requests.
- **Professional Leasing Services:** The Trust will hire qualified professionals to provide real estate services to the Trust including the lottery, rental application processing and tenant management services.

Rental Trust Adopted Tenant Policies

- **Local Preference:** The Trust will actively pursue the local preferences established in the State Act creating the Trust. The local preferences are (i) current residents; (ii) Town employees; (iii) local employees; and (iv) households with children going to School in Town. In doing so the Trust will honor and obey all applicable and relevant fair housing laws.
- **Year Round Residency:** Tenants have to be residents on a year round basis. The Trust will require all leases include appropriate clauses requiring and verifying residency and put in place procedures to ensure compliance.
- **Co-habitation** It is understood residents may have co-habitants after they are approved as income eligible. Cohabitants who are resident for more than 100 days will be required to be included on the lease and be subject to the terms and requirements of the lease.





The Harbor Hill Opportunity

Harbor Hill

- Location; Bradford St Ext, West End, 1056 ft from Cape Cod National Seashore.
- 4 buildings built in 1995-96, set on 1.2 elevated acres
- 26 condominium units
- 23 two bedrooms with 1119 sq ft of space
- 2 one bedroom units 671 sq ft
- 1 three bedroom unit 1956 sq ft
- 51 total bedrooms

The Harbor Hill Opportunity

Units Include

- washer/dryers
- fireplaces
- skylights (select units)
- outdoor space (select)
- views (select)

Property Includes

- 1 parking spot per unit
- bike racks
- common outdoor space & community garden
- trash receptacles



Harbor Hill Staff Analysis

The Provincetown Approach

Three Legs of the Stool: Housing Playbook

1. Affordable Housing
 - 179 rentals as of today
2. Community Housing
 - 5 rentals as of today
3. Seasonal Housing
 - Private sector action

Timeline

2016	
August	HH ceased operation
Aug 30 th	HH filed Chapter 7 bankruptcy
Nov 3 rd	Governor signs YRHT
Nov 17 th	HH auction process begins
December	YRHT board formed by BOS
Dec to Present	Work begins to determine HH viability
2017	
Feb 14 th	Sealed bids due (top 4 to next round)
Feb 27 th	Live courtroom auction
Feb 27 th	Successful bidder proceeds to contract
June – July	Buyer closes on HH
Feb-July	Prepare renovation

Acquisition Checklist

✓ Repairs & Renovation	✓ Electrical
✓ ADA	✓ Sewer/Septic
✓ Zoning	✓ Water
✓ Growth Management	✓ Financing
✓ Market Conditions	✓ Transaction Costs
	✓ Risk

Operating Expense Checklist

- Management \$ 50,000
- Property
- Legal
- Accounting
- Maintenance
- Repairs \$ 12,000
- Lease Agent \$ 25,000
- Insurance \$ 45,000
- Annual Audit (Town)
- Trash (Town)
- Snow Plowing (Town)
- Landscaping (HH)
- Electrical (HH)
- Septic (HH)
- Water (HH)

Renovations

- Over-all units in good conditions, many are move in ready.
- Many doors need to be replaced on all Four Buildings
 - Some sliding doors need to be replaced on all Four Buildings
 - Some windows need to be replaced
 - Some windows repaired on all Four Buildings
 - One entry & staircase needs major renovation.
 - Other entries & staircases needs minor renovation.
 - Roofs need to be replaced on Three Buildings
 - Common exterior areas need some renovation
 - Septic systems are below ground, we are assuming:
 - All distribution boxes may need replacing
 - Pump out and upgrade access to each septic tank

Construction Contingency of \$200,000

Renovation Timeline

- Feb 27th Successful bidder proceeds to Closing
 Feb - June Building & Septic Inspection, Bid Specification Prep, On-Board Contractors (Publicly Bid)
- June 27th Tentative Closing Date
- Dec 27th All necessary renovations complete
 - 6 months, a rolling schedule to bring each building on line
 - Goal bring a building on line every 45 days

Please note: Initial Year - Interest Only Bond (Saves approx. \$350,000)
 Lease up over the first year by June 30, 2018 (Revenues drop by \$375,000)
 Operating Contingencies & Limited First year expenses

Rental Property Cash Flow Analysis

Annual Operating Income	Cost	Total	Notes
Gross Annual Rental Income	687,749.20		Average Rent \$2,027/SF
Trust Contribution	129,470.00		Minimum of Five Years of Reserves
Total Annual Income		\$817,219.20	
Annual Operating Expenses			
Gross Annual Operating Expense	154,762.08		
Contingency	24,000.00		14% of Operating Expenses
Total Annual Operating Expenses		\$178,762.08	
Acquisition Costs			
Total Acquisition and Renovation	10,666,079.00		
Capital Reserve (Renovations)	200,000.00		From Rental Trust
Annual Interest	476,436.66		
Annual Principal	172,091.68		
Total Annual Debt Service		\$648,497.14	
Grand Total \$		\$0	Solve for No Tax Impact

