



Town of Nantucket Finance Committee

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Committee Members: Denice Kronau (Chair), Stephen Maury (Vice-chair), Joseph T. Grause Jr., Peter McEachern, Joanna Roche, Peter Schaeffer, Chris Glowacki, Jill Vieth, George Harrington

MINUTES

Monday, March 8, 2021

*This meeting was held via remote participation using ZOOM and YouTube,
Pursuant to Governor Baker's March 12, 2020 Order Regarding Open Meeting Law*

Called to order at 4:00 pm by Ms. Kronau

Staff in attendance: Libby Gibson, Town Manager; Brian Turbitt, Director of Finance; Rick Sear, Ken Beaugrand, Deputy Director of Finance; Real Estate Specialist; Tucker Holland, Housing Coordinator; Terry Norton, Town Minutes Taker

Attending Members: Kronau, Maury, Grause, McEachern, Schaeffer, Glowacki, Vieth, Harrington

Absent Members: Roche

Late Arrivals: Vieth, Glowacki

Town Counsel: John Giorgio, K&P Law, P.C.

AHTF Members: Chair Brian Sullivan, Brooke Mohr, Kristie Ferrantella, Alyson Mitchell, Penny Dey

Other Speakers: Howard Dickler, resident; Eric Savetsky, Executive Director Nantucket Islands Land Bank; Robert Williams, Land Bank Golf Committee; Aiden Feeney, resident; Posie Constable, Sustainable Nantucket; Ron Turcotte Nantucket Conservation Foundation (NCF); Robin Nydes, non-voting resident; D. Anne Atherton, Nantucket Coastal Conservancy; Rick Atherton; Reema Sherry, AHTF; Meghan Perry, Nantucket Tipping Point

Documents used: Warrant Articles for 2021 Annual Town Meeting.

Adoption of agenda.

Motion **Motion to Approve.** (made by: Grause) (seconded)

Roll-call Vote Carried unanimously//Vieth, Schaeffer, Harrington, Grause, Maury, McEachern, Glowacki, and Kronau-aye

I. ANNOUNCEMENTS

II. PUBLIC COMMENT

1. None

III. COMMITTEE REPORTS

1. None

IV. REVIEW AND DISCUSSION WARRANT ARTICLES FOR 2021 ANNUAL TOWN MEETING (ATM) POTENTIAL ADOPTION OF MOTIONS

1. Article 21 (Appropriation: County Assessment)
2. Article 22 (Appropriation: Finalizing Fiscal Year 2022 County Budget)
Discussion **Turbitt** – These are on the agenda for Thursday. Not tonight.
Motion No action at this time.
Roll-call Vote N/A

Grause – Recused from Articles 23, 24, 38, and 97.

Kronau – A large number of emails regarding these housing-related articles were received today; no motion will be made until we have had a chance to review those emails. Asked Mr. Holland to provide background prior to review these articles.

Holland – Reviewed the Subsidized Housing Inventory (SHI) & Safe Harbor requirements. We are aiming for 490 affordable units for Safe Harbor over the next few years. Reviewed upcoming projects that relate to reaching Safe Harbor. Explained money spent to date towards reaching Safe Harbor. The requested funding would allow the Affordable Housing Trust Fund (AHTF) to have the subsidy available for the 135/137 Orange Street development.

3. Article 23 (Appropriation: Affordable Housing Trust Fund (\$475k))

Discussion

Holland – This establishes and operating budget for the Housing Office. We anticipate the need for expanded staff to handle not only the housing side but the real estate side. We've been running just over \$150,000 a year. It provides allocations for professional services as well. We also have a need for professional services in the realm of architecture and design. We have allocations for marketing and advertising to stay in communication with the public.

Schaeffer – It would make sense to put out a monthly update on what is being considered and where money is being spent. Asked the state definition of year-round housing.

Holland – It's determined by the census process. He would have to confirm the actual definition following this meeting.

Vieth – Asked if the \$475,000 will be asked for every year and added into the budget.

Holland – It would become part of the budget going forward. \$150 of that is for closing cost assistance and \$150 for professional design services.

Vieth – The Town budget will have to find an additional half-million going forward.

Glowacki – Asked if there is back-up information for this request. This needs to be screened with the same level as any appropriation.

Schaeffer – You will need that money every year, but it doesn't have to be an additional article; also, that money can be raised from different locations other than just the Town budget. The only reason we should see a separate request is if there isn't enough in the account to meet expenses.

