NANTUCKET AFFORDABLE HOUSING TRUST

~~ MINUTES ~~
Thursday, September 30, 2021
Remote Meeting *via* Zoom – **10:30 am**

Trust Members: Brian Sullivan (Chair), Brooke Mohr (Vice-Chair), Penny Dey, Dawn Holdgate, Reema Sherry, Dave Iverson, Allyson Mitchell

ATTENDING MEMBERS: Brian Sullivan, Brooke Mohr, Dave Iverson
ABSENT: Reema Sherry, Penny Dey, Dawn Holdgate, Allyson Mitchell
STAFF IN ATTENDANCE: Tucker Holland (Housing Specialist)
ANTICIPATED SPEAKERS: Anne Kuszpa

I. Call Meeting to Order

Brian Sullivan called the Affordable Housing Trust meeting to order.
ROLL CALL of those participating:

1. **Brooke Mohr** Aye
2. **Dave Iverson** Aye
3. **Brian Sullivan** Aye

II. Presentation of Affordable Housing Trust Application to the CPC

Tucker Holland, thanks to the CPC and its members for everything you've given to the Trust in the past for year-round and affordable housing. The heart of our application is really the financial spreadsheet, I'll screen share to go through both the sources and uses of the funds. We have additional detail as well, I thought it would be useful to go through with respect to Habitat Nantucket and Housing Nantucket. We have both Gerry Keneally from Habitat and Anne Kuszpa from Housing Nantucket here today. One line item on this spreadsheet has a mis-label in terms of the name…where it says Articles 8 & 10, had a copy & paste with a different designation. The numbers didn't change, but I've made the adjustment of the title here. But as you can tell, we are very conscious of the sources of funding we have for the different programs that we implement and each of those sources has very specific requirements. This is simply to illustrate that we keep a close eye on where the money is coming from and how we're using it and making sure we're doing so in accordance with the requirements of each of these funding sources.

You can see in 2019, you all provided the original $5millon bonding, and we have highlighted further below what we're seeking for FY 23 and you'll see in a moment why, as we really will have deployed all the capital from the $5million boding as well as the annual appropriations. As you can see, the CPC isn't the only source of funding for what we do. The voters have stepped up in a significant way and supported nearly $40million in funding over the past few years and we are very appreciative of the voters for that. Moving over to the "Uses" page, in particular focusing in on the requirements of the CPC money, I want to say up front that the CPC funds have been vital in our ability to work to create more year-round housing and at the same time, manage our subsidized housing inventory and Safe Harbor. We are now in our third consecutive year of Safe Harbor and that is in no small part, due to the support you all have given. Some of the projects further down the list under "Programs" we are using the CPC funds from the prior bonding in a manner where 25% of our acquisition price for land is coming from the CPC and then 75% is often coming from the debt exclusion financing. That ability to use 25% of CPC funds gives us a great deal of latitude in operating in the real estate market. It allows us to go direct and operate in a similar manner as the Land Bank, not having to RFP. We can act quickly to take advantage of certain market opportunities. 135 & 137 Orange St and the UMass acquisition on Vesper Lane, along with the 31 Fairgrounds collaboration, are all great examples of that. The seeds that the CPC has planted, with this funding provided to date, is ultimately going to generate well in excess of 75 units of housing for our year-round community. You can see, at the bottom of the chart, this does presume that your support will be there again for the bonding request and it's not as though we have a lot of unplanned funds available at the end of this request. A couple of things to point out, there are some un-named opportunities listed here, the companion property relative to UMass, an ownership opportunity approved in executive session and soon will be before the Select Board. There are many things in motion and we are, again, hoping for your support.

