

A Report on the Middle Line Road Community Housing Program February 2008

Purpose: In considering the further expenditure of \$500,000 of Community Preservation Act (CPA) funds for the Middle Line Road (MLR) Community Housing Program, it is appropriate to review:

1. Where have we been?
2. What has happened?
3. How much money has been committed so far?
4. What are the current estimates of what it will take to complete the project?
5. What are the sources of funds?

1. **Where have we been?** After adopting the CPA in 2001 Town voters have authorized several steps toward the development of the 21-acre, town-owned Middle Line Road parcel for affordable housing. These steps were approved through six subsequent Town Meetings—see Exhibit I for a summary.

September 25, 2006 Special Town meeting: Voters authorized the Selectmen to construct perpetually affordable housing on the MLR parcel by:

- Seeking approval to subdivide the land into seven lots – six homesite lots and one lot for three rental duplexes with a total of six apartments.
- Retaining a surveying & engineering firm to design roads, infrastructure, septic systems and wells.
- Hiring an architect.
- Seeking approval to use \$212,000 of CPA funds to prepare the site plan for the infrastructure.
- Awarding six homesite lots through a process determined by the Housing Committee.
- Seeking Town approval for the rental housing design and issue a Request for Proposal (RFP) for a developer to build and manage the six rental units.

2. **What has happened since September 2006?**

- The Board of Selectmen appointed the MLR Implementation Committee comprised of Selectman Warren Doty, Building Inspector Leonard Jason and Housing Committee and Community Preservation Committee Chairman Andy Goldman. The goal of the Committee was to obtain all necessary governmental approvals and permits for the plan by the April 2008 Annual Town Meeting. The following summarizes the Committee's progress to date—see Exhibit II for a complete progress report:

- **Pre-site plan meetings:** Meetings with each of the Town’s permitting boards and committees to discuss concerns they may have.
- **Pro bono architectural services:** A most important event for the success of the project was the offer of Town resident and architect David Handlin and his firm Handlin, Garahan, Zachos & Associates to design the entire program on a pro bono basis. This help has been indispensable and is greatly appreciated.
- **Plan B (preliminary) subdivision plan to Chilmark Planning Board:** After meeting with all of the boards a preliminary Plan B subdivision was designed, engineered and presented to the Chilmark Planning Board.
- **Referral to the Martha’s Vineyard Commission (MVC):** The size and scope of the proposal required prior approval of the plan by the MVC before our Planning Board could act and was subsequently referred to the MVC by the Planning Board.
- **MVC conditional approval:** After several meetings with the MVC’s Land Use Planning Committee, a public hearing and due deliberation the MVC approved the Form B subdivision plan subject, among other things, to improving the intersection of Middle Line Road and Tabor House Road—see Exhibit III for a summary of all the special conditions.
- **\$500,000 CPA funded land acquisition discussion:** The acquisition under discussion is for two parcels of land that are necessary to obtain and comply with the most reasonable concern of both the MVC and the Chilmark Planning Board. These parcels will enable the exit from MLR onto Tabor House Road to be moved to a location with improved and safe sight lines for merging with on-coming traffic.

3. **How much money has been committed so far?** If Town voters approve the land acquisition, the following summarizes the total investment to date:

<u>Purpose</u>	<u>Total Amount</u>	<u>Town Share</u>	<u>State Share</u>
Clay Rights & Legal	\$ 250,400	\$ 250,400	\$ 0
Feasibility Study	\$ 45,000	\$ 45,000	\$ 0
Legal, Site Plan	<u>\$ 212,000</u>	<u>\$ 106,000</u>	<u>\$ 106,000</u>
Sub Total	\$ 507,400	\$ 401,400	\$ 106,000
Warrant Request for Land Acquisition	<u>\$ 500,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>
After Appropriation	\$1,007,400	\$ 651,400	\$ 356,000

4. **What are the current cost estimates of what it will take to complete the infrastructure?** The remaining costs to complete the site development infrastructure are estimated as follows. It assumes CPA funds will be used to pay for these costs and thus shared fifty-fifty by the Town and State:

<u>Purpose</u>	<u>Estimated Cost</u>	<u>Town Share</u>	<u>State Share</u>
Bring utilities to the site	\$ 175,000	\$ 87,500	\$ 87,500
Road improvements including driveways	\$ 201,400	\$ 100,700	\$ 100,700
Wells for 12 units including fire safety well	\$ 132,500	\$ 66,250	\$ 66,250
Total add. infrastructure	\$ 508,900	\$ 254,450	\$ 254,450
<u>Total Est. Infrastructure</u>	<u>\$1,516,300</u>	<u>\$ 905,850</u>	<u>\$ 610,450</u>
<u>Average cost/unit (12 units)</u>	<u>\$ 126,358</u>	<u>\$ 75,488</u>	<u>\$ 50,871</u>

CPA Discussion: Chilmark’s affordable housing guidelines allow housing recipients to have a maximum household income of 150 % Dukes County median income. CPA funded sites have a maximum eligible income level for homesite or rental recipients of 100 % of Dukes County median income.

