

Town of New Marlborough Housing Committee

Minutes of Committee Meeting

Approved in 10-27-2021 Meeting

Date of Meeting: 10-13-2021

Meeting was called to Order via zoom (recorded) at 4:03p by Chair Elizabeth Rosenberg.

Board Members present:

Joe Poindexter, Will Regan, Elizabeth Rosenberg, Richard Long, Richard Stebbins

Also present were:

June Wolfe - Housing Director - Construct

Jane Ralph - Executive Director - Construct

Purpose of the meeting is to review the materials created by Construct as a pro forma analysis of the potential to fund, purchase, renovate and put in service the Cassilis Farm property located at 604 Hartsville New Marlborough Road as 13 individual affordable housing units.

It was discussed that the meeting is being recorded and that Tara has requested a copy. Richard noted that it would be a conflict for he and Tara to both be in the meeting since they both sit on the Select Board.

June distributed her materials prior to the meeting and they are attached to these minutes as exhibits:

- Construct Cover Letter
- Construct Feasibility Study
- Property Profile
- Property Inspection
- Operating Pro-forma
- Affordable Housing Glossary

June explained that when you use the \$1.89mm on the realtor sheet, the sources don't add up. All agreed that the current listing price of \$1.5mm is more realistic anyway.

Land attached to the lots is:

9.5 acres - 602

8+ acres - 604

2 acres - 606

Besides the programs listed there are other sources of funds:

- MA Saves program will pay for insulation, windows, etc, but they require a substantial demolition (50% to studs) and there are too many unknowns. We may get there, but will have to revisit once we have a real plan

- Berkshire Agricultural Ventures and Harry Conklin fund are trying to create funding for land and housing for farmers. It is all still in development. Soil is very stony, but the Barns may be interesting to them.

50k is being used as debt service in the pro forma. It's a place holder to keep us at 1.25 or below in debt service coverage ratio which will be required by these programs.

The pro forma operating numbers (rent collection and operating expenses) are all very theoretical.

We get 13 living units post development including the two separate homes.

Total Investment required will be North of \$6mm, close to \$484k per unit. This is high on a per unit basis due to economies of scale penalties with small projects.

As this will be a not for profit it can't make money nor can it lose money.

We're looking to build grant funded affordable housing. But we can use project based vouchered units to create another source of operating money, post development. Project based housing (like section 8) is a subsidy given on behalf of tenants for rent based on income. Berkshire Housing may be able to provide this kind of operating assistance.

WR said he doesn't think that subsidized housing should be the goal of this project as it doesn't really help NM residents, it would likely be targeting people outside our community. We need workforce housing. Jane and the committee agreed.

June stated that community based housing for ADA housing would be important and those folks are often living on their disability income.

After a discussion about some misunderstandings of the model it became clear that with a total cost of \$6,328,745 the price per unit is currently at \$484,000 per unit or \$451 per square foot, using 14,029 as the total developable area as the denominator. This number would come down if the cost of acquisition is lower.

Once Will and Jane were on the same page with regard to budget and square feet being developed they agreed that the numbers currently look like this:

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		Grant	Debt		
Cedac Acquisition	\$1,200,000		\$1,200,000		
STHI	\$100,000	\$100,000			
CSHI	\$1,000,000	\$1,000,000			
FHLB AHP	\$650,000	\$650,000			
FCF-DDS/CBH	\$175,000	\$175,000			
Home	\$600,000	\$600,000			
AHTF	\$750,000	\$750,000			
HSF	\$845,000	\$845,000			
Local Donations	\$500,000	\$500,000			
Town ARPA funds potentially?	\$400,000	\$400,000			
Total Funding Available				\$6,220,000	
Development Expenses:					
Acquisition	\$1,500,000				
Development	\$3,114,909				
Soft Cost	\$778,727				
Soft Cost Contingency	\$77,873				
Development Fee (Construct)	\$311,491				
Developer OH (Construct)	\$155,745				
TTL Development Cost				\$5,938,745	
SURPLUS					\$281,255
	\$484,000 per unit				
	\$423 per square foot of habitable space				
	20.21% Loan total				

It's clearly and expensive project, and it would be less expensive to build from the ground up, but the committee feels that there is value in retaining this meaningful home, with a lot of history, for the community. If we can't get this project to work, there's a good chance that it will not sell and will fall into disrepair, becoming an eyesore.

We have access to an acquisition loan which we'd convert to a construction loan and to a FHLB subsidized mortgage or ARPA funds via greylock.

Need letters of support AND skin in the game from the town.

We could apply via one stop application.

