

Neighborhood First Advisory Committee

Initial Report – Statement of the Housing Situation & SHI List Management

November 15th, 2019 **FOR DISCUSSION WITH AHT**

The Neighborhood First Advisory Committee has been tasked with advising the Nantucket Affordable Housing Trust and Select Board on the most effective means, in accordance with the 2019 Annual Town Meeting article and accompanying ballot measure, to invest \$20,000,000 of Town resources specifically allocated to produce additional housing inventory that is affordable to the year-round community and counts on our Subsidized Housing Inventory.

It is widely acknowledged that Nantucket faces a housing affordability crisis. While Chapter 40B has been on the books since the 1960s, it is only in recent years that our community has begun to focus on “the high cost of doing nothing,” as a recent report by the Cape Cod Commission on the state of housing in our region is titled. Presently, the community is approximately 300 units short of the 490 required by the Commonwealth under Chapter 40B.

Many year-round Nantucket residents pay a high portion of their income in rent, leaving limited resources for other necessities. According to the 2015 Workforce Housing Needs Assessment prepared by RKG Associates, “half of all year-round households are housing cost burdened.” Given the high cost and lack of availability of housing, many residents live in crowded and unsafe living conditions. It is increasingly difficult for businesses, nonprofits and the Town to attract labor to support the economy and provide services to the Island’s year-round and seasonal residents.

The immediate challenge for Nantucket is twofold:

1. Take the lead in causing sufficient housing to be built or purchased to reach the 10% affordable target mandated by the State; and,
2. Provide the housing in a sequence and at a level that permits the Island to be in uninterrupted compliance with Chapter 40B’s Safe Harbor provisions until the 10% target is reached.

We believe with concerted action amongst all Town leaders and the community we can achieve number 1 within five years. Number 2 is more challenging. And even when the 10% requirement is reached, *there will remain an affordability challenge which the Town should address.*

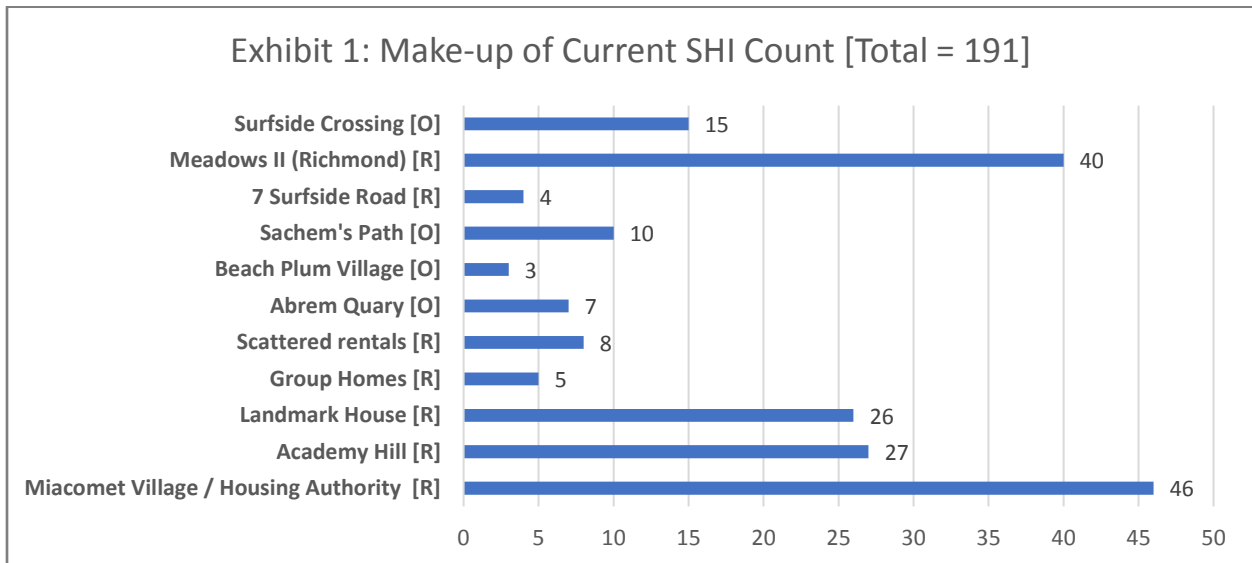
The first step of the Committee was to assess the Island’s housing market and compliance with Massachusetts Chapter 40B legislation. To help the public better understand the complexities of the market and 40B compliance, we have summarized our analysis as a basis for determining the appropriate strategy for this effort.