If there are families with incomes eligible to meet the Town’s maximum income level (150 % county median income) but too large to benefit directly from CPA funded guidelines (100 % county median income) then there may be a future transfer from Town funds back to CPA fund reserves of up to \$145,900 -- \$66,400 for the cost of the driveways to the units and \$79,500 for six of the required ten wells—four homesite wells and two rental duplex wells.

Above-ground construction costs:

Resident Homesites: The resident homesites will be awarded by lottery to Eligible Purchasers who will, pursuant to a long-term lease with the Town, obtain financing to clear the building envelope, build their home and install a septic system. There will be no further cost to the Town, although individuals may be eligible for assistance from other housing programs.

Rental Units: Preliminary construction estimates for the three rental duplexes (six apartments) with septic systems indicate the cost may range between \$1,605,440 to \$1,956,800 if the Town is not involved in the construction and they are built and managed as “non-municipal” buildings.

If the Town builds the rental duplexes the cost may reach \$2,483,840 because of the mandatory bidding regulations that government agencies must follow—see Exhibit IV for details.

Fundamental facts concerning the economics of the rental units: The projected rental income from persons eligible for Affordable Housing is not sufficient to support debt service on capital borrowing for construction over \$1.2 million. The resulting projected cost gap for Middle Line Road rental unit construction is between a low of \$405,440 to \$756,800 if they are built as “non-municipal” buildings. If the Town builds the units the cost gap is estimated to be \$1,283,840—see Exhibit V for details.

5. **What are the sources of funds?** There are several possible sources which singly or in combination could be used to fund this estimated rental unit cost gap:
- The Town could bond the capital sum and retire it, as with other long term investments, over time.
 - The Town could seek private contributions towards this gap.
 - The Town applied for and was awarded a “Green Affordable Housing Grant” from the Cape Light Compact Company for the rental duplexes. The exact amount of the grant depends upon the final energy efficiency analysis of the rental units and obtaining an occupancy permit by May 2009.
 - Additional funding sources are being sought.

In the most expensive case, if the Town built the rental units and bonded the full amount of the cost gap of \$1,283,840 for 20 years @ 6 % interest the following is the projected year 1 tax impact on a home assessed at \$1million in fiscal year 2008. The projected year 1 bond debt service on \$1.284 million is \$145,000. The debt service gradually declines each successive year of the 20-year bond term.

	Current FY 2008 <u>Annual Taxes</u>	Revised FY 2008 <u>Annual Taxes</u>
Real Estate Taxes:	\$1,960	\$1,960
CPA Tax Surcharge:	53	53
Rental Debt Service:	<u>0</u>	<u>50</u>
 Total Current Taxes:	 \$2,013	 \$2,063

The Town plans to issue a Request for Proposals from not-for-profit developers to build the rental units as “non-municipal” buildings and own the Middle Line Road Rental Housing. The RFP responses will allow us to determine how much the Town will have to fund to subsidize the project—if at all. This sum would be submitted to a future Town Meeting to complete funding the implementation of this worthwhile housing program.

Conclusions regarding the \$500,000 land acquisition warrant article:

There is no down side to this acquisition. If the Town should decline to vote for future appropriations (as described earlier), it is still a good idea to purchase the two parcels included in the warrant because:

- It is necessary for obtaining the approvals and permits that will keep the program moving. Failure to do so will kill the Middle Line Road Community Housing Program.
- This is a good investment even if a future Town meeting decides to not appropriate the funds needed to complete the project. The land acquisition benefits the Town by improving Middle Line Road access to Tabor House Road.
- It protects the Roadside District by restricting development and preserving both parcels as open space.
- The land will have been fairly purchased. While not recommended, it could be disposed of (sold) at a future date with no loss to the Town and perhaps provide a small gain.

EXHIBIT I – Town Meeting Votes

April 2001: Town voters adopt the Community Preservation Act (CPA). Chilmark was the 13th community in the Commonwealth to do so.

October 2002: Town voters authorize a \$56,000 CPA appropriation for an affordable housing feasibility study. Only \$1,400 was spent. The balance was transferred to the \$212,000 appropriation approved in June 2005.

April 2004: Voters authorize borrowing up to \$260,000 to purchase the clay rights for the Middle Line Road Community Housing Program parcel of land.

September 2004: Voters appropriate \$45,000 to fund a specific feasibility study for the Middle Line Road Community Housing Program.

