

BARNSTABLE COUNTY HOME CONSORTIUM ADVISORY COUNCIL
THURSDAY, NOVEMBER 21, 2013
CAPE COD COMMISSION OFFICE
MEETING MINUTES

Members Present: Lee Berger, Carl Brotman, Richard Carroll. Vicki Goldsmith, Jon Holt, Michelle Jarusiewicz, Bernie Kaplan, James Kyrimes, Elaine McIlroy.

Members Not Present: Jillian Douglass, Lorri Finton, Cindi Maule, Marlene McCollem, Sandee Perry.

Public Present: Abigail Chapman, Paul Hebert, Allan Izbitz, Ted Malone, Jacques Morin.

Staff Present: Paul Ruchinkas, Michelle Springer

Correction to August 29, 2013 Minutes-Elaine McIlroy was not present and Michelle Jarusiewicz was present.

Minutes-

Elaine made the Motion to approve the Minutes of October 17, 2013. Vicki seconded the motion, 8 members in favor, 0 opposed, 0 abstained.

Presentation/Discussion on Developing Affordable Housing on Cape Cod-

Paul began by introducing the three developers Vicki Goldsmith, Executive Director of Habitat of Cape Cod, Abigail Chapman, Director of Housing & Energy Efficiency Programs for the Community Development Partnership, and Ted Malone, President of Community Housing Partnership.

Vicki Goldsmith-Executive Director-Habitat for Humanity of Cape Cod-

The Consortium viewed a 4 minute time lapse video of a “blitz build” of a home that was recently completed by Habitat for Humanity located in Orleans with major assistance from the Homebuilders Association of Cape Cod.. The home was completed in five days. All but about \$25,000 was either raised through fund raising or donated to build the home. The home was started on Monday, the 23rd and was completed (other than a small punch list) on Friday, the 27th. There was some prefab work done by the framers.

Vicki passed out a “Habitat for Humanity of Cape Cod Traditional” summary of the first 25 years. This included 80 homes of which 62 were single family homes, located on single lots, on developed roads. It shows the actual direct costs for different homes completed within the last year of that era. When Vicki started at HHCC, they were able to build a home that was \$50,000 cash and \$25,000 in kind services at a total of \$75,000 value and it is not the kind of value you

will see represented in the pro forma due to the “back of the house costs” which include two professional construction staff people and a land acquisition staff person.

In 2003-2005 the HHCC was in the process of building one of the two sub-divisions completed in that period. They ended up having to raise more funds due to the increase in construction prices by 35% and 50% . The construction costs have continued to increase in cost.

Vicki explained that when they are building one home, on one lot, there are different factors that make one more expensive than another. For the 2012-2013 year, the total cost of the home built in Eastham was \$121,165. Some things that made Eastham push costs up a bit was the \$20,000 NStar costs for one transformer and two handholds. In Orleans where they are building five homes the NStar costs are \$14,000 for one transformer and three handholds. Bringing electric to the homes is always expensive and can also be unpredictable as seen by the difference in price between Eastham and Orleans. One of the savings in Eastham was that there was no 40B permit needed, which always makes a big difference in cost. They also had higher than usual pro-bono including excavation of the site which is not something that usually happens. The most expensive home built in that year was in Bourne at \$152,484 which included a 40B that was appealed; it was a difficult site that was steeply sloped. There were also drainage issues that HHCC had a good design for, but the neighbor didn't feel the design would work. HHCC ended up negotiating a new drainage system, which then had to be reworked and involved an extra expense related to the site. That was how HHCC did it for the first 25 years.

Vicki asked both her Construction Director and Land Acquisition staff person if they looked back on the last three years what are some of the things pushing up our cost. Habitat prides itself in building simple decent homes. They try to stick to 1,200 sq. ft. and not have any extra fancy things that cost extra money. Where they are pushed internally is in trying to be more environmentally responsible: energy conservation, allergy issues among the families that will be residing in the home, and long term maintenance. Another push is for curb appeal, which is being pushed by the communities, but is important for future builds within the community and needs to be addressed. Some examples of things that are at a driving up the cost are higher quality of exterior trim to protect against rot in the future, a different heating system for better air quality, which is more expensive, the kind of trusses used in the ceiling so that they can have more insulation. They have always done stone driveways in the past, but now are doing paved unless it's a community that doesn't like paving. Also, if you build a visit able home you have extra costs included. One of the big changes is land cost where in the past almost 100% of the land was donated. They are now getting CPA grants to acquire land. In Yarmouth or Barnstable that has been at a cost of about \$40,000 per home but as they move down Cape to Orleans the land could cost up to \$100,000 per home. In Truro the land costs is up to \$180,000, which the CPC paid for. Some of the more expensive cost and challenges in the rural areas, which they will have with their next subdivision is putting a road and infrastructure. They have additional challenges in Chatham with a steeply sloped site, which will require retaining walls. They don't have to put in septic systems, but there is the cost of hooking up to the pump station. In Yarmouth and Barnstable there are road and utility costs along with easement issues that will drive legal costs up.