Massachusetts General Law Chapter 40B requires within all municipalities that 10% of the year-round housing inventory be eligible for inclusion on the Subsidized Housing Inventory (SHI) list. Per the 2010 Census, Nantucket has 4,896 year-round housing units (out of 11,650

total)ⁱ. Therefore, we need to have 490 units on our SHI list to achieve compliance. For a unit to be eligible for inclusion on the SHI list, it must be deed-restricted in the following manner:

1. If it is an ownership dwelling, it must be restricted at 80% AMIⁱⁱ or less
2. If it is part of a rental housing development, at least 25% of the total number of units must be restricted at 80% AMI or less and in that case all the units within the development count on the SHI list (including the other 75% of units serving households earning above 80% AMI)

Nantucket only has 191 affordable units presently on its SHI list, or 3.9% of the total versus the 10% requirement (see Exhibit 1). That leaves the island with a large gap of 299 units.ⁱⁱⁱ

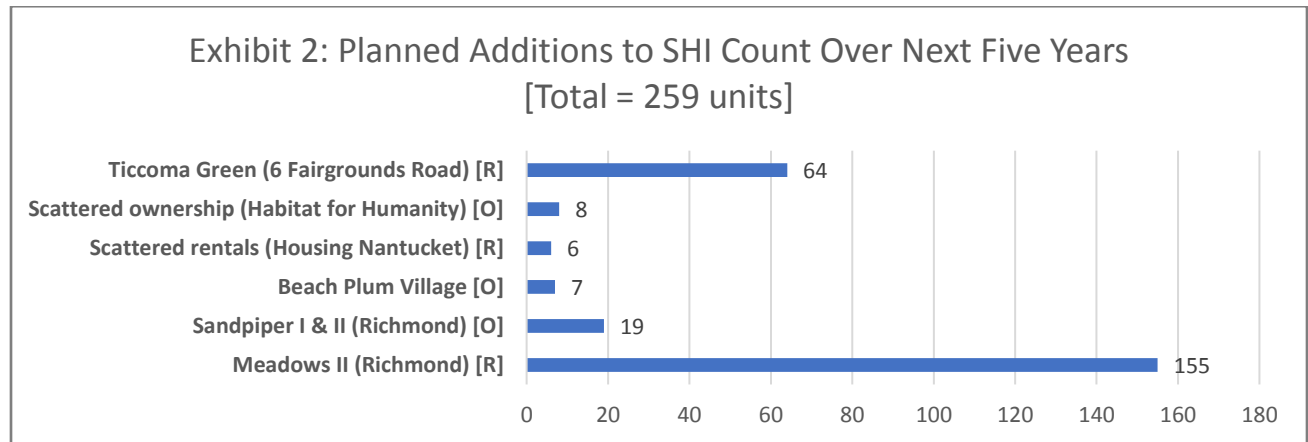


Notes: [R] denotes Rental units; [O] denotes Ownership units; Surfside Crossing and Richmond Meadows II units are still in development; all other units are completed

If the Island is well below the Chapter 40B 10% requirement, and not in Safe Harbor, developers can propose projects with an affordability component. The proposed Surfside Crossing development is an example. If the project does not gain the necessary local approvals through the ZBA, the developer may appeal to a State board (the Housing Appeals Committee or “HAC”) which can override local planning and zoning considerations. The State board is generally sympathetic to such applications. In many cases such projects may be at density levels that are well above the level permitted by local zoning. They may also be in locations not served by public services or proximate to employment and therefore may have an adverse impact on traffic, abutting properties, the environment and infrastructure.

There are a number of known units proposed to be developed in the coming years, plus a handful of existing units in the process of being added to the SHI list, which would add approximately 259 units^{iv} to the inventory (see Exhibit 2) over the upcoming period. Assuming all the known units are added, Nantucket would still be 65 units short of the 10% target. (Because the Surfside Crossing development has been appealed by the developers to HAC, and that the litigation process could

take 3-5 years or more, the timing and final number of these units is unclear and therefore we are not including them in this current projection.)