Holland – He's asking what will be needed to do the job. Today we are talking about how it will be funded. Cited 31 Fairgrounds as an example that will provide an income stream into Housing Nantucket; the money could be used for further developments.

Schaeffer – Asked if each project has different restrictions.

Holland – Yes.

Sullivan – AHTF currently has only one source of revenue, the Town.

Mohr – Often people confuse us with Housing Nantucket, which is a not-for-profit agency. We are a municipal entity.

Vieth – Asked about Community Preservation Committee (CPC) funding.

Beaugrand – CPC procedure is for specific projects, not support services. This year we met AHTF's full request.

Vieth – She would think design services would be covered by CPC.

Mitchell – She was under the impression design services had to do with branding, not architecture.

Holland – It is both marketing and architecture.

McEachern – Asked that line items be itemized before FinCom makes a motion to approve.

Maury – Asked where Town Administration sees this operating budget being funded from going forward.

Gibson – We see this will be its own category under Article 8. It's new and we haven't had the backup to make it an on-going line item; going forward, it will be its own department.

Ferrantella – CPC funding was through AHTF and usually goes to Habitat for Humanity and Housing Nantucket.

Motion

No action at this time.

Roll-call Vote

N/A

4. Article 24 (Appropriation: Affordable Housing Trust Fund (\$7.5m))

Discussion **Holland** – We have money in the pipeline for projects previously outlined. We want to be in a position to plan for what comes in the next 2 years. These funds would allow local funding of developments at 135/137 Orange Street, 24 units. When you do a tax-credit project, you have to have at least 20 tax-credit units. AHTF believes in projects with mixed tiers of affordability. Another reason is not a tax-credit project is the tax-credit process is very competitive and the timing of awarding the funds doesn't always meet the timing of need. 31 Fairgrounds is in a good position to receive an award; if it does get an award, it might be several years before Nantucket would get another award. It is important to have this money available to proceed at our own pace.

Vieth – Asked if the State would pay this money back.

Holland – No; he doesn't believe you can get after-the-fact credit.

Vieth – Between \$892,000 in Article 32 (CPC), \$475,000 in Article 23, and \$7.5 in Article 24, you are asking for about \$9.5m in funding. Also, we are looking at about \$500,000 added to the Town budget in perpetuity.

Turbitt – Regarding CPC Article 32, that funding is for paying off Sachem Path, a project that is already complete.

Discussion about how the money from the three mentioned articles is going to be used.

Mohr – Explained that the CPC grants funds to AHTF and in turn AHTF grants money for housing projects. The \$7.5m is to ensure we have money to allow for flexibility in responding to development opportunities to meet Safe Harbor.

Glowacki – The \$6.75m for 31 Fairgrounds, asked the terms on that.

Turbitt – 50 years.

Motion No action at this time.

Roll-call Vote N/A

5. Article 38 (Affordable and Year-round Housing Stabilization Fund) Arthur Reade, et al

Discussion **Reade** – This is to establish a stabilization funded by taking 2/3 of the Lodging Tax. Its purpose would be to support affordable and year-round housing. The statute provides that the fund would be established, the Town would accept legislation to establish such a fund, and short-term rentals (STR) would be added to the tax for this purpose. STRs generate about 2/3 of the Lodging Tax every year.

Kronau – Asked Mr. Turbitt to explain what the impact would be of creating this fund.

Turbitt – This is allowed with a minimum of 25% revenue source. If it were to pass at ATM, it would start 7/31/2021 at which point 33% would go to the General Fund and the rest to the Stabilization Fund. The money wouldn't be available to AHTF until the allocation from the account is approved at a future ATM; it would require a 2/3 vote. This would create a hole in the Town budget of just over \$2.7m with no way to make it up; making up the deficit would require drastic cuts across the Town.

Kronau – Asked why it has to go into the special fund.

Turbitt – It doesn't have to; we could allocate a portion of the occupancy tax. There are other ways to get to this without creating a special stabilization fund.

Giorgio – One thing about this statute is once the funding source is dedicated to the stabilization fund, it can't be changed for 3 years; it's important to get it right up front. The Town will have an immediate deficit and won't be able to set the tax rate and so won't be able to send out tax bills until that deficit is fixed. You would have to call a STM or override to set the tax rate. The question becomes, is 2/3 the right number.

Schaeffer – Asked if the plan was to use this as an offset against the Land Bank article.

