



**Massachusetts
Housing
Partnership**

December 1, 2015

Mr. Donald J. MacKinnon
Surfside Commons LLC
c/o Atlantic Development Corporation
62 Derby Street
Hingham, MA 02110

160 Federal Street
Boston, Massachusetts 02110
Tel: 617-330-9955
Fax: 617-330-1919

Re: Surfside Commons, Nantucket (the "Project") - Determination of Project Eligibility under MHP's Permanent Rental Financing Program

462 Main Street
Amherst, Massachusetts 01002
Tel: 413-253-7379
Fax: 413-253-3002

www.mhp.net

Dear Mr. MacKinnon:

This letter is in response to your request for a determination of Project Eligibility under the provisions of the Commonwealth of Massachusetts comprehensive permit process (M.G.L. Chapter 40B, 760 C.M.R. 56, and the Massachusetts Department of Housing and Community Development's Comprehensive Permit Guidelines) (collectively, the "Comprehensive Permit Rules") for the above-referenced Project. The Project, as proposed in your application dated August 19, 2015 as amended on October 13, 2015, shall consist of fifty-six (56) rental housing units, consisting of two (1) one-bedroom units, forty-two (42) two-bedroom units and twelve (12) three-bedroom units located in four buildings at 106 Surfside Road, Nantucket Massachusetts on 2.5 acres. As well as surface parking, there are two buildings with underground parking. The Project will also include a landscaped courtyard, a clubhouse with various indoor tenant amenities and a children's play area. The land is currently occupied by a single family home.

In connection with your request, and in accordance with the Comprehensive Permit Rules, MHP has performed an on-site inspection of the Project, and has reviewed initial pro forma and other pertinent information submitted by Surfside Commons LLC ("Applicant"), and has considered comments received from the Town of Nantucket.

Based upon our review, we find the following:

- (i) The Project, as proposed, appears generally eligible under the requirements of MHP's Permanent Rental Financing Program (the "Program"), certain terms of which are set forth on Exhibit A, attached hereto, subject to final approval.
- (ii) The site of the proposed Project is generally appropriate for multifamily residential development. The location provides access to the mid-island commercial and municipal services area with significant employment opportunities. There is a seasonal bus route with a stop within walking distance of the site.

The Town of Nantucket's Subsidized Housing Inventory (SHI) is 2.47%. Nantucket does not currently have a Housing Production Plan (HPP). The Town's previous HPP expired in 2014 and, other than units permitted under Chapter 40B, no SHI units were added during the 5-year term of the HPP.

The Town's 2009 Master Plan has a housing element. The Town has passed zoning code revisions accommodating multi-family production through

mechanisms including a multi-family overlay district, secondary and tertiary lot allowances, and by-right mixed-used developments, however, these mechanisms do not carry any affordability requirements. Recently approved zoning changes provide for a special permit process for multifamily developments with some affordability requirements. To date, other than units permitted under Chapter 40B, no affordable units eligible for inclusion on the SHI have been permitted or built since the adoption of the Master Plan in 2009.

While the Town's actions to encourage multi-family housing and to address middle-income housing needs are positive, they have not resulted in a meaningful increase of affordable units and thus do not warrant a conclusion that the Project site is not generally appropriate for residential development.

Municipal water and sewer infrastructure are nearby. MHP expects that the Town of Nantucket's concerns about the extension of water and sewer to the Project site will be addressed through the comprehensive permit process.

- (iii) The proposed conceptual Project design is generally appropriate for the site. The site design incorporates clustering of the buildings to the rear and sides of the site to minimize their visual impact. Building side yard setbacks from adjacent properties are 15', the same as required in the underlying zoning district. The buildings have been situated to present the programmed activity spaces visibly to the main road so as to create a welcoming, residential entrance. The building exteriors have features to visually reduce the mass and scale. The design incorporates projected bays, trim accents at the windows, and material and textures to visually reduce the mass of the building.

MHP expects that local concerns regarding traffic and parking will be addressed through the comprehensive permit process.

