

Provincetown Year-Round Rental Housing Trust Board of Trustees

Minutes: February 24, 2020

Joint Meeting with Select Board

Caucus Hall, Town Hall, 260 Commercial Street, Provincetown

6:44 p.m.

YRRT Members Present: Nathan Butera, Doug Cliggott, Louise Venden, & Kevin Mooney

Staff: Community Housing Specialist Michelle Jarusiewicz

PTV Taping Select Board meeting

Joint Meeting with Select Board:

Chair Nathan Butera presented to Select Board:

"The Trust's Mission was " established to create and preserve year-round rental units in the town of Provincetown including, but not limited to, market rate units, for the benefit of residents of the town." The 2016 housing playbook described three categories of housing that needs to be addressed-affordable, community (market rate) and workforce. All three categories are important and must be addressed. We are here today to talk about the second one, community or market rate housing. Unlike affordable housing, there were no state tools or legislation that addressed the need for market rate or workforce housing. In identifying these facets of our housing crisis, the state passed special legislation to create the trust. The legislation does not limit the trust to market rate or workforce housing, but these categories were clearly a driving impetus.

The initial vision of the trust was to identify and purchase single units in town that could be maintained as market rate rentals. As we all know, when Harbor Hill became available, the Trust Board, Select Board and many Town residents felt it was an opportunity to make a big dent in addressing the market rate rental crisis.

It may seem to many that harbor hill has taken a long time to come together. The project has been confronted with legal setbacks, procurement contracting setbacks, and other obstacles. But to put it in a simple perspective, within 3 years of 2017's special town meeting vote there are now 8 units occupied, 6 more leases signed, and 2 other applications have been approved and pending resident decision. That represents 16 of the 28 total units in the project. The average annual income of lease holders is \$60,000, which is the income level Harbor Hill was targeted to serve.

The expectation is that all remaining units will be ready for occupancy during March & April of 2020. Over twenty-one applications have been requested and distributed in January and February so far this year, so it appears that demand for the 12 remaining units is robust. So, to recap, it has been almost 3 years since that February 2017 vote. Acquisition of the property took place in September 2018. And the first units came on line in the summer of 2019. Compared to the typical housing development cycle of ten years, this is remarkable.

I was not a founding member of the trust. I came aboard after the trust acquired harbor hill. Like many others, I voted for the purchase of harbor hill, but like many others, I thought the trust was self-sustaining. It wasn't until my first meeting that I learned Harbor Hill required a subsidy and that subsidy was always a part of the equation for Harbor Hill. Looking back at the presentation, the Trust anticipated and spoke to the gap and need for additional funding. To address this, the Finance Committee had proposed and Town Meeting had agreed to fund \$1.5 mil. for 5 years worth of start-up costs until the Trust could identify other sources of revenue, of which the short-term rental rooms tax and marijuana tax were proposed as possible sources. I know that because I had this misconception about the extent of ongoing Town subsidies, many others had it and many probably still do. I know this kind of confusion creates public mistrust. The Trust Board is working to regain that trust. To that end, all of our meetings are now videotaped.

The past year our priority has been getting the renovation project completed, getting people into the property and starting a stream of rental income. The majority of our energy and focus has been on these tasks. At the same time, we

made sure to preserve the value of the property by pursuing forms of ownership that will allow the town to sell buildings and/or units quickly and efficiently if it must come to that. The Trust has also proposed using a portion of the Short Term Rental Tax to fund the project shortfalls.

We are proud that people are now living on Harbor Hill and the entire property will be ready for tenants before the end of the fiscal year. But now that we are almost on the other side of that hump, we are faced with a continued budget shortfall until a sustainable, annual funding source is put in place for the trust. At this point we do not have a long term answer as to how the amount of Town subsidy that will be required over the next 5 years, but we are working with the Finance Director to come up with a Special Town Meeting Article that will provide us with funding through the remainder of FY20 for the anticipated operating budget short-fall for Harbor Hill and to make a modest contribution to a maintenance reserve. At Annual Town Meeting we will propose an Article to fund Harbor Hill through FY21. Anticipated rental income and total debt service will both be roughly \$600,000 in fiscal 2021. Rental revenue, once stabilized will cover annual debt service, but not operating expenses like maintenance, repairs, landscaping, property management and lease up costs.

