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MARTHA'S VINEYARD HOUSING NEEDS ASSESSMENT

Interim Report #3 Recommendations for Addressing Priority Housing Needs



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MARTHA'S VINEYARD
HOUSING NEEDS ASSESSMENT
Interim Report #3
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MARTHA'S VINEYARD HOUSING NEEDS ASSESSMENT

Interim Report #3

Recommendations for Addressing Priority Housing Needs

1. Executive Summary

It is estimated that approximately one-third of the Island is already developed, another third is preserved as open space through conservation restrictions, and the remaining third includes potentially developable property, albeit some of this property is likely to have significant development constraints. As the Island continues to grow and the economy continues to improve, there will be greater market pressures on what property remains available for development. Consequently, good planning and the pursuit of opportunities that direct growth in appropriate scale and locations and that are also “needs driven” is fundamental to the future prospects of each community and the Island as a whole.

This Housing Needs Study provides an opportunity to reflect on what has been accomplished during the last decade, what socio-economic changes are occurring that impact housing needs, what resources are available to support housing development and services, and what should become priority opportunities for addressing pressing housing needs in the future. This report provides recommendations for focusing the housing agenda on the following key elements:

- *Identifying development opportunities that provide some greater scale and density in appropriate locations.* This study has chronicled the excellent work that has been accomplished by the Towns, employers and local housing providers, particularly given the heavy reliance on the creative packaging of local subsidies. However the strong inclination towards small projects and single-family homes has been more expensive than typical off-Island developments, has been difficult to manage across the Island, and has not served those with the greatest needs. This report suggests a balance between larger projects that can take advantage of economies of scale in appropriate locations and continued smaller infill projects with a greater focus on those with more limited income. Specific recommendations include the following:
 - Identify developable property that is more conducive to higher densities and economies of scale
 - Continue to respond to development opportunities as they arise
 - Provide deeper subsidies to reach lower income residents
 - Explore additional Island-wide housing programs
- *Adopting zoning and regulatory changes that will better utilize existing developable property in a “smarter” way and include affordable housing.* Zoning is a powerful

tool for not only directing growth, but also for insuring the integration of public benefits such as affordable housing. Growth on Martha's Vineyard is largely dictated by six (6) separate Zoning Bylaws, which differ significantly in what can and cannot be built. This report suggests the following strategies for supporting more types of mixed-income or affordable housing options in suitable areas, offering essential incentives and regulatory support:

- Allow multi-unit affordable and community housing in appropriate areas
 - Permit the development of smaller and nonconforming lots (or remainder lots) for affordable housing
 - Promote nontraditional forms of housing to meet diverse needs
 - Offer incentives for year-round rental housing
 - Revisit MVC's Affordable Housing Policy
 - Use IHT ground leases on all subsidized permanent housing units
 - Expedite permitting for affordable housing development
- *Accessing new and expanded housing resources to produce housing that best meets housing needs and production goals.* The loss of the Island Affordable Housing Fund represented a significant setback with respect to Island resources for housing organizations and various types of initiatives. Island communities have stepped-up and committed significant amounts of local resources, including land and CPA funding, towards housing efforts. However, substantially more resources will be required in the years ahead to meet production goals of 50 units per year and reach those lower income households with the greatest housing needs.

This report estimates that approximately \$10,275,000 per year in total gap financing will be required to meet these goals, of which a substantial portion should be able to be covered by state and/or federal financing.¹ The annual housing production goal will likely have to be reduced, at least during the next several years, until new funding streams can be tapped. A goal of 30 units might be more reasonable in the short-term, reflective of the average number of affordable and community units that were produced annually over the past decade and representing a reduction of the estimated amount of subsidy needed to somewhat more than \$6 million.