Reade – Not specifically but it did occur to him as an excellent way to offset that. The point about the timing, he wonders if it would be more appropriate to have this take effect in 2023 to allow the opportunity to plan in advance for the deficit.

Vieth – Asked Mr. Turbitt to break down commercial properties versus private properties. The STR money didn't start until last year so we don't have a history of normal years to look at how much STRs contribute.

Turbitt – You still end up with a massive budget shortfall. It doesn't matter if we delay the implementation, we would still be cutting millions in services out of the budget. Also, we budget conservatively, which allows to the Town fund capital projects with free cash and reach a Aaa credit rating. While 100% might not be in the operating budget, it is all used to manage the Town and provide services.

Vieth – We are looking for money for affordable housing. She feels this is a brilliant idea and we should take a strong look at it.

Turbitt – It would be 67% of the room occupancy tax, the total of what we receive. If this were to pass, it doesn't matter what bucket it comes from. Also, doing this requires a 2/3rd majority vote of Town Meeting to take it out of the Stabilization Fund for use by AHTF.

Giorgio – You can't change the percentage from the Lodging Tax or revoke acceptance for 3 years. If you do nothing, money will continue to accumulate in the fund at a rate of 67% of your total room tax. If you find the 67% is too much, you can't lower that amount for 3 years.

Glowacki – Asked if all of these articles require a 2/3 vote.

Giorgio – With the stabilization fund, there are two votes at 2/3 required: to establish the fund and to take money out of the fund.

Glowacki – Asked if there is a "sweet spot" that wouldn't cause the Town budget deficit.

Turbitt – Anywhere between 25 to 30% based upon what we received this year.

Schaeffer – Most people are in favor of coming up with money for affordable housing. Perhaps one thing we should study is what will provide that revenue source.

Giorgio – He doesn't know if anyone has considered the other provision of the STR law which is to assess a 3% community impact fee on all STRs.

Reade – He thinks the Town and Island residents are aware of the need for a reliable source of funds for affordable housing. He feels it would be easier to get 2/3 vote to appropriate funds already set aside than to get votes for borrowing authorization. He'd be amenable to a recommendation to start it in FY2023 so as not to mess up the FY2022 budget.

Vieth – Asked Mr. Holland's and Ms. Mohr's about adding the impact fee.

Mohr – That impact fee would be equivalent to 50% of what this article projects to provide.

Kronau – The 67% sounds feasible if we had 5 years of normal history to reference. We are talking about a percentage of numbers that aren't as reliable as we would like.

Giorgio – Town meeting would have to vote to raise the STR tax an additional 3%.

Sullivan – When the Select Board had the opportunity to set the STR tax, there was a lively discussion to keep it at 2%. It has been absorbed as a luxury tax and has not affected rentals. Also, there were discussions about how the money from the tax would be used for water quality. He's concerned about adding another 3%.

Maury – The community impact fees can only be applied to professionally managed rental units.

Giorgio – If you accept the 3% on professionally managed STRs, you can also adopt a 3% impact fee on private-managed units. If you don't occupy the unit, it is considered a professionally managed unit.

Maury – Believes professionally managed applies to having 2 or more rental units on Nantucket.

Kronau – The article couldn't be amended to include the impact fee because that is way outside the scope of Mr. Reade's article.

Maury – Asked if it would be within the scope of this article to designate a specific sum rather than a percentage.

Giorgio – It has to be expressed as a percentage and not less than 25% of that revenue stream. The statute that applies to creating a stabilization fund requires a minimum of 25%.

Glowacki – Asked for an update on the real estate transfer tax.

Holland – Our local home rule petition was resubmitted into the current session. Multiple municipalities have submitted similar petitions. It’s not guaranteed to pass but it is getting greater attention. Annual revenues would be around \$3.5m based upon 2020 data.

Vieth – The 25% is looked at as a levy tax.

Giorgio – The 25% minimum is on the lodging tax as a whole; it can’t be restricted to STRs.

Mohr – Confirmed any change to the stabilization fund would have to be approved at ATM. Mr. Turbitt indicated the Town Administration could opt to allocate money for affordable housing; asked the process.

Gibson – It’s not Finance and Town Administration; we would make a recommendation to the Select Board. We could consider for FY2022, in Article 8 to add an amount of \$X for the Housing Office, which would be part of their operating budget.

Motion No action at this time.