It may make sense, to go over to some further detail around the Habitat and Housing Nantucket previous, current and upcoming projects. As you know, Habitat, Housing Nantucket, and the Trust have been working in close cooperation ever since you all introduced this central funding approach to things. Therefore, when we're doing our planning, we're in regular contact with both organizations to make sure that the funding is available for everything that is planned for in the foreseeable future. There are many things in Nantucket that are out of our control. We can't control whether a neighbor appeals a project or the timing of certain regulatory approvals. One thing that we can do, is ensure that the money is there when the projects are ready to go. That is very much on our mind and, walking you through how the funds that you all have provided through the Trust, have been utilized or are planned to be utilized, through both Habitat and Housing Nantucket, you can see here it is principally through several projects. We have listed here, at the top of the Habitat list, 3 Waitt Drive, which is a project you know was supported by the CPC and is not drawing funds from the Trust, but it is part of the lead up to Habitat to getting their units eligible on the SHI list. 3 Beach Grass is supported by the Trust, and this project was pivotal to getting to the point of all Habitat units counting on the SHI list. This project is near the end of completion, you can see the funding that has been supplied to this project here and this all ties to the master spreadsheet we were looking at earlier…$375k went to land acquisition, $460K in original construction costs, so an additional supplement of $85k was approved. That project will be coming online shortly. Similarly, Benjamin Drive…this is a project that is the first three units of Habitat Homes to count on the SHI list. You can see here, the total funding that is projected for the 3 units, is roughly $435k a unit. Knowing that this funding cycle for Habitat through the CPC is intended to carry the housing effort through July 2023. Habitat is going to be through their Benjamin Drive project and ready to bring their next project on board after that. Housing Nantucket, similarly, all of their units are SHI eligible under their rental program. The Trust has contributed to a number of important projects. 18 Ticcoma has been completed, the Trust was able to provide 2/3 of the financing of that through CPC funds. 46 Okorwaw is an exciting project, a well-conditioned existing home was able to be moved to this site. This is also a great illustration of how the CPC system is beneficial. You can see that there are monies that can be used towards this project, but those monies have probably been sitting on the sidelines for quite a while. Because the prior system had been to allocate to specific projects, if a project encountered a challenge, it sidelined the money for quite a long time. Similarly, Housing Nantucket has planned for the ability to do additional projects on lots that it is about to finally receive from the Richmond company per a prior agreement. It's been a long time coming for these lots to be made available to Housing Nantucket, principally due to the Land Court. Those lots are likely to be transferred by the end of this year, therefore there is pent up demand to get those projects going and more "heads in beds". You'll notice there is a small difference between the cumulative total for Housing Nantucket here and on the master spreadsheet, the different is $8,000 which was minor but important financial support, which allowed them to get 4 units at 7 Surfside included on the SHI list. There are many ways in which your funds are tremendously benefitting the housing effort here.

The last thing I'll say before questions, you'll see that we have some planned subsidies for some of the major projects happening or planning to happen. 6 Fairgrounds is something that, if we want that project to move forward, the Town may provide some kind of subsidy in a loan structure. That is something we need to plan for. Similarly, with Orange Street, construction costs are only going up. We believe we have the appropriate allocation for what will be required but it is still unknown. So having money available to be able to act for when the opportunity is there, is critical.

Brian Sullivan, as Tucker stated, we just appreciate the opportunity to be here.

Mark Beale, I'm a newbie here so I don't understand what the $5 million bonding is versus a grant.
Ken Beaugrand, a bonding request would be granting the authorization for the Town to do a

$5million bond and we would be obligated to pay, $350k a year for a 15 year period to fund the cost of the bond. So the amount of money that would be allocated in the warrant this year would be $350k towards the cost of the bond, issued by the town.

Linda Williams, being as that CPC funds can only go to projects for 100% AMI or less, is that having an impact on what you can use the funds for?

Tucker Holland, we're very aware of that CPC limit and therefore in, for example, the land acquisitions, where we're using 25% CPC funds, we know that 25% of the resulting units will be restricted at 100% or less.

Linda Williams, because I know when we did Sachem's Path, there's more than 100% AMI in there, but we funded the infrastructure knowing there would be a certain percentage. So you're adhering to that gap, even when you're going to fund an overall infrastructure type thing where there is more than 100%, we can do that as long as you give us the corresponding units back? I just want to make that clear for the newer members.

Tucker Holland, yes.