While some options for raising funds for affordable housing have either been political "hot potatoes" or have been stymied in the past, new or renewed efforts to secure sufficient resources include the following:

- Continue to donate publicly owned property for affordable or community housing

¹ Assumes a split of 80% rentals to 20% homeownership units and the following income distribution for 50 units per year (see strategy 2.1.3 for details):

- 10 units for those earning at or below 30% AMI (all rental)
- 10 units for those earning between 30% and 60% AMI (all rental)
- 27 units for those earning between 60% and 80% AMI (20 rentals and 7 ownership)
- 3 units for those earning between 80% AMI and median income (all ownership)

- Recapitalize DCRHA units
- Explore taxes or special fees on seasonal rentals properties
- Reach out to private donors
- Establish an Emergency Fund for those at risk of homelessness
- Obtain Dukes County funding for its Associate Commissioner for the Homeless position
- Secure special funding for CDC's
- Adopt fee waivers or reductions for affordable housing

Another theme that emerges in this report is the need for greater regional collaboration. While recognizing the impressive sharing of resources to date through the Rental Assistance Program and DCRHA administrative costs in particular, more opportunities to work together to promote Island-wide interests should be pursued.

2. Recommendations

The recommendations included in this report are the cumulative result of prior work that has been accomplished as part of this Housing Needs Study. For example, Interim Report #1 – by documenting demographic, economic and housing characteristics and trends, affordability gaps, and priority housing needs – provided a statistical context for this package of strategies with projected production goals. This first report suggested a split of 80% of year-round rental units to 20% affordable homeownership with approximately 50 subsidized, deed-restricted units created annually. This production goal was based on serving the Island's most vulnerable populations, addressing the needs of an expanding workforce as part of the lower paying service economy, and reflecting the fact that almost all state and federal funding is for rental unit development.

This first report also identified two (2) major demographic trends that have emerged during the last couple of decades and suggested the need to focus on providing additional housing opportunities for both families and seniors. For example:

1. *Those ages 25 to 44, which include most of the young families, decreased by 224 residents, declining from 36.6% to 24.4% of the total population between 1990 and 2010, while the overall Island population grew by 42.1%. This group, largely the children of the baby boomers, simply do not have the economic wherewithal to afford housing in today's market, and as the figures indicate, many have left the Island. More housing oriented to attracting and retaining families on the Island is "critical to the lifeblood of our communities", stated one housing official.*
2. *Residents between the ages of 45 and 64 increased from 2,158 in 1990 to 5,645 by 2010, an increase of 162%. These residents, many of whom are part of the baby boom generation, comprised 18.5% of the population in 1990 but grew to 34.1% in 2010. Additional housing for the growing number of seniors is needed to enable them to remain in their homes for as long as possible and downsize to affordable housing that is more conducive to their current lifestyles and pocketbooks. An indicator of this need is that quite a few Housing Rehab Program participants have eventually*

sold their homes in order to downsize and have moved off-Island to do so. Greater consideration must also be made to integrate handicapped accessibility and supportive services into new development. While seniors need more affordable housing options, their financial assets, built-up equity in particular, may disqualify them from housing assistance programs.

Interim Report #2 described a viable organizational structure on the Island that has the interest and capacity to continue to provide important housing and supportive services. The recommendations included in this third report build on the important work that has been accomplished by these housing providers, focusing on development opportunities, zoning changes, and potential new or increased resources for supporting housing initiatives.

In addition to the previous two (2) Interim Reports, these recommendations also emanate from a number of important sources including the following:

- Ongoing discussions as part of regular meetings of the Housing Needs Assessment Study Committee;
- Meetings with housing providers on the afternoons of February 13 and 19, 2013;
- Meetings with community representatives in the evenings of February 13 and 19, 2013;
- Individual interviews with Island stakeholders;
- Recommendations included in previous Plans including the *Island Plan* and *Preserving Community*;
- Research on what has worked in other communities with respect to affordable housing production; and
- The consultant's experience in other areas of the state, Cape Cod communities in particular.

2.1 Development Opportunities

It has been suggested that there is a strong sentiment on the Vineyard of the need to preserve a way of life, even if it might mean missing an important development opportunity. Like many places, there is comfort in the status quo and suspicion about change, particularly if that change implies new development in one's own neighborhood. Change, however, is an ongoing occurrence as Island communities continue to grow. How best to guide this growth and protect not only the Island's natural resources but also its essential workforce is both critical and challenging.