Vicki handed out the most recent pro forma for the 5 homes they are building in Orleans. One of the changes for HHCC is that they will be applying for grants to purchase land and putting in

roads. They used to be able to rely on HOME grant to help in these costs, but are no longer able to use those funds so they are now trying to replace that with CPA or some of the towns have dedicated resources. Habitat is known for building homes with voluntary labor and raising community funds so even though they are able to get some CPC funding the majority of the funds used to build the homes comes from donations, fund raising, etc. Some of the homes are sold with an in-house Habitat mortgage which are paid back over time and some with USDA mortgages so that they are paid at time of sale. When they start a project they don't know who will get the USDA mortgage and who will need self-financing. The biggest factors driving their cost are building to a higher quality for environmental reasons, and for curb appeal so that the community continues to support HHCC and also moving from single family homes on lots that go right to the curb to doing infrastructure- often for multiple homes on one site.

Abigail Chapman, Director of Housing & Energy Efficiency Programs for the Community Development Partnership-

Abigail presented the Thankful Chases Pathways project that was started in 2007 and was finished in 2011. The project is located in Harwich with twelve units, with a cost of \$3.7 million. It was a bit higher quality do as the neighbors and town wanted to see certain things. The project has solar panels which were funded by a grant from the Mass Clean Energy Center through Cape Light Compact which allowed the project to achieve a LEED platinum rating. The cost was about \$230,000 for the solar panels at about \$20,000 per unit. Once their site meter is paid for every month, which is very minimal, the residents all receive solar credits on their NStar bills at about 250 kilowatts per month. There were various funding sources that went into the project. The Town of Harwich donated the land, which was acquired through abandonment and non-payment of taxes. The Town then put out an RFP and lease the land for \$1 a year. The Community Based Housing is a program through CEDAC, which basically paid for the cost of 2 handicap units. They also received a MHP rental subsidy (that unfortunately does not exist anymore), and without that subsidy they would not have been able to do the project or would have had to find more funding though fund raising etc. The MHP subsidy was used to promote small scale rental developments.

Richard explained that the MHP funding came from the merging of banks but that has not been happening as much as it had in the past.

In order to access that funding they had to get their permanent loan through MHP. The construction loan came from TD Bank.

Lee asked if they are leasing the land for \$1 then they must not be paying real estate tax.

Abigail responded that they pay a "payment in lieu of taxes" which is a reduced tax based on bedrooms.

James asked if it was a 99 year lease and Abigail responded yes. Paul explained that for non-profit developments often towns will give a break or negotiate a "payment in lieu of taxes".

Abigail explained that funders want to see that you have site control so that is why there is a \$1 lease in place.

The hard costs on this project were almost \$2.5 million, which includes the solar panels. For both hard and soft costs it came to about \$308,000 per unit, \$190,000 of that was construction cost.

They had to bring town water to the property at a cost of about \$80,000. There is a public pathway that goes along the property that they did not want to disturb so the buildings are clustered towards the front of the property. In the rear of the property is another 1.5 acres that has not been touched. Clearing some of the trees in order for the solar panels to be able to work correctly added some extra cost. Another unforeseen cost was the fire truck turnaround which added a lot of time and money to the budget as it came up mid-construction even though they had all their ZBA approvals and everything was signed off on. Mid-way through the project the fire department decided they wanted a full turn around. When Abigail first started working for the CDP the project hadn't started yet, and they had spent almost \$100,000 in soft costs including engineering, architecture, etc. They spent \$60,000 in legal costs, as the developer they have to pay the legal costs for all the lenders involved, which help drives the costs up. Additional soft costs were marketing for rent up, title recording, insurance. Abigail went on to say what a great job the architect did in getting them LEED certified without it costing a lot of money. One of the things she did was put the utilities for all three units in a utility room, which is completely separate from the units and helps when something goes wrong so that they do not have to bother the residents for repair work. The heat is natural gas, which also had to be brought in.

This is the second affordable rental property to receive the highest LEED certification that you can get. Some things that helped to get the certification were the solar panels and the sustainable building materials used.

Some of the reasons it took so long to complete was the funding deadlines and if anything was missed you had to wait a full year for another funding round with the State, environmental concerns, insurance, coordinating all the funding sources and their legal requirements needed to close. There was an attempt to centralize all the legal requirements through Mass Docs (which includes 100+ items) which helped, but there is still a lot to do.

Paul Herbert asked what the units were rented for.

Abigail explained that five units are subsidized, which means the residents pay 30% of their income towards rent. Three of the units are at 60% AMI and the remaining units were rented at 50% AMI, so all were well below the 80% AMI. There was also a 70% local preference for Harwich residents. The management fee is about \$5,000 per unit.

Carl asked if the tenant's incomes were checked annually.

