



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 March 5, 2019

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

Called to order at 4:00 p.m.

Staff in attendance: Libby Gibson, Town Manager; Brian Turbitt, Director of Finance; Alexandria Penta, Financial Analyst

Attending Members: Worth, Maury, Williams, McEachern, Roche, Kronau, Schaeffer

Absent Members: Grause, Sanford

Late Arrivals: None

Early Departures:

Documents used: 2019 Annual Town Meeting Warrant Articles; PowerPoint presentation for Article 37;

I. ANNOUNCEMENTS

II. APPROVAL OF PRIOR MEETING MINUTES

1. February 20, 2019: **Motion to Approve as amended.** (made by: Williams) Carried unanimously
2. March 4, 2019: **Motion to Approve.** (made by: Williams) Carried unanimously

III. PUBLIC COMMENT

1. **Rick Atherton** – Asked for a reconsideration of the recommendation for Article 83 (Bylaw Amendment Board of Selectmen: Authorization for Lease or License). This would counter a previous article passed at the fall Special Town Meeting (STM); that article requires terms for a lease for use of public property for a private coastal erosion structure to be approved at Town Meeting.
Roche – She went back to the review discussion on the previous STM article. The FinCom motion for Article 83 contradicts our vote to support article.
Discussion on the motion.
Maury – He feels that the Select Board should have that authority.
Kronau – We elect the Select Board members to make these decisions.
Worth – Mr. Atherton’s point is that the terms of the lease, once negotiated, should come to Town Meeting.
Motion to Reconsider the vote on Article 83. (made by: Roche) (seconded by: Williams) Not Carried: 2-for 5- against

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

1. Article 18 (Appropriation: Acquisition of Property at 1 Millers Lane)
Discussion **Tucker Holland**, Housing Specialist – Recommending take no action due to the seller’s lack of response to accomplishing activities the Town needed before this could be considered and go to Town meeting.
Maury – Asked if this opportunity could come up for Special Town meeting.
Holland – It could be taken up at a future time.
Motion **Motion to Take No Action.** (made by: Maury) (seconded by: Williams)
Vote Carried unanimously

2. Article 75 (To Develop a Proposal for a Nantucket Residential Rental Registration, Inspection, and Certification System) Judith Wegner
- Discussion Discussion on the motion
- Roche** – She read through this and did research and believes the FinCom should vote to take no action and refer this to the Select Board. Thinks would be best done by a consultant and not a group of volunteers.
- Motion to Reconsider.** (made by: Roche) (seconded by: Williams) Carried unanimously
- Worth** – Doesn't expect the Town to take on this responsibility; it should be done by professionals.
- Motion **Motion to Take No Action and refer this to the Select Board and recommend professional assistance.** (made by: Roche) (seconded by: Williams)
- Vote Carried unanimously
3. Article 37 (Appropriation: Acquisition of Existing Properties for Affordable Housing) Tobias Glidden
- Discussion **Tobias Glidden** – As far as the FinCom question on line items, laid out a cost per bedroom for a 53-bedroom village. He has projected housing needs out to 2027.
- Holland** – The Subsidized Housing Inventory (SHI) number is derived from construction in the following year.
- Kronau** – Asked who would do the work.
- Glidden** – Affordable housing Trust Fund (AHTF) has been engaged in this process so they make the most sense.
- Brooke Mohr**, Chair AHTF – AHTF has allocated money in our operating budget to hire consultants to make this work.
- Roche** – Regarding procurement of the houses, asked the timeline from the point a house is identified for purchase until that purchase is accomplished.
- Turbitt** – That is a component that needs to be worked out. Under acquisition of real estate, there are clauses that allow the Town to by-pass some procurement steps. If we must go through the full advertisement process, it would take at least 50 days.
- Maury** – That time frame is standard; most buyers need to get financing before closing.
- Kronau** – Did some research on other Towns; Denver and Philadelphia have \$10M to \$20M allocated for this purpose; they have greater resources. She likes Joe Grause's idea of starting out with \$5M to purchase one or two properties to see if it works.
- Schaeffer** – Agrees with the need to have management control of this. Asked if Housing Nantucket is a private organization and would it be possible to contract them to manage the project.
- Holland** – They are private; they would have to respond to a Request for Proposal (RFP)
- Glidden** – Ann Kuszpa stated that she would be interested in responding to an RFP for this property.
- Turbitt** – You would have to be clear about they're eligible to do once the Town has the properties because we are using statutory borrowing ability. AHTF has the authority to manage the property. The Town would lease the property to the managing entity with the statutory ability to manage the property; AHTF would in turn enter into a management agreement.
- Worth** – The Town would put the program into the hands of an entity, possibly AHTF; but AHTF has no staff. Asked who would act on behalf of AHTF to issue RFPs and who has oversight responsibility.
- Turbitt** – Finance would help through the RFP process. Oversight would be the management company and the Town.
- Worth** – Asked if there is assurance the Town would not be in the housing management business. Also asked if the management company defaulted and properties fell into disrepair, who would be responsible for the repairs.