There is also a growing concern about how people will be able to afford to remain in their homes or on the Island at all. Given the high cost of living on the Vineyard, housing chief among them, there is certainly a broad recognition that there are huge gaps between what many current or new workers can afford and the housing that is available. Children who grew up on the Island are now facing the very likely possibility that they may not be able to return to raise their own families locally. Young adults have few housing options, and are often doubled up with parents. Long-term residents, especially the elderly, are finding themselves spending far too much on their housing, less able to maintain their homes, but also hard-pressed to find alternative housing that better meets their current lifestyles and

fixed incomes. The high costs of living in combination with unstable employment patterns, particularly during the winter, are threatening the security of families across the Island. Seasonal workers are particularly hard-pressed to find safe, decent and affordable housing in close proximity to their jobs despite the growing provision of employee housing by a number of Island employers.

More housing options are clearly required to address diverse local needs. Recommendations to boost housing production and meet production goals are summarized below but will also rely heavily on the ability to access new revenue streams for affordable housing development as discussed in Section 2.3.

2.1.1 Identify developable properties that are more conducive to higher densities and economies of scale.

Given the scale of the need, multi-family housing in appropriate locations and with economies of scale will be required. There is some precedence for higher density housing on the Island, including several Island Elderly Housing (IEH) and Morgan Woods. While federal and state funding sources to subsidize housing have experienced cutbacks and are becoming more competitive, they do exist and could be accessed for new development.

As was brought up during a meeting of housing providers, there tends to be a greater tolerance for change and growth in areas outside of the Vineyard. The typical scale of rental development on Cape Cod is in the 24 to 40-unit range, which is generally reflective of what works best with available subsidy programs. The Boston area frequently encounters even larger developments while on the Vineyard most projects are less than ten (10) units. The predisposition towards smaller development has been strong on the Island, however economies of scale are important in producing affordable housing. As documented in Interim Report #2, higher density projects that were able to take advantage of some economies of scale, such as Morgan Woods and some off-Island examples, had a number of benefits:

- Less costly per unit on average;
- Able to access more traditional state and/or federal housing subsidy programs that substantially leveraged local resources; and
- Addressed a range of incomes including units for extremely low and very low-income households.

This report recognizes that larger sites are more difficult to come by and are likely to generate more substantial political pushback given the predominant Island predilection towards smaller-scale housing production, single-family homes in particular. However, it is also acknowledged that some towns have larger parcels available that are likely to be suitable for some clustering of housing, including affordable housing, through use of the “friendly 40B” process or rezoning (see Section 2.2.1). For example, a sizable parcel in an ideal location in Oak Bluffs may become available as part of negotiations with the Land Bank on a land swap.

It certainly makes sense to concentrate multi-family housing development in areas with existing infrastructure to minimize negative impacts to natural resources, especially water quality. However towns with sewer services should not have to bare the burden of

housing development that will benefit residents Island-wide. Regional efforts to support such developments should be pursued including some mechanism to do effective cost sharing (schools, and infrastructure: water, wastewater, and roads) for such projects (see strategy 2.3.1?).

It should be noted that other larger developments, such as the Bridge Commons project for example, have become targets of community opposition. The Martha's Vineyard Commission, which reviews these projects as part of its Development of Regional Impact (DRI) process, has spent hundreds of thousands of dollars in legal fees in its defense of several affordable housing projects. *Continued advocacy for worthwhile projects, including support from local leaders, will be crucial to effectively directing housing resources to appropriate locations in the future.*

Model: Lake Street Affordable Housing

Chatham provided CPA funds (\$17,000 in predevelopment funding and \$300,000 in gap financing) to help leverage state funding to increase the affordability of a "friendly" Chapter 40B project on an approximately seven-acre parcel on Lake Street. The parcel included about 5.4 acres owned by the Chatham Housing Authority (CHA), next to an existing affordable homeownership development (Chatham Homeownership Opportunities), and a one plus acre lot owned and donated by the Town to the project. The development includes 47 rental units developed by The Community Builders (TCB), and another three (3) new homes built by Habitat for Humanity of Cape Cod. All of the units are affordable and are included in the Subsidized Housing Inventory. The TCB rental development includes three (3) units for those earning at or below 80% of area median income, and the remaining units were targeted to several income tiers below, including those earning at 30%, 50% and 60% of area median income. TCB manages the property and CHA is responsible for any resales of the Habitat houses, the first that was resold in 2011.