Richard said NM has access to \$450,000 in American Recovery Act money and that the town doesn't seem to have any uses that qualify. This project may work to qualify and this would be the money that could really make this project happen. We have to look at this program, get public input, etc and Richard will work with the Select Board to research this.

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It will be important for us to approach the town and the community and get feedback for our initiatives to build housing for folks that want to live and work in New Marlborough. We need to educate people that this project is not welfare housing. Housing has gotten far too expensive for the average working family to afford and this is the demographic we are looking to help.

Area Mean Income in the Berkshires is \$83,900 for a family of 4 and we are looking to provide units for people at 80%, 60% and 50% of the mean.

We don't expect a lot of opposition to this project. There are few abutters, but this project should be a superior outcome than other potential uses or it falling into squalor.

Construct is always surprised at the amount of opposition that can appear.

There is a sizable number of lower income families in our town and they live in their own homes, but it is very challenging to maintain those homes.

Will asked if there were asset requirements or only income when considering potential residents' financials. Could NM residents monetize their homes and move into our project? June explained that some of the programs will look at house sale appreciation as income that year. It is possible, but complicated.

Elizabeth asked if we could sell the two extra homes? June said they couldn't be split due to sharing a lot and septic. The numbers don't likely work.

Construct will meet with Berks Community Land trust to investigate community farming options.

We need to apply quickly for many of these funding sources. Typically you apply for the easier to access programs and then leverage that success to get the other programs to come on board. Covid has dramatically affected the housing market and covid relief funds are available to help. Many of the separate funders are joining the one stop funding program.

Winter round funding pre-application is due 10-28. We don't know yet, what kind of site control we need prior to applying. We may be able to tie up the property for a period of time while we put the pieces in place.

These are our essential workers, grocery stores, restaurants, hospitals...

Stebbie asked if \$200k donated today would help and Jane explained that yes, but that the 400k in ARPA funds that could potentially come through the town might do more to sway the grantors.

Our housing committee can not fundraise, but Construct can.

We've hired Construct to the study, we need to discuss them doing the development and also as owner of the property. We don't have an entity to own it and it doesn't seem possible to have the town own it. We'd create an LLC as a subsidiary of Construct to own it.

Stebbie asked whether he can fundraise and it was explained that as long as he's fundraising for Construct and not for our committee it should be OK. We need to speak with counsel to clarify.

June asked IF we came up with \$500k total between the Town's ARPA money and private donations. The committee agrees.

Construct also has access to a great list of major donors and they would play an active role in fundraising from that list.

Will asked how solid all of these funding leads are. June explained that the best way to raise funds from these groups is to "waive money at them". They like to see that the project is viable and funds are getting deployed. They like letters of support from the local community. It is also not a matter of "No" necessarily. They won't say no as much as they'll say "Later" if you have site control. You may have to wait for the next round of funding but you should eventually get the money.

We plan to alert Anne Getsinger to our plan and discuss how to not disrupt her life. Stebbie spoke with here\ and said she'd be interested in purchasing the sliver of land to the north of her. Her concern is that she'd be looking out her studio window and seeing buildings. We discussed either putting in a CR and restricting it to farming and that we could come up with a plan to keep that property natural. We have no intention of putting buildings on that property and we want to protect her.

One issue that might be a negative to the town's perspective is that we'd likely be taking the property off the tax rolls. The reality is that there are few for profit (taxable) uses that would work there and it's highly unlikely that the property will ever revert to single family residential. It seems that it only really works as some kind of not for profit enterprise.

NM has zero percent affordable housing. We are required to have 10% to avoid a hostile 40B where a developer could come in and do whatever they wanted wherever they wanted and would only have to make it 20% affordable. This seemed to be an unlikely event in the Berkshires and more likely to happen out east, but COVID has changed that. This project would buy the town time safe harbor for a certain number of years.

TASKS:

1. Richard to check on ARPA funds.
2. Construct to check on potential funding from Agricultural Ventures and The Community Land Trust.
3. Decided to hold off on reaching out to the broker.
4. Do a UCC search for a bank holding a mortgage
5. We voted and unanimously approved committing \$1,500 to write up a one pager and start working on the pre-app for the CEDAC Acquisition loan.
6. Richard will speak with the Select board to see if the board would write a letter of support and try to arrange a meeting with Construct present.

7. Someone to speak with Anne Getsinger

Next meeting scheduled for Wednesday 10/27 at 4pm WR to send invite.

Adjourned 5:21pm

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Will Regan". The signature is fluid and cursive, with the first name "Will" and last name "Regan" clearly distinguishable.

Will Regan, Secretary