Brooke Mohr, I'd like to follow up, because we're working on primarily rental units, in order to have all units count on the SHI list, 25% of them have to be at 80% AMI or below. So your funding allows us to ensure that those projects are always going to be at 25% at 80% AMI or below. For me, in terms of our flexibility in entering and negotiating in the real estate purchase market and having this exception from the RFP process, because we're using CPC funds, has been really critical in our being able to get in the real estate game in a way we couldn't otherwise do. We'd have to put out an RFP for a plot of land of a certain size, etc. and the way the market is going, we'd be out of the game. The availability of your funds is critical. The bonding authorization vs an annual grant is also critical to us, so we can front load the capital we have available now to get those projects moving forward and keep us in Safe Harbor over the coming years towards getting to 10%. If we were just getting $350k grants each year, we wouldn't have the capital to fund those projects that are critical to getting us to 10%.

Neville Richen, this is for a $5 million grant/bond and we had another in 2019. Is this something you're going to come for again next year or the year after next?

Tucker Holland, the answer is we don't know. One of the things that is in play here is the recent 2020 census which is the basis for determining our SHI requirements. The initial census numbers were just issued in August, the population numbers and housing information in the census doesn't translate directly to what the state requires for our Safe Harbor, but it suggests that our requirement will likely go up. We won't know that new number in probably March of 2022, so we're on a good path right now to meet our current 10% requirement within the next 5 years if everything marches forward that we're currently doing. There is this new variable that, our requirement number may change and so the possibility exists that we may need additional funds. Right now, we're planning, at a minimum, that this is carrying us through the next couple of years. If you all approve this, we have a lot of work to do to properly disperse these funds and produce the product so we're in good shape for a couple of years but it's hard to predict beyond that.

Mark Beale, looking at the 2019 $5 million bonding approval, when we look at the pile of money to grant this year, have you already backed out of our possible grant money, money that pays for that 2019 grant?

Ken Beaugrand, the amount of money we have to allocate to that grant is $350k in this year's warrant. So there is a $350k in the warrant for that and if this application is approved, there will be another $350k on the warrant for this one.

Mark Beale, so $700k out of our monies this year for the Trust?

Ken Beaugrand, yes. And I will have the amount of money that we think we have available with respect to the different categories. We have money that comes from the surcharge and we have money that we think we'll receive from the state and we have money that's earning interest sitting in our unreserved accounts, and we also have money in our reserved open space account.

John Trudel, if we approve this year, is this $700k for the next 15 or so years, replacing the annual grant we used to approve? Can they still come to us for a grant for additional funds?

Ken Beaugrand, the opportunity for them to come forward for a grant is always there but having done the $5 million bonding from 2019, we have another 12 years of the $350k and if we approve this after this year we'll have an additional 14 years of $350k committed to the expenditure in the warrant.

John Trudel, I don't have an immediate issue with that, but my thought would be, for years to come now, each year we're dedicating $700k so if we're looking at our required 10% towards affordable housing, we know at least $700k a year is directed towards that for the next 12 years. It's going to limit anybody else coming before us for affordable housing funds. Say a private application comes forward, we'd have to be really precise in what we can allot to private affordable housing development. This isn't an opinion, just a clarification.

Ken Beaugrand, you are correct. Brian Turbitt can you confirm that the $350k is an appropriate number to allocate in the current market place?

Brian Turbitt, yes, it is. Ken and I also have discussed when we permanently borrow it, we may be able to shorten that time period based on interest rates, but $350k is still solid estimation.

Linda Williams, a question for Brian, I know on some of these, we can't pay it off early. We paid some off early…are we able to get rid of the debt early or are we locked into the time period?

Brian Turbitt, the way we've done this, is that every year the committee is allocating money for the pay down of interest and principle but that was reserved on their balance sheet because we didn't permanently borrow it immediately. When we get to the $5 million borrow, we would take all the accumulated $350k commitments and pay the bond down and only borrow the immediate remaining part. These bonds are sold on an amortization schedule, there are call dates on them but with a 12 year pay down it's unlikely we could call it.