2.1.2 Continue to respond to development opportunities as they arise

Development organizations have responded to opportunities to build affordable housing as they arose, which have largely been properties that have been donated or offered at discounted prices. As indicated in Interim Report #2, these projects often involved the following characteristics:

- Small, scattered site developments
- Sites often included existing structures that were expensive to rehabilitate and manage
- Use of local subsidies such as the IAHF, CPA, and donated or discounted property
- Higher average development costs than larger projects
- Creative collaborations of organizations
- Less abutter interference due to the smaller scale development
- Insufficient ongoing operating costs built into projects that have become more problematic with increasing unit turnover²

² Most state and federally-funded rental housing has come with ongoing operating funds that subsidize the limited rents that lower income households can afford.

Given the limited availability of developable property, particularly property that can be acquired at little or no costs, this more reactive approach to affordable housing development will continue. However, this report suggests that these smaller development opportunities include the following key components:

- Provide properties at nominal cost, which represents a significant project subsidy given the high property acquisition costs on the Island (some of the higher costs associated with IHT projects have related to the need to cover some acquisition costs).
- Support sufficient subsidy levels to adequately cover ongoing maintenance costs (the costs associated with small scattered projects throughout the Island are understandably higher).
- Take advantage of site conditions to maximize the number of units while developing units that remain harmonious in design to the surrounding neighborhood and adhere to Title V requirements.
- Adopt deed restrictions through IHT's ground lease for all subsidized units to insure long-term affordability of this valuable housing inventory (affordability restrictions protect taxpayer and community investments yet still allow the purchaser to build some wealth and realize financial gain at a rate of return greater than if they had invested in the stock market or a ten-year Treasury bond with lower rates of delinquency and foreclosure.)³
- Focus on providing rental units to those earning at or below 60% AMI with at least 10% and up to 25% of the units targeted to those earning at or below 30% AMI (see 2.1.3 below).
- Focus on providing homeownership units to those earning at or below 80% AMI with up to one-third of the units directed to those earning within median income (see 2.1.3 below).

2.1.3 Provide deeper subsidies to reach lower income residents

There has been some sentiment on the Island that affordable housing is not really affordable as it is too expensive for many residents. As documented in Interim Report #2, DCRHA-owned rental units typically rent in the 60% to 75% AMI range. While these units provide important below market, year-round rental units, they are not able to reach those below this income level, the typical target of public housing agencies and those who are most in need of rental units based on the findings of Interim Report #1 and the waitlist summarized in Table 2-3 of Interim Report #2. It should be noted that DCRHA's Rental Assistance Program has been demonstrating some real success in reaching those in the 40% to 54% AMI range, and thus increased funding for this Island-wide initiative is proposed in this report (see strategy 2.1.4).

Without ongoing rental subsidies, such as project-based Section 8 assistance, or deeper subsidies in project development, some households simply do not have enough income to

³ Thaden, Emily, "Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts", 2011 Lincoln Institute of Land Policy; and Temkin, Kenneth, Brett Theodos and David Price, "Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-term Affordability Controls, Urban Land Institute, October 2010.

access affordable housing opportunities when they become available, for both homeownership and rental. For example, Morgan Woods has provided eight (8) affordable units to those earning at or below 30% AMI but most of the other units are still well beyond the means of many low-income residents. Also, DCRHA has experienced greater recent unit turnover because tenants have lost jobs or income and can no longer afford to rent at even the Housing Authority's subsidized rent levels. Young adults are also finding it very difficult to find housing and many must still rely on their families for support. There are plenty of stories about families living in garages, workers using privately owned homes during the winter without permission, unscrupulous landlords gouging workers for high rents under substandard and overcrowded conditions, etc.

Deeper subsidies are needed to assist those who have very limited financial means, in fact those with the greatest needs. Interim Report #1 estimated that at least 200 rental units are needed for those earning below 30% AMI with another 200 for those earning between 30% and 50% AMI. The report suggested that deeper subsidies are needed to target at least 50% of new rental units to those earning at or below 60% AMI with 10% to 25% for those earning below 30% AMI. This will be an expensive undertaking and additional housing resources will be required, which are proposed in Section 2.3 of this report.

In regard to rentals, assuming the availability of some economies of scale and higher density, a 20-unit development with development costs of \$300,000 per unit would require approximately \$5 million in subsidy with \$6 million in total development costs to reach a range of household incomes, assuming for example five (5) units for those households earning at or below 30% AMI, another five (5) for those earning within 50% AMI, and ten (10) earning at or below 60% AMI.