Gibson – Town Administration is not set up to manage housing. She believes part of the agreement with the management company would be they are responsible for the condition of the properties.

Holland – He has a little concern whether or not Housing Nantucket has the ability to take on a project of proposed scope which would add 24 units to the 37 units they have now. He has been in conversation with Halkeen Management, which manages 10,000 off island, about the concept of managing this and the Nantucket Inn programs; their concern was the expense. The idea of a pilot that merit.

Maury – Cited the reasons beginning with a pilot project would be a good idea. We also have to consider the impact of the workload.

Mohr – There is maintenance of the property, collection of rent, processing applications, and reviewing qualifications. All that would have to be contracted out. She doesn't see AHTF being able to buy 24 properties in July; a slow start is inherent in the process. In her mind, she has debated this idea versus Nantucket Inn; she believes this is an opportunity to address a significant concern of the community about denser housing projects and location of affordable housing. This gives the voter the option of scattering affordable housing around Nantucket and it being available to year-rounders in perpetuity. It isn't the cheapest or simplest way to go about housing. One negative point she's heard from residents is the Town would be competing with people who have saved enough to buy a house at the low end of the market; conversely this keeps those properties in the affordable range.

Glidden – He spoke with Ms. Kuszpa, who said she feels she has enough staff to manage the program. At the direction of FinCom, he examined the 11 properties he used and how they transitioned in sales: 3 went from year-round to summer or investment, 4 went from summer residents to investment LLCs, 1 went from one locally-owned rental to another, and 3 went from year-round residents to year-round residents. We are moving our housing stock to summer use; cited supporting statistics. Reviewed the spreadsheet line items: rent, operating expenses, landscaping, and maintenance. Voters have asked for action; it is in line with the Select Board Master Plan and Strategic Plan; it addresses the need for housing for Town employees.

Worth – We are asking voters to invest \$30M in Mr. Glidden's definition of success. Surfside Crossing 40B is a proposal on the table; asked why the community doesn't rally around that proposal and that we allow it to go forward. If we do, it will bring us to our 10%.

Holland – The current iteration of that proposal would add only 25 affordable units to the SHI list. This program could help the Town get the additional 40 units it needs to reach Safe Harbor.

Worth – We are a wealthy community, so he doesn't believe the risk is on the monetary side. The risk lies with how it affects the community and if there is the organizational capacity to manage the program. Several years ago, AHTF was asking for money to do this. We have matured in our thinking since then and put more thought into it. He likes the idea of bringing the program up incrementally to see if the Town can build up the institutional capacity without being overburdened should this prove to be not the proper route.

Mary Longacre – The article includes money only to purchase properties; but there is nothing about money for on-going maintenance. The taxpayer would be voting to not only purchase the properties but to take on the deficit of on-going maintenance.

Glidden – On-going maintenance would cost about \$44 a year; explained how he speculated the costs of the program over time to include the maintenance.

Maury – Contemplated in the article now, the Town could purchase deed restrictions so private homes could also be eligible for some of this money.