Moving beyond FY21, we will need to identify a sustaining subsidy. We have reached out to a Mr. Thomas Nutt-Powell, an expert in capital needs assessment who has generously agreed to perform a capital needs assessment of Harbor Hill pro bono. We need to know what we are looking at 5, 10, 15 years down the road; so we can come before the town and ask for something that is sustainable and do it with confidence.

The Trust is unique. It was specially created for Provincetown's acute housing crisis. There are no models, no templates, no examples from which we can draw to guide us forward. We are the model. There's no way to know all the facts and potential consequences in advance. We can only prepare so much. We can only look at something from so many angles. But at a certain point, we're only really going to find out what we need to know by taking action.

As the economist George Gilder put it:

"It is the leap, not the look, that generates the crucial information; the leap through time and space, beyond the swarm of observable fact that opens up the vista of discovery."

As we take this leap to solve our housing crisis, we are also learning how to get better at solving it. As we continue to work to make this project successful and sustainable we also get the benefit of learning how to do it again. How to do it even better, faster, and more efficiently."



Town of Provincetown MA

Harbor Hill update

February 24, 2020

Ch. 305 Acts 2016 excerpt

"The trust is established to create and preserve year-round rental units in the Town of Provincetown including, but not limited to, market rate units, for the benefit of residents of the Town."

End goal

The Town of Provincetown has been aggressively tackling the need for community housing for decades; while we have had many successes, more needs to be done. The Year Round Market Rate Trust was created to address a gap in our housing tools – provide housing for those who are not eligible for the traditional affordable housing in a broken market. 2019 Camoin economic development report identified the primary issue impacting ED is lack of housing.

Challenges

Our outside the box, cutting edge effort is not without its challenges, including more time for acquisition, a very hot construction market with few bidders at higher costs, and un-occupied buildings for about two 1/2 years - as a municipal property owner and landlord subject to all municipal regulations – practically unheard of. While it has taken longer than anticipated – it has been almost 3 years since that town meeting vote – this is amazingly fast compared to typical housing development which is usually 10 years.

Harbor Hill: How did we get here?

ACQUISITION

2015 & 2016: Town Meeting approved submission of special legislation; funded \$1,500,000 start-up funds for Trust

December 2016: Year Round Market Rate Rental Housing Trust created.

February 2017: voters approved \$10,700,000 to purchase & renovate Harbor Hill, a former timeshare resort at auction, 26 rental units.

September 2018: closing happens after legal challenges and court proceedings delay purchase

Harbor Hill: Renovations & Operations

2017:

- ❖ RFP for architectural firm issued with 1 proposal.
- ❖ RFP #1 for management company issued; no proposals received

2018:

- ❖ Architectural firm hired to do assessment & prepare for bidding renovation
- ❖ \$250,000 grant awarded for 2 new accessible units bringing total units to 28
- ❖ Renovation IFB issued; RFP for property management re-issued; 1 proposal received
- ❖ No acceptable construction bids received

Harbor Hill: Renovations & Operations

October 2018: Building #5 renovations begin

January 2019: CDP Property Management begins; IFB #2 for renovation work re-issued

Winter/Spring 2019: new mini-split systems for heat & AC installed through Cape Light Compact at no cost [est. value \$340,000]

March 2019: 3 bids received; award to lowest eligible bidder

May 2019: Building #5 reno complete; Tenants move in

Harbor Hill: Rent-up

May 2019: Building #5 with 6 units becomes available 8 months after acquisition through in-house renovations and is occupied by end of summer

NOW - Jan/Feb. 2020:

- ❖ Building #4 & new ADA unit in Building #7 receive certificates of occupancy; adding 7 units to available units for total of 13 units.
- ❖ 8 units are occupied plus 6 units leased and 2 applications pending for a total of 16 units

Harbor Hill Property

Target market: households that are not eligible for traditional affordable housing with median incomes from 80% to 200% Area Median Income

For example: traditional AH maximum 80% AMI for household of 1 is \$51,250, for 2 people \$58,600 - while Teacher salary range \$52K - \$88K. Police Officers range \$61K - \$70K