June 2005: Voters appropriate \$212,000 of CPA funds for design, architectural, engineering and legal work for the Middle Line Road Community Housing Program.

September 2006: Voters authorize the Board of Selectmen to create plans to subdivide the Middle Line Road parcel into 7 lots, hire an architect and surveying & engineering firm, create a site plan of infrastructure – roads, septic systems and wells, award six homesite lots and issue an RFP for the construction of the three rental duplexes.

EXHIBIT II – What has happened since September 2006

1. Formed the Middle Line Road Implementation Committee.
2. Hired Vineyard Land Surveying & Engineering.
3. Accepted the pro bono services of David Handlin and Handlin, Garahan, Zachos & Associates.
4. Met with all Town permitting boards.
5. Created and received MVC and Chilmark Planning Board approval of a preliminary Form B subdivision plan.
6. Created a subsequent Form C final subdivision plan.
7. Obtained Massachusetts Division of Fisheries & Wildlife approval of the Form B and Form C subdivision plans.
8. Retained the University of Massachusetts to perform a complete archaeological survey of the 21-acre Middle Line Road building sites and the proposed new access road that intersects with Tabor House Road – survey completed February 24, 2008.
9. Negotiated the acquisition of the two parcels of land from two separate sellers. The land is needed to improve the exit from Middle Line Road onto Tabor House Road.
10. Hired affordable housing consultant, John Stainton to develop the pro-forma costs and break-even model for the construction and operation of the six rental units.
11. Obtained cost estimates for the required road improvements and utility service requirements for the Middle Line Road Community Housing Program.
12. Prepared all the necessary legal documents for the Middle Line Road Community Housing Program: Long Term Ground Lease for the Homesite Housing Lots, Homesite and Rental Implementation Guidelines, Community Housing Association By-Laws, Middle Line Road Association By-Laws, Master Declaration of the Middle Line Road Community Housing Association, Middle Line Road Homesite Housing Application, Middle Line Road Community Housing Rental Unit Application.

EXHIBIT III – MVC Form B subdivision approval conditions:

1. At least four units will be reserved for recipients with household incomes up to 100 % county median income. 2 homesite units and 2 rental units.
2. Abutter setback relief and screening.
3. Improved intersection and sight lines of Middle Line Road and Tabor House Road.
4. Identify turnout locations along Middle Line Road.
5. Final delineation of cut zones and 70 % to 80 % of open space protected by a minimum 50-foot buffer zone – except where the access road crosses Holman Road.
6. Location of septic systems, lawn areas (maximum 27,000 sq. ft. of lawn area – 3,000 sq. ft. per structure), landscape plan (non-invasive and native species only).
7. Fire safety water tank.
8. Provide rental guidelines.
9. Motion sensitive exterior security lighting, downward shielded.

EXHIBIT III – continued: MVC conditions

10. UMASS will perform an archaeological survey of all proposed cut areas, building envelopes and access roadway excavation areas.
11. Present LEED energy efficiency certification status of the proposed rental units.
12. Form C subdivision plan must be submitted to MVC within two years – no later than 7/24/09.

EXHIBIT IV – Preliminary construction estimate for three rental duplexes:

	Non-Municipal Low <u>Estimate</u>	High <u>Estimate</u>	Municipal Building <u>Estimate</u>
Estimated Total Area - Square Feet:	5,856	5,856	5,856
Estimated cost/sq. ft.:	\$240	\$300	\$390
Total estimated construction cost:	\$1,405,440	\$1,756,800	\$2,283,840
Plus miscellaneous soft costs:	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Total preliminary rental construction:	\$1,605,440	\$1,956,800	\$2,483,840
Less rent income debt coverage	<u>-\$1,200,000</u>	<u>-\$1,200,000</u>	<u>-\$1,200,000</u>
Estimated construction cost gap:	\$ 405,440	\$ 756,800	\$1,283,840

Infrastructure cost estimates:

Roadwork estimate:	\$135,000
Driveways estimate:	\$ 66,400
Utilities service estimate:	\$175,000
Well, pump and line to building estimate:	\$ 13,250/well

EXHIBIT V – FY 2008 Tax and rental unit bond cost analysis:

Tax rate per \$1000 of assessed value:	\$1.96
Town value:	\$2,920,742,450
Tax levy:	\$5,724,655
Funds raised per penny of mill rate:	\$29,207
CPA tax surcharge + 3 % of tax levy on assessed value of \$1 million less \$100,000 exemption:	\$53
Year I debt service cost: 20-year \$1.284 million bond @ 6 % interest:	\$145,000
Year I debt service tax assessment:	+ \$.0496 to mill rate.
Year I debt service per \$1 million value:	\$50