Schaeffer – Asked if Mr. Glidden would be willing to amend the article to have \$3M to \$5M over an 18 or 20-month period as a test. If it is successful, a subsequent article expanding the project could come back at a future Town Meeting.

Glidden – It is his experience that for a program to be successful, there has to be a lot of checks and balances and a commitment from the public. It is up to the Select Board to ensure the money

is being properly spent. The difference between \$5M a year and \$20M a year is being able to purchase only three lots versus seven lots.

Roche – She believes the proof of success is in the execution; she also doesn't believe the Town would purchase more than three houses a year. If the first two years are successful, the money is there to continue; if it isn't successful, the Select Board can say no.

Maury – He'd like to see a limit on the money to be spent on purchasing a potential SHI unit.

Kronau – There are too many open details about how this works; she's not fully comfortable.

Worth – Agrees with Ms. Kronau; we are talking about spending this much money with too few details. There is very little transaction risk; there is more to this than that. We don't even have criteria on what would be purchased.

Maury – Every purchase would be reviewed by the Select Board; details would be worked out at that time.

Mohr – We are prepared to take it on if the voters send it our way. Hiring a staff person is a Town Administration process; we can hire a consultant to provide the expertise we need. We are doing that already on other projects AHTF have going on. This would be a more complex management program than other projects. The community has said very loudly that they don't want dense affordable housing developments.

Roche – We have two other articles giving AHTF a total of about \$3,700,000; we are giving them money. We can't continue to wait, or we have no control over our destiny. This might or might not work, but we aren't spending \$20M immediately.

Kronau – She'd prefer to see how AHTF manages the money they are already promised through those two articles.

Holland – Pointed out that the money from the two articles is not earmarked for a specific use. Money from this article is specifically to be used to purchase housing. Asked if the developers withdrew the application for the 40B on South Shore Road, could the funds be used to purchase that property for another Sachem's Path.

Glidden – In his mind, the way the article is worded, the language has flexibility in the definition of "existing property." He thinks the community is interested in a mixed development that respects zoning.

Maury – He would prefer a small percentage of the allocation be used to purchase land and build homes for affordable sale and a percentage be used to purchase deed restrictions. He agrees with Mr. Glidden and Mr. Holland that this the language of the article allows other options.

Worth – Asked if the commission is to the point to discuss specifics, i.e.: recommend spending up to X amount of dollars with some percentage going to subsidy on proof of concept and a certain amount be used for outright purchase to evaluate if the program is working. Without doing an evaluation, he has a hard time allowing \$20M.

Maury – Suggested a cap allowed to be spent in the first year to ease any discomfort of the public about huge amounts of money; the rest could not be touched in the first year. He doesn't think the Town has the wherewithal to spend \$5M in one year; though it is too low for the life of the project.

Williams – He thinks we have enough Town Meetings that we could easily adjust this. He looks at this as a bank would; if you've never done something, a bank would loan you some money to see how you do, and, if you are successful, they treat you differently when you ask for more.

Maury – He would like to ensure the money is spent to create SHI-eligible housing.

Glidden – It is his understanding that all rental units count toward the SHI list if at least 25% of units on a lot are listed for 80% or under annual medium income (AMI); that is the purpose of restricting all units to between 30% and 200%.

Turbitt – Bond counsel recommended the range of 30% to 200% be included to properly identify what we consider affordable. In all likelihood the loan will be tax exempt. If we want to modify it to 30% to 12%, bond counsel is not going to argue.

Mohr – Noted there is a housing need for well above the 100%; recommended not changing the range.

Maury – Suggested allocating \$15M with no more than \$3M to be spent in one year with one SHI unit for every \$500,000 spent the first year. In the second year it can be adjusted to one SHI unit for every \$400,000. He does not think a program like this can be judged in one year.

Roche – She thinks Mr. Maury’s recommendation is reasonable.

Atherton – An impetus for this article was last summer over 800 people filled Nantucket High School auditorium for a Zoning Board of Appeals about a 40B development. If other affordable projects do not pull their building permits within the year, Nantucket will not reach Safe Harbor for the next 12 months.