Abigail responded that yes they were reviewed annually. Paul also mentioned that anytime there are HOME funds in a project that the income needs to be verified annually.

Ted Malone, President of Community Housing Partnership-

Ted began by explaining that the project he was going to speak about, Stable Path is a tax credit project and has not yet been funded by the State but he hopes it will be in the next funding round. Some things that were mentioned earlier that are big cost factors are site work and infrastructure. Anytime they are creating a larger development you need to bring in underground utilities, which is required under most site plan reviews on the Cape. You are also usually dealing with onsite septic and in many cases well water. In the case of Stable Path they are able to access town water, but they have to bring in a water main. They are usually being built fairly challenging sites with tough topography. All of these things equal to about \$43.75 per square foot of site work costs out of \$205 per square foot (excluding land and foundations) construction cost.

With Stable Path they will be building into the hill with the lower level being a walk out which is adding to the construction cost. In addition to the soft and hard costs both NStar and Verizon require design fees. The architecture and engineering cost together came close to \$160,000, which comes out to 3.6% of the construction cost. They work on an hourly basis rather than a percentage basis of the construction cost with both their architect and engineer, which is a little different from how other developers work. The \$160,000 includes the redesigning of this project three times. Ted acquired the property in 2003 and never thought it would take 10 years before getting to the rental housing component. The regulatory process was started and stopped a few times. At one point they couldn't go through the comprehensive permit process because there was a tax credit raise and the equity investment could not fill the gap because in 2008 when the banking crisis fell apart the banks were no longer buying tax credit investments and the yield went from 94 cents on the dollar to 68 cents. That was a 1/3 reduction in what could be raised which meant he could not start a 40B process because he could not demonstrate initial financial feasibility.

Ted then re-designed to permit under local zoning because Provincetown has a fairly good density allowance, only to find out that the 37 units triggered the Cape Cod Commission review as a DRI. He was not aware that the affordable housing exemption was only under 40B. CHR had always used a scoring process (at about \$1,000 per unit) for the waiting list and invested a lot of time up front and had never done a lottery before because the State has allowed CHR to use their objective scoring system process, but with Sally's Way (CHR's most recently finished project in Truro) they were required to perform a lottery to determine the order in which they were going to process the applications. They received 90 applications and went through (other than the single person households which were 49) 50 applicants. They ended up spending a lot more in marketing and rent up than in the past. For Stable Path CHR will budget \$2,500 per unit. The insurance is a big cost and a lot higher due to the high wind conditions. They are required to use either impact resistant windows, which are nearly double and extremely heavy or panels (which they chose to use for Sally's Way). The construction loan interest was \$191,000 during a 12 month construction period is what they have budgeted in order to be sure there is enough flow of funds due to the subsidy not coming in as quickly as needed. The equity investors in a tax credit deal do not put their funding in very much up front. About 75% of the tax credit investment doesn't come in until you have stabilized occupancy and having closed on the permanent loan. The amount for legal costs in budget is \$65,000. They have \$134,910 in capitalized reserves, which is \$100,000 than in a non-tax credit deal.

The operating costs are budgeted at \$7,000 per unit as MHP will not underwrite for less than \$6,300 per unit.

Lee asked Paul about writing to CHAPA about NStar and their ability to charge what they do.

One of differences on the tax credit projects is you have to go through an audit every year of the operations which is a \$10,000-\$12,000 cost. There used to be a restriction of 25% of the units in the development for Project Based assistance, which is how they are able to serve households below 30% AMI now there is a new project based voucher program (MRVP) which was just made possible in the last funding round so that they can go for additional project based units beyond the 25%. The units will be capped at a 60% rent.

Jacques Morin from Bayberry Building made the comment that all three developers deserve credit for the work they do and how hard it is. He has been in the business for over 33 years and has worked on some 40B projects himself and can appreciate the work that goes into developing these projects. He feels there is a huge impediment on the Cape in building in affordable units.

Paul explained that a lot of the State resources are targeted toward rental housing and there is not a lot out there for homeownership. In terms of the rental market almost all of the 20-30 unit developments they are building in separate building with 2-4 units per building which is more costly. Our least expensive development over the last 4 years is the Village Green development in Hyannis which is two 30 unit buildings at a little over \$255,000 per unit to build. Part of what is driving these developments is the Community and what they want to see built.

Announcement-

Paul reported that only one (HAC's Route 134 Community Housing) of the four projects from the Cape were funded in this last funding round. DHCD funded about half (24) of the approximately 50 funding requests with only 3 of the 24 projects being under 20 units.

Meeting adjourned at 10:23 a.m.

Enclosures:

1. Minutes of October 17, 2013
2. Stable Path -Sources and Uses of Funds
3. Thankful Chases Pathway-Sources and Uses
4. Namskaket Ownership Pro Forma-handout
5. History of HHCC first 25 years-handout
6. Rental Project Monitoring Fees