

Memorandum

Date: January 31, 2006

To: The Chilmark Housing Committee

From: John Stainton, Charleen Regan

Re: Comments on the Island Housing Trust response to the Middle Line Road RFP for Affordable Housing

At the request of the Housing Committee, we have reviewed the proposal submitted by the Island Housing Trust (IHT) dated January 20, 2006.

Minimum threshold criteria

The proposal is well organized and meets the minimum threshold requirements outlined in *Section V. Criteria for Evaluating Prospective Developers* on page 6 of the RFP.

Competitive evaluation criteria

Our evaluation of the five criteria listed on page 6 of the RFP is as follows:

1. Development experience: Highly Advantageous – majority of the development team has more than five years experience in affordable housing development.
2. Developer financial capacity: Highly Advantageous – Developer has a “clean” credit history over the past seven years including no bankruptcy and no pending litigation.
3. Feasibility of proposed project: Advantageous – Clear plan with generally acceptable development and operating budgets, some understanding of the physical constraints as well as regulatory issues. (See comments/questions below that discuss some of the development and operating cost issues)
4. Financing: Demonstration of the ability to secure financing: Advantageous – At least one letter of interest in providing either construction or permanent financing.

5. Site and unit design: Highly Advantageous – Design conforms to the guidelines set forth in the RFP and is appropriate for the parcel and target population.

We offer the following additional comments and questions for consideration by the committee:

1. The development budget indicates there is a funding gap projected to be \$1,282,207 if the rental and sales units are to be available to households with the median incomes set forth in the RFP. The IHT proposes to fill this gap by a contribution of funds raised by the Island Affordable Housing Trust (AHT) and Community Preservation Act (CPA) funds. The committee needs to determine whether or not these amounts are reasonable and achievable given the CPA resources available.
2. The households to be served, as called for in the RFP for the 6 rental units, is up to 100% of AMI; and for the Sales units up to 150% of AMI. The IHT proposal is responsive to the RFP in this regard. However, the IHT cited a local survey that indicates few of the residents or town employees surveyed would be able to afford the rents at 85% AMI or 125% AMI. For “affordable” housing, this is not the outcome the Town and the Committee had hoped. The IHT suggests that rents could be lowered by covering the annual cash flow gap through CPA funds. This raises several questions that the committee should discuss with the development team. These include:
 - Making up the shortfall with CPA funds to cover the rental shortage is a creative idea, but carries a high degree of risk. What kind of commitment and exposure is the Town comfortable with? To what extent can the Town bind itself to commitments in the future? What kinds of controls or cap on the use of funds would be appropriate? Would the developer accept Section 8 vouchers or other forms of subsidy to deepen affordability?
 - If the committee revised their target income group downward to reflect incomes of town employees and other households, it would be preferable to reduce the amount of debt the project is carrying with additional capital subsidy upfront rather than plan for yearly infusions from other sources to balance the operating budget and debt service.
 - Would the developer consider applying to the Mass Affordable Housing Trust (administered by MassHousing) to provide additional capital to allow the project to serve lower income households?
 - The alternative is for the developer to give preference to households with sufficient income that would not require subsidies.
 - Finally, if the rent targets are kept at the 85% and 125% levels is the committee satisfied that rents at the levels proposed are marketable in that location? The rents as proposed to meet the income standards in the RFP are between \$1,022-\$1,400 for rents for households at 85% AMI and \$1,571-\$2,161 for rents serving households at 125% AMI.

3. Based on the information provided, the Dukes County Housing Authority currently does not own or operate property that has households that pay above 80% of median. This is a bench mark for Housing Authorities and may have some legal implications for the DCHA. Because the project does not involve State funding, it may not be an issue but the Committee should obtain confirmation from the DCHA that they may own and operate housing for families above 80% of AMI.
4. The proforma combines the Payment in Lieu of taxes (PILOT) and insurance line. The developer should separate these so that the amount of PILOT payments can be determined and an amount agreed upon that is consistent with other subsidized properties on the Island.

As part of the Committee's review, we suggest you meet with the proposed development team to clarify these and any other issues that may be outstanding prior to recommending acceptance of the proposal.

We would be pleased to discuss any of the questions raised in further detail if the Committee would like to do so.