Turbitt – The way the article is currently written, it doesn’t allow for the purchase of deed restrictions. If the language is changed and passed, he needs to confirm with bond counsel that it is within the scope and could be done.

Worth – He has a problem with a program like this not being evaluated on an annual basis.

Discussion about what the recommended numbers would be.

Discussion on the motion to take no action.

Schaeffer – This is an emotional issue and wonders how take no action will play at Town Meeting. We give up our right to have input.

Worth – Our input would have to come in the form of a comment. He agrees we need to have a position and is uncomfortable with take no action.

Maury – It has been explained that this article isn’t meant to get Nantucket to Safe Harbor; it is meant to get us to 10% by adding units incrementally.

Roche – Agrees with Mr. Maury. This gives us some agency over our future, so we aren’t vulnerable to 40B projects.

Kronau – She is trying to get some closure; we aren’t any clearer on how this is going to work. We are saying to tax payers that we are writing checks to subsidize housing on Nantucket in perpetuity. In her opinion, there is no plan behind this article.

Motion to Take No Action. (made by: Kronau) (seconded by: McEachern)

Not carried 2-four 5-against

Discussion on the motion to adopt.

Williams – He thinks there needs to be some oversight to ensure it’s working.

Roche – That could be put in a comment. This is going to be a big deal on Town Meeting floor. There are ways to build in accountability. We as a group can look at other money going to the group and talk about how to help them make the project work. She likes the idea of the deed restrictions; that is a simple solution. Doing nothing abrogates FinCom’s agency and power to solve this.

Mohr – Reiterated AHTF’s preparedness to start the work; it is now down to money to start the program moving.

Worth – He can’t support the full value as stated in the article; he supports a lower appropriation.

Motion to Adopt the article as written. (made by: Maury) (seconded by: Roche)

Not carried 3-for 4-against

Discussion on the motion to adopt with a reduction to \$15M.

Williams – We need to reach a number that determines we move forward. If we spend \$5M and it doesn’t work, we should not spend any more.

Maury – This isn’t an omnibus bill where the money is spent all at once. Every purchase must go to the Select Board. They can stop it at any time.

Schaeffer – Asked what the criteria for success would be.

Worth – Suggested authorizing a number we can all agree on, and before the first dollar is spent, a group puts together a set of criteria. Perhaps it’s a blended cost per SHI unit.

Discussion about who would establish the criteria and what that criteria might be.

McEachern – Reiterated that the Town of Nantucket is the largest employer and as a representative of the citizens of Nantucket should not be in the business of owning and operating real estate for citizens. He would not vote to support this article. He believes it is an employer issue; people can't afford a house because they are working at a job that doesn't allow them to afford to pay for it. No one has discussed that at all this whole evening. He also has concerns that putting this before those things we really need such as a new OIH and Senior Center places those at risk. This article side-stepped the Capital Program Committee process.

Worth – We have a cap; we have language for buy-down provisions.

Discussion on what appropriation the majority can support.

McEachern – Asked what the FTE would be required to support this program

Gibson – A motion to adopt at \$10M including interest in deed restrictions to a property with Bond Counsel's approval and only as long as we are under the 10% of the required subsidized housing inventory. The comment will include that the \$10M will include Town resources are needed to implement the project.

Motion **Motion to Adopt the article at \$10M including interest in deed restrictions to a property with Bond Counsel's approval and only as long as we are under the 10% of the required subsidized housing inventory.** (made by: Maury) (seconded by: Schaeffer)

Vote Carried unanimously

4. Article 2 (Appropriation: Unpaid Bills)

Discussion **Turbitt** – This has to be voted on because of the addition of \$559,000 for unpaid bills for the sewer.

Motion **Motion to Adopt.** (made by: Maury) (seconded by: Roche)

Vote Carried unanimously

5. Article 6 (Fiscal Year 2019 General Fund Budget Transfers)

Discussion **Turbitt** – This needs to be reopened because we need to add two transfers from free cash to debt service and free cash to the legal budget.