Rental: 40 units per year

Estimated distribution of units by income level

10 units for those earning at or below 30% AMI

10 units for those earning between 30% and 60% AMI

20 units for those earning between 60% and 80% AMI

Cost implications: Gap of about \$9 million per year (\$225,000 per unit) assuming total development costs of \$12 million (\$300,000 per unit) with rental income of about \$330,500 and operating costs of approximately 60% of rental income.

If more units were created for those earning up to 80% AMI, who could pay more rent, the amount of subsidy required would be reduced correspondingly.

Higher costs and affordability gaps in addition to wait lists suggest the need for deeper subsidies for homeownership units as well. For example, a house that costs \$350,000 to build would be priced at about \$200,000 (assuming 95% financing through the Soft Second Program for example) to a household earning at 70% AMI, based on state requirements under the Local Initiative Program (LIP). This implies a subsidy of at least \$150,000 per unit to get units counted as part of the SHI. Those houses targeted to households earning at median income would involve purchase prices of about \$275,000 (assuming 80% financing), providing some marketing window by targeting purchase

prices to those earning about 90% of median income and suggesting a subsidy of approximately \$75,000 per unit.

Homeownership: 10 units per year

Estimated distribution of units by income level

2/3 or 7 at or below 80% AMI

1/3 or 3 between 80% AMI and median income

Cost implications: \$150,000 per house to get down to the 80% AMI level and \$75,000 for the median income. Assume two-thirds at 80% level or \$1,050,000 per year and \$225,000 for the community housing units for a total of \$1,275,000 per year.

Totals (Rental and Ownership): 50 units per year

Estimated distribution of units by income level

10 units for those earning at or below 30% AMI

10 units for those earning between 30% and 60% AMI

27 units for those earning between 60% and 80% AMI

3 units for those earning between 80% AMI and median income

Cost implications: \$10,275,000 per year in total gap financing required, of which a substantial portion should be able to be covered by state and/or federal financing.

Plus ongoing rental subsidies

RAP = \$500,000 + and about 80 served

Rental subsidies (HAC) = 32 units (from federal and state government)

If more homeownership units were created for those earning up to median income or even above median income, the amount of subsidy required would be reduced correspondingly. Similarly, if fewer rental units were created at the lowest income levels, such as 10% instead of 25% of units for those earning below 30% AMI, there would be significantly less subsidy required. Also, the two-family house should be considered for homeownership to promote greater affordability (see strategy 2.2.3).

2.1.4 Explore more regional collaboration and additional Island-wide housing programs

In a spirit of true collaboration, the Towns and housing providers have been creative in forming partnerships to produce affordable and community housing units and provide supportive services. A list of some of these collaborations is included in the introductory section of Interim Report #2.

There has also been some significant precedence for regional collaborations on the Island. For example all Island communities support staff costs and the Rental Assistance Program administered by the Dukes County Regional Housing Authority. This organization has also taken on a host of other activities in support of Town programs including the management of wait lists and lotteries, West Tisbury's accessory apartments, homesite efforts, and Noyes Building property management to name a few. Moreover, Island-wide efforts have been further implemented through TRI's Housing Rehabilitation Program and childcare funding through the Community Development Block Grant (CDBG). There are

also joint meetings of representatives from each community through Island-wide Board of Selectmen meetings, the Joint Committee on Affordable Housing, the Martha's Vineyard Commission, the Dukes County Commissioners, and the Study Committee overseeing this Housing Needs Study for example.

In an effort to continue to work together towards common goals, there are a number of other measures that the Island communities might consider including:

- Promote joint meetings of the Towns' Housing Committees and Planning Boards to discuss housing issues and work together to promote efforts to address local and regional housing needs, particularly in regard to zoning changes (see Section 2.2).
- Adopt a more holistic approach involving nontraditional collaborations between housing advocates and other service providers and conservation interests to promote affordable housing. For example, it would likely be productive to work with conservation organizations on development opportunities that are sensitive to the environment.
- Engage potential partners such as the hospital, schools, and other large private employers to promote the housing agenda.
- Increase communication and cooperation between HAC's Weatherization Program and TRI Housing Rehab Program.
- Other opportunities to share resources through special funding programs are discussed in Section 2.3.3.

