



Town of Nantucket Finance Committee

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Committee Members: David Worth(Chair), Stephen Maury(Vice-chair), Clifford Williams, Joseph T. Grause Jr., Peter McEachern, Henry Sanford, Joanna Roche, Denice Kronau, Peter Schaeffer

MINUTES

Tuesday, February 5, 2019

4 Fairgrounds Road, Community Room – 4:00 p.m.

Called to order at 4:00 p.m.

Staff in attendance: Brian Turbitt, Director of Finance

Attending Members: Worth, Maury, Grause, Roche, Kronau, Schaeffer

Absent Members: Williams, McEachern, Sanford

Late Arrivals: None

Early Departures: None

Documents used: January 22, 26, & 28, 2019 minutes; Article 38 (Appropriation: Acquisition of Existing Properties for Affordable Housing); 2018 Housing 24 Units Cost Spread Sheet 1/23/2019; Article 85 (Real Estate Acquisition: Washington Avenue); Article 86 (Real Estate Conveyance: Washington Avenue); Real Estate Warrant Articles for 2019 Annual Town Meeting; email from Alyssa Pascucci; memorandum from J. Grause dated January 9, 2019; written response from Paul Murphy to Tobias Glidden regarding Article 36; Article 36 (Appropriation: Island-wide and Municipal Energy Study)

I. ANNOUNCEMENTS

Worth – There is a meeting scheduled for February 20, 2019.

II. APPROVAL OF PRIOR MEETING MINUTES

1. None

III. PUBLIC COMMENT

1. Curtis Barnes, Sunset Lane – Asked if there would be any discussion on the 6% rental tax. That 6% is a lot of money for those who rent at under \$3,000 a week; they depend on that income.
Maury – The Select Board rescinded the article that would reduce the tax.
Worth – It will go forward at 6%.

IV. WARRANT ARTICLES FOR 2018 ANNUAL TOWN MEETING (ATM)

1. Article 84 (Real Estate Acquisition: Washington Avenue) Steven Cohen
2. Article 85 (Real Estate Conveyance: Washington Avenue) Steven Cohen

Discussion **Steven Cohen**, Cohen & Cohen Law P.C. – His client owns 5 Washington Avenue and asked him how to protect his property when another property owner wanted clear-cut and develop the road near him. Those who already have driveway access off this section of the road would maintain that access. This would also put that land back into the tax roll.

Grause – Asked if there is only one buyer or if all the abutters are potential buyers.

Cohen – The Select Board would do a taking and cut the line down the middle of the road; then they would do a disposition.

Schaeffer – Asked what happens if another abutter doesn't want to buy the land.

Cohen – It stays with the Town or another abutter can buy it.

Worth – He has correspondence that went to the Real Estate Assessment Committee (REAC). One comment was that none of the abutters were notified about the proposal and only Mr. Cohen's client had advanced the article. Asked if that was true.

Cohen – He hasn't notified all the abutters; he's since talked to a couple of abutter. Normally the Town would notify abutters after the warrant is adopted when they are ready to do the taking; if the abutters object to the taking, that is the time. If there is an objection, the Town will not move forward on the taking. He knows one letter expressed concern about loss of an existing driveway; that would be maintained.

Worth – Asked if that would be done through an easement.

Cohen – It depends on what piece that access is located. The Town take the position that any access rights would be maintained.

Worth – Another issue is concern that if Mr. Cohen's client picks up this property, he would have sufficient groundcover to install a pool. Asked if that is a correct assertion.

Cohen – They would go from a non-conforming lot to a conforming lot. In this case, a pool isn't practical due to the required setbacks and location of the house and septic. It is legally possible but highly unlikely; they would also have to go through the Zoning Board of Appeals. There is at least one pool on an abutting property and two other lots could have them; two lots would still be too small.

Jane Hobson-Dupont, 11 Washington Avenue – She is also here for Alyssa Pascucci, 291 Madaket Road; read an email of concerns from Ms. Pascucci to the Planning Department; her main concern is access to her driveway. She's also here representing a group of Madaket residents creating the Madaket Plan to maintain the residential ambiance of the area; read a statement from the group, which includes the Madaket Area Homeowners Association, Washington Avenue abutters, and Madaket residents. Four points of concern are: abutters need not be notified about warrant articles impacting them; adding this yard sale would allow the property owner to seek a pool permit in a Village Residential (VR) zone; this yard sale would turn the road into private property, which is an untenable situation for an abutting homeowner; and sale of the road, without transparency and openness, might set a bad precedent for other Madaket paper roads. All the people she talked to are not in favor of this.

Worth – He doesn't know what the REAC concluded regarding this article.