Linda Williams, but with stockpiling the money it's like paying it down.
Brian Turbitt, yes. In theory, we have the ability, and we could take this into more depth, BANDs can be rolled for up to 10 years. So conceptually, if we rolled it for 10 years you could pay down almost all of it at once and only have a little left.
Linda Williams, we can't look at this $700k for 12 years when it may end up being less because of this.
Brian Turbitt, well you'll still pay for 12 years regardless, that's the way this has been calculated, but I do think the $350k is a good number and the first $5 million we haven't permanently borrowed yet, so we're already accumulating money for when we make the permanent borrow, in likely the next 12 to 18 months, depending on interest rates.
Neville Richen, if we funded this $5million, how many bonds would we have so far?
Ken Beaugrand, Sachem's and Nobadeer have been paid off. The only outstanding bond is the 2019 $5 million bond to the Trust.
Brian Turbitt, one point to clarify, you've appropriated the money for those bonds, that money is currently being used to pay down the remaining piece. We haven't actually paid off the bonds because they are on a schedule that we can't pre pay, but you're not accounting for them in your budget any longer.
Tim Soverino, I will ask, if we're holding the money to pay off the bonds, what is the advantage of doing that versus letting the CPC hold our money and use it for other projects? Why is it better for you to hold the money as opposed to us using the money?
Ken Beaugrand, where is the money going to come from when Brian needs to pay off the bond? He needs the money to pay off the interest and principle on the $5 million bond. That's why it's important for us to transfer to them so they have it.
Tim Soverino, it sounds like we've stockpiled the money for future year payments or at the point where he decides to pay it off. What's the advantage of that?
Brian Turbitt, what you're doing is you're allocating $350k annually. If you didn't, you'd then be trying to find $350k in the budget in the future when we borrow. For now, we're putting the money aside until we permanently borrow, then we use that stockpile to permanently borrow and then use the $350k annually to pay it off. If you weren't putting it aside every year, then the year I went to permanently borrow, you'd have to find an interest and principle payment on $5 million.
Tim Soverino, let's say we've been setting aside $350k for two years, isn't there now $700k sitting somewhere that you haven't used for payments or borrowed against?
Brian Turbitt, no, we've borrowed the money. The BAND will be due in June. That $700k is sitting on the CPC books and hasn't left CPC's control, it's just reserved for this expenditure.
Linda Williams, so you have $700k, so when you go to permanently borrow the $5million bond you're actually only borrowing $4.3 million? So the more money we stockpile, whatever we have in

reserve, we're only permanently borrowing what is remaining.

Ken Beaugrand, is it safe to say then Brian, depending on the amount of time before the permanent borrow and the interest rates, that it may be the case that the CPC will actually have to change the $350k to a lower amount? Assuming the cost of the bond would allow that?

Brian Turbitt, there is always a possibility that we would resize the issue and change the structure of the issue to benefit the CPC and reduce the potential costs, but a lot of that depends on the interest rates.

Tim Soverino, so in my mind, the most important asset we have is our money and the best thing we can do is put our money to work in the various arenas. It seems like if we have an authorization from the town for $5 million, I would throw out that as a committee our lifeblood is our money. We may want to leverage as much borrowing power as we have, use the $700k to work in actual projects rather than just letting it sit there. It's another way to look at it, unless Brian I've got it all wrong.

Brian Turbitt, I think that the theory has been that you want the money there when we actually permanently borrow it, to pay down as much as possible. At some point the bill is going to come due, whether I roll it for 10 years or not. If you're not putting anything away to pay it down, you're paying short term interest for 10 years and then another 12 years you're paying interest and principle. In my mind, the putting it aside makes the best use of our money.

Ken Beaugrand, and this is the process we did with the two bonds at Sachem's and Nobadeer. And with both, it ended up being less time than we thought originally.

Tim Soverino, I was just thinking about it from the standpoint of the demand on the CPC, was just trying to think about it in a different way.

Brian Turbitt, we could also certainly recommend the article for a $5 million authorization, and we could work with you on the timing when you start the $350k so you have the leverage to utilize the dollars over the next few years. We can work on the timing as to when we start drawing this money down. There's an opportunity for me to work with you on how to structure it if that's what you want.

Ken Beaugrand, any other questions, with respect to the presentation?

Mark Beale, I'm not too comfortable playing roulette with interest rates Tim…there's only one way for these rock bottom interest rates to go.