In addition to the aggregate target, the Town must also focus on the timing of the additions. There are “Safe Harbor” provisions designed to give municipalities temporary relief from 40B. If the Town is working in good faith and adding 24 units to the SHI list per year (in Nantucket’s case, as we have an approved Housing Production Plan^v), the Town is in Safe Harbor and not subject to an unfriendly 40B proposal. Based on recent progress, the Town is presently in a Safe Harbor period which is valid through June 13, 2021 and under certain conditions^{vi} it is possible that it could be foreshortened by as much as a year to June 2020.

The Safe Harbor rules are complex and require a comprehensive strategy if the community wishes to remain in Safe Harbor. We have prepared an estimate of possible additions to the current inventory of 191 units which demonstrates a deficit is likely in coming years (*see Exhibit3*).

Exhibit 3: Estimated Timing for SHI Unit Additions	2019	2020	2021	2022	2023
Meadows II (Richmond) [R]	8	44	50	53	
Sandpiper I & II (Richmond) [O]		3	6	6	4
Ticcoma Green (6 Fairgrounds Road) [R]		64			
Beach Plum Village [O]	7				
Scattered rentals (Housing Nantucket) [R]	1	1	2	1	1
Scattered ownership (Habitat for Humanity) [O]		1	3	2	2
Surfside Crossing [O]		-15			
<i>Total =</i>	16	98	61	62	7*
<i>Cumulative total** =</i>	207	305	366	428	435
<i>Units potentially eligible to count for Safe Harbor =</i>	8***	0***	5	3	3
<i>Minimum Safe Harbor deficit**** =</i>	0	0	19	21	21

[R] denotes Rental units; [O] denotes Ownership units

*There are an additional 30 rental units within Meadows II that may come on to the SHI list on or about this time; however, the property on which they would be built is subject to life estate benefitting Walter Glowacki, therefore there

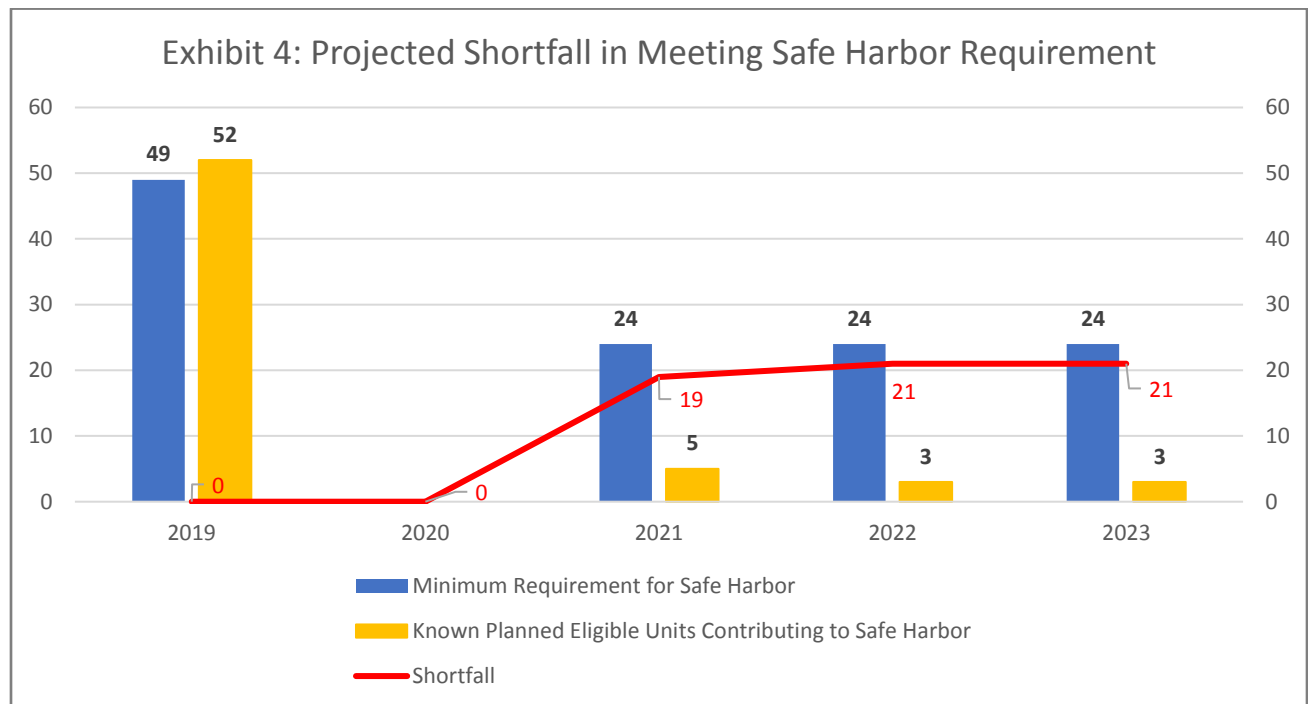
is no certainty around the timing for these specific units to be developed and they therefore are not reflected in the totals for the period