Cohen – He was there. He can't represent them, but as he recalls, they voted to take no position on this article. They look into impact on any municipal assets; this doesn't touch any of those areas so will take no position.

Worth – Explained the REAC's purpose.

Hobson-Dupont – Real Estate values on Nantucket are growing; one thing that is driving the rise in value is the addition of a pool; that is a huge concern among Madaket residents. The Town doesn't make much money in the sale, but the property value increases by quite a lot. Thinks the Town should get something from that sale. Pointed out that the pool on Ms. Pascucci's property was there when she bought the property; it was probably put in when the house was built in 1983. It predates the Madaket Plan.

Grause – You say you've talked to 24 people who are against pools when they're dealing with an existing pool.

Cohen – There are issues here that are relative to the FinCom and others relative to Nantucket politics; some of those should be left for ATM. The Town may restrict the property(ies) against adding pools. The yard sale will only happen if all the neighbors agree to it. Two other sections of Washington Avenue are being turned into private property to prevent the road from being open with traffic. He asked his client if he's will to do a deed restriction against a pool; he hasn't heard back yet.

Worth – Asked to be notified of the response from Mr. Cohen's client.

Maury – He's involved in a similar situation on Cliff Road; the Town won't convey the property until both neighbors agree. There isn't enough financial incentive to cause issues.

Rick Atherton – One Item, the Select Board had a discussion on CO2 rise regarding taking these same kinds of streets toward 'Sconset. Takings near the 'Sconset Bluff and in near harbor districts will need another level of attention before the takings take place. Once the taking

occurs, there's a sense of momentum to move forward with the disposition. People are becoming more attuned to that.

Worth – We aren't going to vote on this until we receive the official decision from REAC. We probably won't vote on these until the week before school vacation or the week after.

3. Article 37 (Appropriation: Acquisition of Existing Properties for Affordable Housing) Tobias Glidden

Discussion **Worth** – We had asked Mr. Glidden to do more research in bring back additional information. He has done that.

Tobias Glidden, sponsor – He has worked with members of the community to create a cost analysis spreadsheet. We are looking at about 24 units to reach Safe Harbor in 2019. Reviewed the properties that cost between \$765,000 and \$1.4M and listed them showing potential income. Some have additional cottages or apartments that could be additionally rented out at an affordable level.

Schaeffer – Asked if the long-term analysis includes raises in rents.

Glidden – No; it was done at a flat rate to keep it as clear as possible.

Maury – There is no insurance cost included; asked if the Town would ensure them.

Glidden – We made an assumption on maintenance and capital improvements.

Turbitt – We could ensure the building but not the content; residents would have to cover their property. The insurance on the structure depends on where it's located. There should be a line item for additional insurance under the property program.

Maury – The insurance cost will change the numbers. Also, there is no projected loss for vacancy or inability to collect rent; that would be conservative at 8%. The monthly income total won't pay for a person to take care of these properties; we'll need a full-time person not including materials and trucks. Questions the improvement costs; they don't look like a realistic picture of what the costs will be. We need to be clear about what the costs will be.

Roche – Asked how many units would be added to the SHI list.

Glidden – These 11 properties could add 25 units to the SHI list.

Brooke Mohr, Vice Chair Affordable Housing Trust Fund (AHTF) – On properties with more than one unit, 25% of the units on a property have to be at 80% average mean income (AMI); that means only one will be a 80% but as long as they are all rentals, they all qualify against the SHI list. You can bring in higher rent on the other units to mitigate costs.

Rick Atherton – The intent of the spreadsheet and numbers was to respond to FinCom financial questions. He looks at it as a first draft. Anyone involved in this is happy to make appropriate changes. The other aspects we are looking at are community-wide impact on neighborhoods and the impact on the SHI list. This article does not have to be implemented in totality on day one; it gives the Town an extra tool to reach Safe Harbor.

Turbitt – Affordable housing must fall within the parameters of 80% AMI. Bond Counsel has questions about tax exempt ability of us to issue debts of affordable housing within the 80% parameter; is it tax exempt or even taxable. He doesn't know if the 125% properties can be used in support of the borrowing. The basis point difference is between 60 and 75 points.

Grause – What is called mortgage and improvements mortgage, that's really apportionment of Town borrowing.

Atherton – That is a technique of getting some numbers starting. This is meant to be a community approach to dispersing affordable housing across neighborhoods. We need more specific assumptions, so people know where the numbers came from.

Grause – A problem he sees is that the town is buying assets at market rate and wonders who bears the loss. The Town would again subsidize the program.