The Ask

- \$ 12,500,000 Not to Exceed Maximum
- \$ 10,700,000 Borrowing Request
 - Rents & Rental Housing Trust Fund
- Trust Fund (\$1,500,000)
 - Maintain reserve = 5 years of bond payment
 - Otherwise Available for Bid
 - New Sources of Revenue
 - Marijuana Tax 2% enacted, avall 2019 +/-
 - Air BnB Tax 2019 +/- \$500,000/yr
 - Land Bank 2020 \$500,000/yr
- Exit Strategy

Impact of Bonding

- Town Debt Limit: Set by State
 - \$2.7 Billion (All Real & Personal Property)
 - Debt Limit = \$135,000,000
 - As of today total authorized debt = \$67,150,000
 - Of that \$13.5M authorized and unissued
 - Of that \$33.8M = Water/Sewer Debt
 - Funded by Fees
 - Used 50%, only 25% borne by taxes
 - Represents of 8% Debt Capacity
 - Does not change property taxes or bond rating

The Rents

- In the First Year:
 - Occupancy ramps up 25% per quarter
 - This means reduced revenue during the first year
 - Offset by a Short Term One Year Bond
 - Issued for initial year
 - Interest only payment, no principal
- Housing costs:
 - Typically about 1/3 of household income
 - The goal is to provide a range of opportunities for various income levels up to +/- \$107,940.

Rent Range

- Rents will vary from \$1,200 to \$3,100

Maximum Income	80% AMI	150% AMI	200% AMI
1 Person Household	\$ 47,550	\$ 80,955	\$ 107,940
Rents at 30% AMI	\$ 1,168	\$ 2,023	\$ 2,698
2 Person Household	\$ 54,350	\$ 92,520	\$ 123,360
Rents at 30% AMI	\$ 1,359	\$ 2,313	\$ 3,084

- Tenant pays Electrical Bill
- Water, Septic, Parking and Trash covered In Rent

AMI: Area Median Income, calculated on a Barnstable County-wide basis

Rents

- 2 One bedrooms affordable lower income end
- 6 bedrooms at 120%
- 15 bedrooms in the mid range
- 2 bedrooms 60 % of units affordable at 160
- 2 One Bedrooms that folks earning
- 6 Two Bedrooms
- 15 two Bedrooms
- 2 one Bedrooms
- 1 3 bedroom

Pro Arguments

- Trust legislation Prioritizes
 - Town Residents, Town Employees, Families with Children in Town Schools.
- Substantial Impact on Rental Trust Goal
- Demand: Stable Path Example
 - 16 households @ 100% AMI alone on the 2 bedroom waiting after X Units (2 or more people)
- Rents pay 80% of the Operating Costs, including reserve funds.
- Property Management by Professional Firm
- Business Plan calls for using Trust Funds only. No Increase in Property Tax Levy for this Project. Your tax bill does not change.
- Trust has ability to sell off all or part of the complex if cash flow demands
- The \$1.5M in the Trust Fund buys 3 to 5 units, this deal leverages the \$1.5M to acquire 26 units.

How much would it cost to buy individual units on open market ?

26 Units on Open Market \$12.5M
54 bedrooms
Renovation at 5% \$625,000 (5%)
- total of \$13.1M

Con Arguments

- First Time Effort by Untested Trust
- Every ProForma is an Estimate
- Unforeseen Cash Needs
- All Rental Trust Properties Tax Exempt (\$50,000)
- Harbor Hill is bankrupt w/out any operating reserves.
 - Thus Existing Rental Trust Funds held in reserve

The End

– What Impacts a Bond Rating:

- Maintaining Reserves, Not Raiding Reserves, Funding OPEB, Addressing Health Care Costs, Having Good Debt Policies, Solid Financial Forecasting.

The Trust Mission Statement

- The Provincetown Year-Round Rental Housing Trust is a municipal trust fund overseen by five members of the Provincetown community created by the Massachusetts legislature. The trust exists to assist Provincetown residents gain access to year-round, market-rate rental housing by providing housing opportunities to moderate-income individuals and households. While the Trust is specifically tasked to assist a specific segment of Provincetown's population – middle-income residents -- its ultimate goal is to improve the quality of life of all Provincetown residents. Our Town's complex housing crisis was not created by one force, and it will not be solved through one strategy alone; but by increasing the number of year-round, market-rate rental units, the Trust aims to retain and attract back as many middle-income households as possible, a key step in preserving the unique, special, and diverse community that has defined Provincetown for generations.
(handout)