Motion to Reconsider. (made by: Maury) (seconded by: McEachern) Carried unanimously

Motion **Motion to Approve the addition to the transfers.** (made by: Maury) (seconded by: Williams)

Vote Carried unanimously

6. Article 21 (Enterprise Funds: Fiscal Year 2019 Budget Transfers)

Discussion Motion to Reconsider. (made by: Williams) (seconded by: McEachern) Carried unanimously

Turbitt – Proposing to add the transfer \$42,365 from retained earnings to Sewer operating budget.

Motion Motion to Approve. (made by: Roche) (seconded by: McEachern)

Vote Carried unanimously

7. Article 28 (Appropriation: Affordable Housing Trust Fund)

Discussion **Turbitt** – The amount that CPC approved was \$5M. This is a borrowing AHTF can draw \$500,000 a year into the future.

Worth – There are too many organization dealing with the housing issue and none of it is harmonized; this causes us angst. We have to develop the institutional capacity to deal with this.

Mohr – That is what AHTF is trying to do.

Worth – But does AHTF have a policy direction from the Town to be the organization to which all the money is funneled and all housing decisions made. AHTF doesn't have any staff. FinCom doesn't see the institutional maturity and capacity to run things; for those of us who have run organizations, that is frustrating.

Gibson – She agrees about the need for institutional infrastructure; Tucker Holland is the staff person who will use some money AHTF has to create a more administrative structure; and they have completed a Strategic Plan.

Roche – this is the first year we did not get a report from AHTF on how they spent their money last year. If we are going to make a motion; suggested it include support for administration.

Turbitt – Support for administration would have to be in a comment; you can't use borrowed funds for annual operating costs.

Motion **Motion to Approve.** (made by: Roche) (seconded by: Maury)

Vote Carried unanimously

8. Article 79 (Home Rule Petition: Community Housing Bank Real Estate Transfer Fee)

Discussion **Worth** – We haven't voted on this but unless there is a pro forma issue, it should be resubmitted to the legislature.

Maury – Wants to ensure the motion includes the language for a sunset provision.

Holland – That is in the version the State Legislature has.

Motion **Motion to Adopt.** (made by: Williams) (seconded by: Roche)

Vote Carried unanimously

9. Article 81 (Conveyance of Easement on Waitt Drive)

Discussion None

Motion **Motion to Adopt.** (made by: Maury) (seconded by: Kronau)

Vote Carried unanimously

10. Article 82 (Real Estate acquisition and Conveyance: Naushop Sewer Lines and Easement)

Discussion None

Motion **Motion to Adopt.** (made by: Maury) (seconded by: McEachern)

Vote Carried unanimously

11. Article 73 (Committee Establish Sensible Cannabis Policy)

Discussion **Gibson** – Asked if FinCom would be willing to reconsider the vote not to adopt; the Select Board wants this committee.

Motion to Reconsider. (made by: Maury) (seconded by: Williams) Carried 6-1//Kronau opposed

Gibson – Her proposal is to refer the establishment of this committee to the Select Board.

Discussion on the motion to defer.

Roche – We had decided not to support establishment of more committees that required Town resources.

Motion **Motion to Refer the proposed establishment of the committee to the Select Board.** (made by: Maury) (seconded by: Williams)

Vote Carried 5-2//Kronau & Roche opposed

12. Article 74 (Sense of the Meeting Request to Seek the Designation as a Whale Heritage Site through the World Cetacean Alliance) Tobias Glidden

Discussion **Gibson** – Wants to bring it to FinCom's attention that if there are any costs associated with this, the Town is not responsible.

Worth – We can put that in a comment.

Motion No action necessary.

Vote N/A

13. Article 71 (Bylaw Amendment: Bicycles) Ian Golding

Discussion **Worth** – We haven't voted on this.

Williams – Leave it up to the Select Board to find the money.

Gibson – You took a vote to take no action with a comment.

Motion No action necessary.

Vote N/A

V. NEXT MEETING DATE/ADJOURNMENT

Date: Monday, March 25, 4:00 p.m. 4 Fairgrounds Road Community Room

VI. COMMITTEE REPORTS

None

Motion to Adjourn at 6:40 p.m. accepted by unanimous consent.

Submitted by:

Terry L. Norton