There has also been a strong sentiment during the course of this study that specific housing initiatives should originate at the local level. This has in fact been the case with any number of new housing efforts as some localities pioneered special programs such as Edgartown's Buy Down Program, West Tisbury's accessory apartment program, and resident homesite opportunities in several communities. These communities should justifiably be proud of their homespun initiatives.

It may now be time to consider some further regionalization of various housing programs. With additional operational support, Island housing providers could extend their services and partner with the Towns on some of the effective local initiatives on an Island-wide basis. This would provide a number of benefits including:

- Reduce amount of time and oversight needed by each community in program operations;
- Provide cost efficiencies through a centralized approach;
- Reduce confusion regarding varying program terms and conditions as all communities would work with DCRHA or other organizations on common program requirements; and

- Enable communities to share resources and pool CPA or other funding commitments towards achievable goals (see strategy 2.3.3).

In fact, the *Island Plan* recommends that an Island-wide application process be established for all affordable and community housing initiatives, administered by the Dukes County Regional Housing Authority. DCRHA would also implement Island-wide local preference standards that include those who live and work on the Island as opposed to any particular Town.

Such extended responsibility for housing initiatives could possibly include the following programs:

- *Additional Rental Assistance*
Given the success of DCRHA's Rental Assistance Program and the current waitlist, this report suggests expanding program funding. This is particularly important in light of the program reaching lower income households in the 40% to 54% AMI range.

As described in strategy 2.3.5, another option would be to introduce a special program to help qualifying households access rental housing in the private market. The Town of Harwich established a Rental Assistance Revolving Loan Program to provide qualifying households with first, last and/or security deposits for rental units through CPA funding. The introduction of such a program on an Island-wide basis should be explored with DCRHA taking the lead in administering the program with sufficient operating support.

- *Homesites*
All towns have some form of homesite or youth lots bylaw, each with their own set of requirements, that have resulted in four (4) homesites in Chilmark, six (6) in Aquinnah, and 26 in Edgartown. IHT has recently been involved in providing ground leases for the homesites in Aquinnah and Edgartown, and DCRHA has provided assistance with any resales. Purchasers have been left to determine what they can afford to build, to select a builder, and to access necessary financing. While some purchasers have fared fairly well with the Town's housing committees have provided important guidance, others have encountered difficulties and significant delays in building their homes.

The individual communities that remain interested in pursuing resident homesite development but might consider a couple alternatives in program implementation:

- Convey identified property to HabitatMV for development
- Work with IHT on establishing Island-wide program requirements, with IHT providing the selected purchasers who would choose a home based on several specific affordable housing models. IHT would also work with the purchaser to bid the work, select the contractor, and conduct inspections before progress payments are made. DCRHA would be involved in the lottery for selecting the purchasers, including those for any resales.
- Provide a specific amount of CPA subsidy per house model to insure affordability.

- Use lots for a House Moves Program, providing the property that is necessary to reuse structures that are slated for demolition. IHT could potentially be involved in overseeing the actual move and property improvements with DCRHA coordinating the selection of occupants and potentially managing the property if it was determined to maintain the property as rental. Funding would be required for the move, improvements and program administration (see below).
- Consider the development of even smaller lots for development as long as they meet Title V requirements.
- Consider for the introduction of a two-family dwelling type that includes an owner's unit and a year-round rental unit (see strategy 2.2.3).
- Reduce income eligibility to median income or less.
- Apply the IHT ground lease to all homesites.
- Consider the development of several rental units on the homesites to be developed by IHT and managed by DCRHA.
- Explore the use of such sites for the tiny houses shown in strategy 2.2.3.

(Note that IHT, DCRHA, and HabitatMV have not seen these recommendations.)

- *House Moves*

The Towns of Edgartown and West Tisbury have demolition delay bylaws that present opportunities for the reuse of existing structures for affordable housing. Edgartown's bylaw requires notification to DCRHA and a notice in a local newspaper of any applications to demolish a house. However, without places to move an existing home or funding to support the move much less improvements and administrative costs (for overseeing the move, rehab and the selection of occupants), this program has worked only marginally. HabitatMV has however been able to the strip houses that were slated for demolition, using some of the materials on their builds.

