

## Tim Carroll

---

**From:** Chuck Hodgkinson [chodgkinson@chilmarkma.gov]  
**Sent:** Friday, September 17, 2010 12:02 PM  
**To:** 'Tim Carroll'; 'Todd Christy'  
**Subject:** RE: Pro Forma of MLR Rental Duplexes

Tim,

A pro-forma is just that – an estimate. The income variables are the actual tenants and rents that are received. When we receive the actual fee proposals from the Housing Authority and fine tune the operating budget we will have a better feel for the surplus operating revenue after expenses for debt service. We do not know the added liability insurance costs for being a landlord. Do the Selectmen want to carry a loss of rental income rider? It may not be worth it but I added it to the list of questions we reviewed at the Selectmen's meeting awhile ago.

The pro forma we had at town meeting estimated 92% annual occupancy; tenant rents based upon 80 to 90% AMI. Once we get the housing authority fee schedules, we may need to meet with the Selectmen to review the updated pro-forma and perhaps put a minimum rent level for the apartments. For example, if the tenant applications are for folks earning 50% county median income (which very well may be the case), the rent will be too low for getting a brand new apartment with all appliances. The Town may choose to set the minimum rents based upon 70 or 80% AMI to help cover its investment exposure.

I'll give you the handout from Town meeting.

Chuck

---

**From:** Tim Carroll [mailto:execsec@chilmarkma.gov]  
**Sent:** Friday, September 17, 2010 11:32 AM  
**To:** 'Chuck Hodgkinson'; 'Todd Christy'  
**Subject:** Pro Forma of MLR Rental Duplexes

Chuck & Todd

Please check your notes and let me know what the carrying capacity of the rental income stream is for debt service. We are looking at \$100,000 a year in principle and \$45,000 a year in interest payments for the bond.

Melanie is asking how much the Housing Trust is going to cover of that. I was hoping we could cover the interest. But I need to hear from you guys what the latest proforma is and related, what the DCRHA expects us to put aside from rent for future repairs.

Tim

My new Email Address is, [tcarroll@chilmarkma.gov](mailto:tcarroll@chilmarkma.gov) In case you are wondering, we changed [@ci.chilmark.ma.us](mailto:@ci.chilmark.ma.us) to

[@chilmarkma.gov](mailto:@chilmarkma.gov)

The Secretary of State's office has determined that most e-mails to and from municipal offices and officials are public records. Consequently, confidentiality should not be expected.

**Important town advisories available 24 hours a day online at**  
**[www.nixle.com](http://www.nixle.com)**

9/17/2010

**MIDDLE LINE ROAD COMMUNITY HOUSING PROGRAM**  
**RENTAL DUPLEX PRO FORMA INCOME & EXPENSE SCHEDULES**  
**DECEMBER 7, 2009**

**Middle Line Road Six Homesite Lots Update**

Ten wells are installed for the total Middle Line Road Community Housing Program. The Town has selected a contractor to install and bring utility service to the site from Tabor House Rd. The new access road intersection with Tabor House Rd. has been installed. The lottery for awarding the six homesite lots will take place in January 2010.

**How to Build and Manage Six Rental Apartments**

The Town vigorously explored having a private developer build and operate the three rental duplexes for the six apartments. The economics did not work. The operating income after expenses from six apartments did not produce any surplus funds to cover the construction cost and mortgage debt service. The proposal was rejected in November 2008.

The Town is recommending it build and own the rental duplexes and have them managed by the Dukes County Regional Housing Authority. The net annual operating proceeds after expenses will go to the Town instead of to a developer. This annual operating profit can be used to pay a portion of the Town's annual bond debt service payments. Here are the pro-forma plan and assumptions: \$44,106

1. The estimated year one net operating income after expenses -- and before debt service payments -- for renting the six apartments is \$44,100. The future annual net income projections include the following assumptions:
  - 3 units are rented to tenants @ 80 % county median income.
  - 3 units are rented to tenants @ 90 % county median income.
  - 92 % average annual occupancy rate for all 6 units.
  - + 2 % annual increase in rent income and expenses.
  - The rental duplexes are maintained in excellent condition each year.
2. The maximum planning budget to build the three rental duplexes with all contingencies is \$2,000,000. The construction cost estimate was prepared by A.M. Fogarty Co. of Hingham, MA.
3. \$600,000 of this planning budget is appropriated from CPA funds.
4. The Town bonds the balance of \$1.4 million for 15 years @ an estimated 4.0% interest rate. The total estimated cost of construction including 15 years of bond interest payments is \$2,471,000. This may be lower if the actual bids are less than the \$2 million planning budget.
5. The estimated annual net debt service cost ranges from \$151,000 in year 1 to \$93,600 in year 15—without applying any of the rental income toward the debt service expense. The year 1 debt service payment would increase the FY 2010 tax rate from \$2.03/\$(000) of assessed value to \$2.08 per \$(000). For example, the FY 2010 real estate tax per \$1 million of assessed home value would increase +\$50 from \$2,030 to \$2,080 in year 1. This added tax cost would gradually decline each year as the outstanding bond principal amount is reduced. If the estimated year 1 operating income was applied to debt service, the tax rate would increase + 3.5 cents and the extra tax on a \$1 million home would be reduced to + \$35 from + \$50.
6. The estimated positive net operating income from the rental units in year 16 – after all debt is retired – is \$58,000. The estimated ten-year cumulative net operating income for years 16 – 25 after all debt is retired is \$637,000.

(OVER)

Σ

**MIDDLE LINE ROAD (MLR) RENTAL DUPLEX PRO-FORMA**

**11/17/2009**

<b><u>Income Rental Units</u></b>	<b><u>Monthly Rent</u></b>	<b><u>Total Annual Rent</u></b>	<b><u>X 92 % Occupancy</u></b>	<b><u>Total Income</u></b>
1 BR Apt. @ 80% AMI; No Utilities	\$1,032	\$12,384	\$11,393	
1 BR Apt. @ 90% AMI; No Utilities	\$1,196	\$14,352	\$13,204	
2 BR Apt. @ 80% AMI; No Utilities	\$1,136	\$13,632	\$12,541	
2 BR Apt. @ 90% AMI; No Utilities	\$1,320	\$15,840	\$14,573	
3 BR Apt. @ 80% AMI; No Utilities	\$1,241	\$14,892	\$13,701	
3 BR Apt. @ 90% AMI; No Utilities	\$1,446	\$17,352	\$15,964	
Total Annual Rent Income				<b>\$81,376</b>
				<b><u>Est. Annual Expense</u></b>
<b><u>Rental Expenses</u></b>				
Insurance			\$10,000	
Repairs & Maintenance	\$1,000/yr./apt.		\$6,000	
Septic Service	3 systems		\$1,000	
Dukes County RHA General & Admin.	7 % Rent Income		\$5,670	
Dukes County RHA Management Fee	10 % Rent Income		\$8,100	
Marketing, Advertising			\$500	
Landscape Maintenance			\$3,000	
Sub Total Expenses			\$34,270	
Contingency & Road Association Fees			\$3,000	
<b>Total Rental Expenses</b>				<b>\$37,270</b>
<b>Net Operating Income Rental Duplexes</b>				<b>\$44,106</b>