Roll-call Vote N/A

6. Article 97 (Home Rule Petition: Allocate Portion of Land Bank Real Estate Transfer Fee to Support Year-Round Housing) Brooke Mohr, et al

Discussion **Mohr** – Recusing from the AHTF meeting. She read a statement regarding why she submitted this article; we’ve had a housing problem for years and it has accelerated rapidly. There seems to be no consensus on a solution to this problem. There is a very strong real estate lobby against further transfer fees.

Dickler – Reviewed Land Bank finances, which is a matter of public record. Their assets stand at about \$37m. This article is asking for 25% of Land Bank’s income to provide for operations and property acquisition.

Mohr – Mr. Holland has presented details on spending of the allocated \$25m granted AHTF. Based on 2019 data, the multiple of medium income to medium property market value was 16. In 2021, it is much more. The current operations of the Land Bank will not be devastated but it might slow their land acquisition. There is only about 4% of undeveloped land not held by conservation groups. Annual medium income has gone up 150% but property sale price has gone up 203%. Sharing this income source for 20 years is a viable option.

Vieth – She would like to hear Ms. Mohr’s view on how to meet the monetary needs of AHTF for the next 5 years.

Mohr – This article was proposed when there were no options on the tabled It is this committee’s job to figure out the best combination of funding. We believe \$5m is needed; a combination might be better than a single funding stream due to each having different restrictions.

Schaeffer – You should be thinking of this on perpetuity, not 5 or 20 years. AHTF doesn’t care where the money comes from as long as there is easy access to the needed funds. He feels it should be from one source; because it would get very complicated otherwise.

Mohr – She wishes people would commit to funding in perpetuity. \$100m over 20 years is a huge ask and single source is easier. However, AHTF already gets buckets of money from different sources and has no problem in the execution of that.

Maury – Asked what it would look like if all funding sources come to fruition at the same time.

Mohr – Not sure what infrastructure we would need beyond what we’re currently doing. We can’t do it all at once even if we had all the money now because we would fall out of Safe Harbor. There is a way to craft this so that it might not be all the money but would be sufficient to get things done. If the money were used just to build out Safe Harbor, we wouldn’t have money for the equity sharing program or other programs to help home buyers.

Vieth – Asked if Ms. Mohr has ever worked with the Land Bank to buy a property then change it through zoning so there would be protected space and an affordable home.

Holland – There has been outreach to Land Bank to look at things within their lane to further both conservation of land and conservation of people goals but haven’t as yet come to an

agreement. We are entering our first collaboration with 31 Fairgrounds where Land Bank holds the conservation restriction. We hope there will be more such opportunities.

Vieth – Asked, if since the \$25m was allocated, has it been used to get people into homes.

Holland – There are a couple of Habitat homes under construction now; there are several significant projects underway that within the next 12 months, about 49 families will be in housing created.

Glowacki – Won't everything on this page get you to Safe Harbor.

Mohr – Richmond Development construction timeline finishes is 2025; in the meantime, we have to create 24 SHI eligible homes every year.

Glowacki – Asked how many years of the Land Bank share would be needed to meet SHI requirements.

Mohr – About \$19m to \$20m over 4 years.

Glowacki – You raised the issue about taking this from Land Bank or other sources.

Mohr – The Land Bank fee is the most flexible source of funds for AHTF. The housing bank bill is restricted at 175% annual medium income (AMI) leaving a gap up to 200% AMI. This is all in a chart on page 15 of the posted supplemental package. There is still a legislative process of about 1 or 2 years to pass for the Land Bank share. Asked what the limitations on borrowing are.

Turbitt – We'd have to run it by Bond Counsel for their approval. Borrowing can never be used for operational expenses.

Holland – The \$5m of the \$25 is restriction to 100% AMI only.

Motion No action at this time.

Roll-call Vote N/A

Kronau – We will be looking at these articles for a vote on March 23rd. Opened to public comments at 6:08 p.m.

Savetsky – On behalf of the Land Bank, we speak in unanimous opposition of Article 97. The Land Bank was established to counter over development of Nantucket 37 years ago. We became a model for nation-wide open-space conservation. We understand the needs for affordable housing; we encourage the Town to consider the other four articles, which amount to over \$14m for AHTF.

Williams – The Land Bank does more than acquire land; the Miacomet Golf Club is a huge resource. Land Bank has also coordinated with the Town for care and restoration of the Island's great ponds. No other organization has the ability to address protecting Nantucket from sea level rise.