Ken Beaugrand, that's my point too, if we don't make these payments and three years down the road we need $1million for payments, where is the money going to come from? That's why we have tried to structure this the way we are now. Any other questions relative to the Trust proposal?

Neville Richen, the need for the bonding is so that we have cash on hand in case a purchase comes up?

Ken Beaugrand, if you look at the chart, there are three items on the chart that have already been identified as targets for this particular funding.

Tucker Holland, the uses for these funds are identified in the chart, so a couple of them are in conjunction with land acquisition for rental and home ownership, and the other is in conjunction with subsidy for the development at the Orange Street location

Neville Richen, the ones that stick out to me are UMass, 6 Fairgrounds, 137 Orange, and Wildflower Acceleration, is it those or something ese?

Tucker Holland, those are projects from the 2019 monies.

Neville Richen, the other properties that you're mentioning are properties that could come up?

Tucker Holland, it's not that they could come up, they're real.

Neville Richen, so they are coming up and you want the money on hand?

Tucker Holland, yes. And I'd like to build a bit on points that Mark made and that John made, we were cognizant in our request for this support that you only have one bond outstanding, which is our own at $350k annually. And that this would be an additional $350k. Our understanding is that roughly $2.5 million comes to the CPC from the town and state so we're aware even approving what we're requesting you still have significant funds for the requirements for each of your areas. There is a true time value of money, if we were going to purchase Orange Street, which has broadly been recognized as a great location for housing, we can all imagine that if we were going to buy that today, we'd be paying 30% or greater for that property. So what you're doing now is leveraging your capabilities to do more than if the money were sitting on the sidelines.

John Trudel, I think with our housing crisis right now, this is critical. I am in real estate, I know it's difficult to find anything right now, the longer we wait the more expensive it's going to be, it's a real dilemma. On the other side, my fear is that when we average $2.9 or $3.2 million a year for the CPC, we have an incredible amount of needs and amounts requested this year, we're pretty much dedicating about 23% of our total budget to affordable housing. I really believe in this, but I'm pointing out what Tim was also saying…we have a limited amount of funds and our goal is to work with the money that we have. So if we're already dedicating the money, we're reducing our ability to look at other projects. Which means CPC becomes a 23% financer to AHT every year before we even start. We're in essence now saying, 23% is going towards affordable housing as opposed to the required 10%. Just food for thought. It limits us for future private affordable housing projects, where they don't have the ability to get more public funds like the Trust does.

Brooke Mohr, I'm going to close the Trust meeting before I speak because we are no longer a quorum. But I've been coming to the CPC on behalf of the Trust for a number of funding cycles now, and I can remember back when the feedback we got was, why is the CPC the only funding source for affordable housing on Nantucket? Where is the community? The allocations you have given us, helped us lay the ground work to prove to the community that this effort is viable and worth investing in. The continued investment through the CPC helps us keep this train on the tracks, in a way that keeps us in Safe Harbor and puts people in housing. I want to thank you for sticking with us all these years, and we have worked very, very hard to build other revenue sources, and those things are growing. But that doesn't mean we don't need you, for all the stated reasons we've said. But we are working very hard on generating larger and broader funding sources. You sticking with us this year is critical.

Anne Kuszpa, want to speak in support of this application. I started at Housing Nantucket in 2007 and we've been doing this application process to the CPC since that time. The CPC has supported us in a variety of ways, office operations and a number of house moves. We made progress with those asks, but it's important to realize the amount of lift that the Trust has been able to do. The Safe Harbor requirements of 24 units per year is a heavy lift. We've made great strides…we've gone from 2% to over 5% in the course of about 5 years. We're really making progress now, so please help the momentum continue to build by supporting this application.

Tucker Holland, really appreciate all of your time. Where you spend your money says what your priorities are, 23% is a meaningful amount and it makes a statement. It's important for the community, and relative to the Housing Bank Transfer Fee at the state house, one of the things that may well be a requirement for a community to have that transfer fee eligible will be how much that town's CPC already supporting housing. This is a vital matter to what many people view at the number one issue facing our community. We're so thankful for everything you've done and we hope for your continued support.