

Provincetown Year-Round Rental Housing Trust Board of Trustees

Minutes: February 2, 2017

Seashore Point, 100 Alden Street, Provincetown

3:30 p.m.

YRRT Members Present: Tom Donegan, Chris Andrews, Kevin Mooney

Excused: Rob Anderson, Chris Mathieson

Board of Selectmen: Raphael Richter, Cheryl Andrews, Erik Yingling, Tom Donegan

Staff: Town Manager David B. Panagore, Community Housing Specialist Michelle Jarusiewicz, Assistant Town Manager David Gardner, COA Director Chris Hottle, SP Sheila McGuinness, SP ED Dave Carboneau

Meeting with Seashore Point and Town residents to go over the February 6, 2017 Special Town Meeting Warrant with members of the Board of Selectmen, the Town Manager, and other town officials:



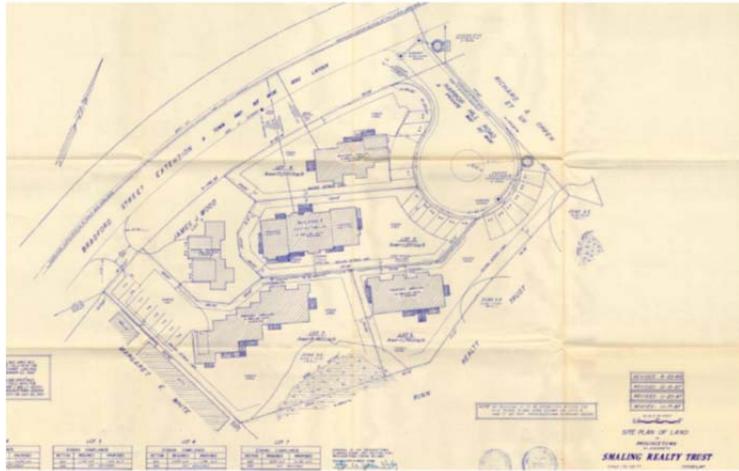
YRRT Chair Tom Donegan called the meeting to order at 3:38 pm and initiated the Power Point presentation. The PP presentation began with the establishment and purpose of the Year Round Market Rate Rental Trust through special legislation Chapter 305 of the Acts of 2016. The goals include bringing Provincetown home – lost 489 residents from 2000 to 2010. Housing costs have skyrocketed with a surge in weekly rental conversions which reduce year round rental availability.

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 remained 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.

The rental trust has adopted management and tenant policies. Mr. Donegan provided overview of the Harbor Hill acquisition opportunity with some photos – 26 existing units with 2 one-bedroom, 1 three-bedroom, and 23 two-bedroom units. All units are in decent shape with some only needing cosmetic upgrades such as paint and flooring, others needing new doors and windows, and some roof repairs. All units have washer/dryers and 1 parking spot. Sealed bids for Harbor Hill are due by February 14th with live courtroom auction scheduled for February 27th. Ideally Harbor Hill would close in June or July with renovations to begin shortly thereafter. The Town has been evaluating the needed repairs and renovation, electrical system, sewer/septic, water, zoning, ADA, growth management, market conditions, financing, transaction costs, and risk. They have been examining operating costs including management, insurance, repairs, landscaping, annual capital reserve, and other costs.

Harbor Hill Site Plan



Required renovations have been explored. Over all, the units are in good condition some are move-in ready. Needed repairs involve many doors and windows to be replaced or repaired. Some entryway and staircases need renovation. Roofs need to be replaced on 3 buildings. The septic system is below ground and assumes some upgrades are needed. All renovation cost carried in \$10.7 acquisition and renovation plus a construction contingency of \$200,000. If closing happens by June, continue with renovations and hope to begin bringing buildings on line in 6 months with a goal of bringing a building on line every 45 days. The initial year will only require payment of interest only on the bond with lease up over the first year by June 30, 2018. There are operating contingencies and limited first year expenses.

Rental Property Cash Flow Analysis			
Annual Operating Income	Cost	Total	Notes
Gross Annual Rental Income	667,789.20		Average Rent \$2.02/PSF
Trust Contribution	<u>159,470.03</u>		Minimum of Five Years of Reserves
Total Annual Income		\$827,259.23	
Annual Operating Expenses			
Gross Annual Operating Expense	154,762.08		
Contingency	<u>24,000.00</u>		14% of Operating Expenses
Total Annual Operating Expenses		\$178,762.08	
Acquisition Costs			
Total Acquisition and Renovation	10,665,679.00		
Capital Reserve (Renovations)	200,000.00		From Rental Trust
Annual Interest	476,435.56		
Annual Principal	172,061.58		
Total Annual Debt Service		\$648,497.14	
	\$ 648,497.14		
Grand Total	\$ -	\$ 0	Solve for No Tax Impact

Town voters will be asked to borrow \$10.7 million. Existing Trust funds of \$1.5 million will be used as a reserve and to make the initial first 5 years of the bond payment. Other potential sources of future funding to cover potential gap were discussed along with the ability to sell off a portion or even the entire complex if needed. There was general discussion of the Town's debt limit and that this will not change property taxes or bond rating.