Feeney – He grew up on the Island and moved off; he came back because of the Land Bank and Sustainable Nantucket. He's not against affordable housing but Nantucket's efforts toward conservation is what he is most proud of. Asked FinCom not to approve Article 97.

Constable – When she moved to Nantucket last year, she took on the roll of managing Sustainable Nantucket. Cited examples where Land Bank helped lead to Sustainable Nantucket's success. Urged FinCom not to move forward with Article 97.

Turcotte – Nantucket Land Council opposes Article 97 and wants to keep the 2% transfer fee in its entirety going to the Land Bank. As we move into coastal resiliency planning in the face of sea level rise, the Land Bank needs to be able to move quickly to purchase beach-front property. We oppose the article.

Robin Nydes – We endorse Article 38 representing the STR and (article) pairs to Article 38. Also, suggested FinCom, Ms. Mohr, and Brian to think big regarding the STR and sit down with financial specialists.

Reade – He was around in 1983 and helped draft the initial land bank legislation and helped get it through Beacon Hill. The Land Bank is very important; conservation on Nantucket is very important to preserve the outlying lands of Nantucket. He shudders to think what Nantucket would be like without that. There are still important parcels of land that should be

acquired; if conservation organizations don't acquire them, they will be developed. You need to be able to acquire the land when it is available. Don't pit conservation against housing.

Mitchell – As a private citizen, she supports Article 97, it is the one that would not affect the Town budget or taxpayers. She's a huge fan of the Land Bank. It's important to note that over the past 15 to 20 years, Land Bank has made expenditures for housing for their own employees; it is clear they understand the need for housing. As housing advocates, we are asking to tap a source that we believe would be the simplest and quickest to help us get work-force housing. My husband and I are exactly the family that can't buy into the market without help.

D.A.Atherton – On behalf of Nantucket Coastal Conservancy, we will get a written statement regarding our stance on this article to FinCom. One point we need to think about is the far-sightedness Nantucket planners had on the need to conserve land. Currently the issue facing the Island for the next 50 years is dealing with sea-level rise and climate change. The Town is working on a coastal resiliency plan; we are uniquely positioned to have Land Bank acquire land to help deal with this threat. Defunding them at this time would not be prudent.

R.Atherton – Speaking as one who had a significant role in getting the \$25m approved, it's unfortunate to reach the point where we want to take away from Land Bank. There are far too many unknowns to think about long-term funding of these significant amounts. He supports the \$7.5m for this year and next year.

Sherry – She has been working with AHTF for 5 years; we've been a fund without funding for a long time. She's a proponent of this article. Keep an open mind about sharing this income for a desperate need. She believes the Land Bank will continue to function without the full 2%. We would remove a lot of stress and over crowding and this is the most efficient, easiest and temporary solution. Hearing about golf when working people are living in cars and can't afford to pay rent is ridiculous.

Savetsky – Appreciates the financial analysis AHTF did. We did an impact analysis and found that if we lost 25% of our revenue stream, our acquisition would be cut in half after all other expenses are met.

Mohr – She hasn't seen where climate or coastal resiliency is part of Land Bank's mission; before we amend their mission to deal with a future problem, we should deal with a long-existing problem. Thinks this is the only article that doesn't impact the Town budget or revenue sources. She had 9 phone calls this week from people in imminent danger of losing their housing. Employer housing leads to the equivalent of indentured servitude. People should have the freedom to switch jobs or increase their families without losing their housing. AHTF spends every dollar they get.

Perry – She sent a lengthy letter on December 6, 2020 to the Select Board which highlights a few things Land Bank does for the community: playgrounds, porto-potties, etc. She recently sent that letter to FinCom. Land Bank is more than walking trails. She supports not taking money from them.

Sullivan – Took a motion to adjourn AHTF meeting at 6:45 p.m.

V. NEXT MEETING DATE/ADJOURNMENT

Date: Tuesday, March 9, 2021; 4:00 p.m.
Thursday, March 11, 2021; 4:00 p.m.

VI. OTHER BUSINESS

None

Adjournment:

Motion **Motion to Adjourn at 6:46 p.m.** (made by: Vieth) (seconded)

Roll-call Vote Carried unanimously//McEachern, Vieth, Glowacki, Harrington, Maury, Grause, Schaeffer, and Kronau-aye

Submitted by:

Terry L. Norton