- (iv) Based upon comparable rentals and potential competition from other projects, the proposed Project appears financially feasible within the Nantucket market.
- (v) The Project appears financially feasible on the basis of estimated development and operating costs set forth in the initial pro forma provided by the Applicant and a land value determination consistent with the Comprehensive Permit Rules. In addition, the Project budgets are consistent with the Comprehensive Permit Rules relative to cost examination and limitations on profit and distributions.
- (vi) The Project will be owned by the Applicant, a single-purpose entity with Donald J. MacKinnon, President, Atlantic Development Corporation, as manager, and will be subject to MHP's limited dividend requirements. The Applicant meets the general eligibility standards of the Program; and
- (vii) The Applicant controls the site through a Purchase and Sale Agreement.

This letter is intended to be a written preliminary determination of Project Eligibility under the Comprehensive Permit Rules, establishing fundability by a subsidizing agency under a low and moderate income housing subsidy program, which qualifies the Project for consideration for a Comprehensive Permit under M.G.L. Chapter 40B.

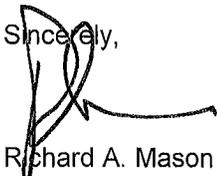
This preliminary determination of eligibility is subject to final review of eligibility and final approval by MHP, and is expressly limited to the specific Project proposed in the request for determination of Project Eligibility submitted to MHP and subject to the minimum affordability and additional requirements set forth in Exhibit A hereto. The requirements of the Comprehensive Permit must not result in a loan to value ratio exceeding MHP requirements. Changes to the proposed Project, including without limitation, alterations in unit mix, proposed rents, development team, unit design, development costs and/or income restrictions may affect eligibility and final approval. Accordingly, you are encouraged to keep MHP informed of the status and progress of your application for a Comprehensive Permit and any changes to the Project that may affect program eligibility and/or financial projections. In addition, MHP requires that it be notified (1) when the applicant applies to the local ZBA for a comprehensive permit; (2) when the ZBA issues a decision; and (3) when any appeals are filed.

Please note that this preliminary determination of Project Eligibility is not a commitment or guarantee of or by MHP for financing, either expressed or implied, and, in the event that you determine not to apply to MHP for permanent financing and/or in the event that your application for permanent financing with MHP is denied, this letter shall be of no further force and effect. Also, please note that this letter shall be of no force or effect if the applicant has not filed for a Comprehensive Permit within two years of the date of this letter.

Final review and approval under the Comprehensive Permit Rules will be undertaken by MHP only in conjunction with an application to MHP for permanent mortgage financing for the Project. After the issuance of a Comprehensive Permit for the Project, MHP would be pleased to entertain a request for permanent mortgage financing pursuant to and in accordance with MHP's standard underwriting process. At that time, MHP shall require a complete loan application, a copy of the decision of the ZBA and any amendments thereto, a copy of the decision, if any, by the Housing Appeals Committee and revised preliminary plans and designs, if applicable, as well as such additional documents and information as is required as part of the loan underwriting process.

Should you have any comments or questions concerning this letter, please do not hesitate to call me at 617-330-9944 x242.

Sincerely,



Richard A. Mason
Deputy Director of Lending

cc: Roberta Rubin, Chief Counsel, Department of Housing and Community Development
Robert R. De Costa, Chair, Board of Selectmen, Town of Nantucket
Edward S. Toole, Chair, Zoning Board of Appeals, Town of Nantucket
Andrew V. Vorce, Director of Planning, Town of Nantucket

EXHIBIT A

Affordability Requirements: At least fourteen (14) of the units must be affordable to households earning up to eighty percent (80%) of the median area income. Such units shall include a mix of bedroom sizes satisfactory to MHP. The affordability requirements will be documented through an affordable housing agreement that will be recorded prior to the mortgage and shall create covenants running with the Property for a minimum period of thirty (30) years.

Limited Dividend Policy: The owner must comply with MHP's limited dividend policy.