Rents Range:

ADA units: \$1000 - \$1200

1 Bedrooms: \$1450 - \$1550

2 Bedrooms: \$1650 - \$2100

Features include: Large unit size, Laundry in every unit, Efficient heating and cooling, Parking available

Harbor Hill Pro Forma

- From the onset, a gap was anticipated between rent receipts and expenses
- Monthly Revenue is projected at approximately \$50K at full occupancy for total of about \$600K per year.
- Annual debt service is about \$594k
- The Trust is working with the Finance Dept and the CDP on a revised budget for FY 20 and a budget for FY 21
- The Trust has engaged a Capital Needs Consultant *pro-bono* to begin long term capital planning
- We anticipate the need for gap funding for both FY 20 and future years

Harbor Hill Project

- Options include
 - Town appropriation
 - Pursue allocations from upcoming revenue streams, including Marijuana and Short Term Rental Tax revenues
 - Work on operating expenses after revenue and expenses normalize
 - Sell more valuable units to create a cushion for bond payment for upcoming years

Community

Harbor Hill is about community.

It is about providing homes where none can be found.

It is about keeping the lights on in the winter.

It is about viability.

Following discussion by both members of the Trust and the Select Board, the Select Board approved co-sponsoring both articles for the special and annual town meeting including funds for the debt service for Harbor Hill and additional funds for operations and capital expenses.

MOVE that the Select Board vote to co-sponsor funding request articles in the April 2020 Special Town Meeting and the 2020 Annual Town Meeting in support of year round community housing units at Harbor Hill and in support of the Annual Town-wide goal to develop and manage year round housing at Harbor Hill. Motion: Lise King Seconded: Robert Anthony Vote: 4-0-0

ATM Article 13. Funding for Year-Round Rental Housing. To see if the Town will vote to raise and appropriate, borrow, or transfer from available funds, a sum of money to increase the general fund debt service budget line item to pay FY21 debt service payments of the general obligation bond authorized at February 6, 2017 STM for the acquisition and improvements of the Harbor Hill property by the Provincetown Year-Round Market Rate Rental Housing Trust; or to take any other action relative thereto.

*[Requested by the **Select Board** and the Provincetown Year-Round Market Rate Rental Housing Trust]*

Explanation of Article 13: *This article asks Town Meeting to approve funding the Housing Trust's obligated debt service for the acquisition and renovation of Harbor Hill. The debt service was voted as excluded debt which means it can be paid from the general fund and included in the operating budget at any time. To date the Housing Trust's available funds of \$1,500,000 has been depleted by financing of Harbor Hill renovations and related debt service. The early depletion of the Trust's seed money is due, in part, to increased constructions costs and a low construction contingency (5%). As disclosed when the acquisition and debt service was approved at the February 2017 Town Meeting, rental income was not expected to cover both operating expenditures and debt service obligations. Since no other revenue has been allocated to the Trust, this appropriation transfer is necessary to sustain the project. It is anticipated that Harbor Hill rental income will cover operating expenditures, while the voted debt override will fund the debt service. If this article fails and the Trust does not have funds available to pay the entire debt service amount, the Town is still obligated to pay this debt service from the general fund and raise it on the tax recap which will reduce available free cash.*

STM Article 12. Funding for Year-Round Rental Housing. To see if the Town will vote to raise and appropriate, borrow, or transfer from available funds, a sum of money for the purpose of supplementing capital and operating expenses for the Provincetown Year-Round Market Rate Rental Housing Trust for Fiscal Year 2020; or to take any other action relative thereto.

*[Requested by the **Select Board** and the Provincetown Year-Round
Market Rate Rental Housing Trust]*

Explanation of Article 12: *This motion appropriates additional funding to the Year Round Market Rate Rental Housing Trust from Free Cash. The June subsidy included a 5% construction contingency which was surpassed due to unanticipated, but necessary, change orders.*

The Trust has certificates of occupancy in three of the four buildings and it has leased tenants in all three buildings with applications for vacant units being received weekly. Trust has obtained a grant from the State for the two accessible one-bedroom units to the property which are now complete and occupied.

Adjourned 7:13 pm

Minutes drafted by:

Community Housing Specialist Michelle Jarusiewicz