Maury – Part of the problem might be the lack of Town resources being available to the article sponsors because the Town doesn't have the people; there's the question of who will manage these properties and do it well. He doesn't think this is close to a complete pro forma; he'd be happy to help but it won't be complete enough in time for ATM. Voters won't be able to understand what the full cost would be.

- Kronau** – Asked how many properties the Town currently owns for housing and who manages them.
- Turbitt** – The Town owns six which are managed by the Department of Public Works (DPW) or the School.
- Roche** – AHTF has said the problem is reacting quickly to available properties. Asked if this doesn't just allow them to spend money they don't have.
- Turbitt** – The Town would issue the general obligation bond and ultimately the Town would own the property. We would create a lease with AHTF or any entity authorized to manage affordable housing. AHTF wouldn't be buying the property; the Town buys the property which can borrow the money quickly.
- Roche** – She has another question about the total investment; the loss indicated isn't exactly accurate. We payback the borrowed money, but we still lose money.
- Schaeffer** – Asked what the program for year two would be.
- Glidden** – If we put this program in place four years ago, we wouldn't have the Surfside Crossing project. This gives us time over the next couple of year to sort out our housing issues. You would never buy 11 properties in one year; you buy them as they come available. The Town could rent them at market rate until we need to maintain the SHI list; at that time a property can be converted.
- Maury** – One of the goals to get 24 units on the SHI list; to do that we have to buy enough properties to get over the 10%.
- Tucker Holland**, Housing Specialist – Right now we have 120 recognized units on the SHI list. We have 23 units in the process of being added. Richmond is contemplated to add another 24; 6 Fairgrounds Road will add 64. If Surfside Crossing happens, that's 20 units. That brings us to 472 toward the 490 we are required to have. The time to add these units is at the initial filling of the unit; if you fill it at a future point, you won't get the rating until the current occupant vacates the unit.
- Maury** – Mr. Glidden and he talked about amending this article not to use it to purchase the property but to purchase affordable deed restrictions on properties. Town Manager Libby Gibson was to check with Town Counsel about doing that. Asked if Mr. Glidden would be amenable to doing that.
- Glidden** – He's amenable to anything that gives the community control over its destiny. He sees this Article as a mechanism to do that.
- Maury** – His vision is that the Town has a one-time fee to get a property on the SHI list upon completion of a checklist, including the deed restriction. This would cost much less than purchasing property and all the liability, maintenance, and managing property fall is not the responsibility of the Town.
- Glidden** – The regulations are very strict; by selecting one unit on the property, only that unit will count on the SHI list. This way all the units would count.
- Grause** – The money would go a lot further to purchase affordable deed restrictions.
- Maury** – He thinks there is an appetite for property owners to take the deed restriction for a year-round rental unit. This program would make it impossible for a 40B and disincentivize construction of large rental units like apartment houses. There are apartments that qualify for the SHI list in terms of the rent but there are too many hoops to jump through to do that. A check for \$200,000 per unit, someone might be willing to do that.
- Glidden** – He's open to that idea.
- Grause** – Asked how the entity would be created to manage this, if it passes ATM and the ballot.
- Glidden** – Steps include: identify the properties, determine SHI eligibility could be done by Housing Nantucket, and maintenance.
- Grause** – The \$30M is a large number; he wonders if it could be brought down. It might survive the ballot vote better and provides the opportunity to show that it works.

Turbitt – The ballot question has no indication of the dollar amount; that is set at ATM. It asks to exempt the debt approved at Town meeting from Proposition 2^{1/2}.

Schaeffer – Asked about the legality of the Town bidding against private individuals and raising the price.

Turbitt – The Town must go through the procurement process to acquire the property, which requires an appraisal. He's not suited to make an assessment whether or not the Town bidding on properties would cause prices to go up.

Worth – Asked for financial and operational *pro formae*. To the question how it would be operationalized – how the properties will be identified, who will manage the SHI eligibility, and who will do maintenance. Voters need to know what it will cost and what the benefits are. We will discuss the Nantucket Inn on February 21 and can have further discussion on this at that time.

3. Article 36 (Appropriation: Island-wide and Municipal Energy Study) Tobias Glidden

Discussion **Worth** – Mr. Glidden had a meeting with Paul Murphy, Town building inspector; the inspector responded in writing.

Glidden – Summarized Mr. Murphy's response regarding the State stretch program.

V. NEXT MEETING DATE/ADJOURNMENT

Date: Friday, December 8, 2019; 1:00 p.m.; Nantucket Inn, 1 Millers Lane: tour of site.

Motion to Adjourn at 5:44 p.m. accepted by unanimous consent.

Submitted by:

Terry L. Norton