The Ask

- **\$ 10,700,000 Borrowing Request**
 - Reduced from initial topside figure of \$12.5M
 - Source: 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, avail 2019 +/-
 - Short Term Rental Tax ("Air BnB") 2019+/- \$500,000/yr
 - Replace Land Bank when it expires in 2020 \$500,000/yr
- **Exit Strategy**
 - Ability to sell off a building or the complex.

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
 - Using 50% of Capacity
 - Only half of that paid by taxes
 - Represents: +/- 8% Debt Capacity
 - Does not change property taxes or bond rating

There was presentation of the rents to be assessed. Housing costs are typically about 1/3 of household income. The goal is to provide a range of opportunities for various income levels. Although not set, some examples were provided.

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	\$ 1,188	\$ 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

Cheryl Andrews went through the presentation of the pros and cons for acquisition including the ability to make a substantial impact on rental trust goal with 26 units. Tom Donegan also pointed out the potential for energy conservation measures to be done in conjunction with Cape Light Compact with insulation, light bulbs, and heat pumps. Cheryl Andrews expressed that the legislation allows for prioritizing town residents and employees; it has a gigantic impact. She noted that this is 1st time effort and that the pro-formas are an estimate using conservative contingency numbers.

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.
- The back taxes (\$149,034) would be paid out of the Purchase, thus by a third party Town to itself.
- 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.

Con Arguments

- First Time Effort by Untested Trust
- Every ProForma is an Estimate
- Unforeseen Cash Needs
- All Rental Trust Properties Tax Exempt (\$50,000)
- The back taxes (\$149,034) would be paid out of the from the Purchase, thus by Town to itself.
- Harbor Hill is bankrupt w/out any operating reserves.
 - Thus Existing Rental Trust Funds held in reserve

Tom Donegan opened up for Q&A at about 4:14 pm.

Elaine Anderson said that this was the 3rd meeting that she has attended and gets more info with each one; very pleased. She was excited with the attention to the electric heat issue. She supports the project.

Alex Browne asked about the back taxes – would the Town pay itself and would it then be off the tax rolls? Tom Donegan replied that the bankruptcy court will distribute the money to the IRS, the Town and other debtors, along with the timeshare owners. So taxes will be paid from the proceeds whether the Town buys it or not. If the Trust acquires the property, it will come off the tax rolls. It is assessed at about \$6.1 million. If \$8 million is removed from the tax base, estimate about \$50,000per year. Currently the place is not used year round. Year round use may stress the system and maybe a sewer hookup will be needed in the future.

Judy: she used to work for the Department of Health and she advocates for department of mental health.
Tom Donegan noted that they are committed to following Fair Housing Laws. Tenants must be income qualified; these are not typical affordable housing, not low income.

Dotty: 75% people in the room don't understand the numbers. She doesn't. What is a bond?

Tom Donegan expressed that it is essentially the "mortgage" that the Town takes out. The Town does it all the time for its borrowing. Here we are asking that the Town take out the mortgage and the rents will pay it back over 30 years; at the end of 30 years it will be paid off. They have built in some contingencies and believe that they will break even.

David Panagore pointed out that a municipality cannot get a loan like the private sector; they get a bond for borrowing.

Dotty: Is the State involved?

David Panagore said that yes, DOR.

Dotty: She didn't think the Town should get involved in the business of rentals. Use the property we own for rentals. 75% of property owners are away; they don't have a voice.

Fran: confused about the \$10.7 million. Does it go to bid? Who holds the title? If sell, who decides?

Responses: The Trust holds title and decides to sell or not after a public hearing. The Town Manager also explained that all funds go through the town's financial offices. If any portion of the property is sold, the funds will 1st go to repay the bond.

Tom Donegan responded to a question about what happens if everyone knows that \$10.7 has been approved – the numbers for acquisition and renovations are rolled up; the \$10.7 million is not the actual bid amount. It is a distinct disadvantage for the Town in comparison to other bidders.

Elaine Anderson stated that the devil is in the details. What about Land Bank money? Tom Donegan responded that worst case deficit there are potential options to cover it such as new legislation that would replace the "Land Bank" legislation. Just like any legislation it would require town meeting approval. She asked about the Trust \$1.5 million funds – reimbursement? Tom Donegan responded that the Trust funds would be used for 5 to 7 years and over time for supplemental funds and they will look at other sources of funds.

Another person inquired about the possibility of asking for more cash down the road? What project does the Town have for these funds?

Tom Donegan responded that the Town's 10 year plan does not include proposed new revenue sources; they might ask town meeting for funds for housing. Proposition 2 ½ limits the Town's ability to increase taxes. Town Meeting has exclusive rights to spend money and increase taxes.

Special Town Meeting is Monday, Feb. 6th, at 6:00 pm at Town Hall. There is only one article. There will be a Town election the following day. Town Meeting requires 2/3 vote. Every vote counts.

Dotty: How will you select tenants? Tom Donegan said that the Housing Specialist who is the queen of lotteries will assist. They will use the maximum local preference as allowed. The Town Manager said that it would be modeled after existing lottery systems.

Tom Donegan pointed out that both the Cape Cod Times and the Banner had editorials of endorsements. The working men and women are having a hard time. This gives opportunity to contribute to the Town. We need police, fire, clerks, etc. We need to bring back the middle class.

Adjourned 4:46 pm

Minutes by: Community Housing Specialist Michelle Jarusiewicz