** accounts for the 15 eligible Surfside Crossing units coming off the SHI list due to appeal / litigation

*** we are already in a two-year period of Safe Harbor (presently until June 13th, 2021)

**** assumes Town in Safe Harbor until June 2021; assumes all eligible planned unit creation would take place in first four months of the year and thus be eligible toward new and uninterrupted Safe Harbor periods

Based on what we know today about planned units that may contribute to a future Safe Harbor period, Nantucket is expected to be in a deficit situation for 2021, 2022 and 2023.



Note that in 2019 we have a minimum of 52 units that are eligible toward a two-year certification (Safe Harbor), not including the Surfside Crossing units; therefore, there is no requirement for additional units in 2020 to remain in Safe Harbor so long as the Meadows II units receive their Certificates of Occupancy within 18 months of issuance of Building Permit.

It is important to note that this analysis does not include the ultimate impact of additional investments such as the \$5 million bonding provided by the CPC, which the CPC authorized with the purpose of land acquisition for housing development. These funds can produce units with income restriction up to 100% AMI and may produce additional units that would be SHI and Safe Harbor (certification) eligible. The counts reflected are based upon the information we have available today. In general, multiple factors could accelerate or slow the pace reflected above.

In summary, without continued action by the Town today to plan for the foreseeable future, it is likely that Nantucket will return to being out of compliance with the Commonwealth's requirements and therefore subject to unfriendly 40B proposals. Following the 2019 Annual Town Meeting and the subsequent ballot vote authorizing the Town to borrow up to \$20 million to invest in additional workforce housing solutions for the community, the Neighborhood First Advisory

Committee was established to advise the Nantucket Affordable Housing Trust and the Select Board on the most efficient and effective use of those monies.

The next step is for the Committee to evaluate strategies to add inventory to the SHI list and to make recommendations for the most effective means to reach the 10% target and remain in Safe Harbor in the interim.

ⁱ Note that the year-round inventory will be updated in late 2021 / early 2022 with the results of the 2020 census. The best current estimate is that there will not be a material change in our 10% requirement. While there is new construction there also has been an offsetting purchase by seasonal residents, or by investors who operate on a short-term rental basis, of units previously owned by year-round residents.

ⁱⁱ AMI = Area Median Income; in Nantucket's case, 100% of Area Median Income equates in 2019 to a family of four earning \$116,400 (gross) per year. The 80% AMI maximum income limit for a family of four on Nantucket is \$75,900.

ⁱⁱⁱ Note that the year-round inventory will be updated in late 2021 / early 2022 with the results of the 2020 census. The best current estimate is that there will not be a material change in our 10% requirement. While there is new construction there also has been an offsetting purchase by seasonal residents, or by investors who operate on a short-term rental basis, of units previously owned by year-round residents.

^{iv} 30 of the Richmond rental units are subject to a life estate benefitting Walter Glowacki, therefore when they will be constructed and count on the SHI list is unknown

^v When a municipality has a Housing Production Plan that is approved by the Department of Housing and Community Development, the requirement for Safe Harbor by demonstrated annual production is reduced by half (0.5% versus 1%). In Nantucket's case, we need to "produce" 24 units in one calendar year to achieve one year of Safe Harbor. 49 units would gain us two years of Safe Harbor. Two years is the maximum before needing to reapply for certification.

^{vi} Approved developments must pull building permits within 12 months of project approval by the local permitting board and the development must receive its certificate(s) of occupancy within 18 months of building permit issuance for units to remain on the SHI list and be eligible to contribute to Safe Harbor.