Model: Nantucket's House Moves Program

Nantucket's program provides significant subsidies of approximately \$220,000 per move to support its program, largely through CPA funding. All houses will ultimately be renter-occupied for those earning between 60% AMI to median income. The homes are moved onto scattered sites that have been largely owned by the Town and conveyed to Housing Nantucket (a non-profit organization that is an offshoot of the Nantucket Housing Authority) through a Request for Proposals (RFP) process. The Town provides the land at nominal costs. Housing rehab has averaged about \$210 per square foot with an additional \$60,000 for utility hook-ups.

While efforts to move houses that will be demolished present obvious opportunities to create affordable housing, existing provisions are not facilitating such development. Surmounting the logistical challenges, will take resources – both land on which to move the properties and funding to make the necessary improvements and oversee occupancy.

- *Accessory Apartments*
As noted in strategy 2.2.3 and 2.2.4, all Island towns have provisions for accessory apartments, but only West Tisbury has made significant progress in promoting these units. While accessory apartments are unlikely to meet all of the state provisions for inclusion in the Subsidized Housing Inventory (SHI), they still meet a pressing need for smaller, year-round rental units. An Island-wide initiative to encourage these units might be explored, perhaps based on the program that has been implemented in Wellfleet (see Section 2.2.4 for more details). As DCRHA has been an effective partner with West Tisbury on their accessory apartment program, it is the likely entity to potentially coordinate an Island-wide program with additional administrative support.
- *Buy Down Program*
Edgartown introduced a *Buy Down Program (BDP)* that provides a subsidy of \$200,000 to moderate-income purchasers to “buy down” the purchase price of existing homes on the market. All subsidies involve accompanying deed restrictions to keep the homes affordable in perpetuity based on the Town’s own covenant. After subsidy mortgage financing varied from \$150,000 to \$225,000. Additional costs averaging \$18,996 per participant that included legal fees, management costs, repairs, etc. The Town has invested \$1 million in the Program thus far, the subsidy resulting from negotiations related to the Field Club luxury development in lieu of affordable units that included \$1.8 million for three (3) lots.⁴

With housing prices increasing, the costs of this program might be becoming prohibitive, however, some discussion of its applicability to other communities should be explored.

- *Emergency Assistance*
Emergency funding to support the homeless or those at risk of homeless should also be administered on an Island-wide basis and is discussed in strategies 2.3.5 and 2.3.6.

2.2 Zoning and Regulatory Opportunities

Islanders have a predilection for stand-alone, single-family homes on large lots, which is not an efficient and economic way to provide housing much less affordable housing. Regulations that once allowed half-acre, three-quarters acre or even single-acre lots have been changed to require ones of up to three (3) acres. Only the affluent are now able to access new housing opportunities unless the units are substantially subsidized given the exorbitant values of these sizable properties.

In order to more effectively meet diverse local housing needs, promote smart growth development principles, and offer greater efficiency and benefits in project permitting, the following regulatory strategies are recommended:

⁴ The decision to allow cash in-lieu of affordable units came through negotiations as part of the Martha’s Vineyard Commission’s DRI review of this development proposal.

2.2.1 Allow multi-unit affordable and community housing in appropriate areas

The *Island Plan* recognized the shortage of multi-family housing on the Island and suggested zoning changes in identified growth areas that are in or in proximity to towns, services and infrastructure as long as additional units beyond the base zoning include some affordable and/or community housing units. Currently less than 10% of the Island's housing stock involves housing with more than a single unit, and zoning permits multi-family housing in very limited areas.

The Towns of Aquinnah and Chilmark have no provisions for multi-family housing, but Edgartown has a fairly liberal bylaw allowing such development by special permit. Multi-unit development is allowed by-right in Oak Bluffs and West Tisbury, but only in the B-1 district or mixed-use business district, respectively. Tisbury allows this development by special permit only after the Planning Board has found that it meets a need and is consistent with public policy. West Tisbury's accessory apartment bylaw and new zoning for the Island Elderly Housing's Aidylberg development in Oak Bluffs are examples of specific attempts to promote multi-family housing. West Tisbury also allows the development of two-family dwellings as-of-right in most zoning districts.

Zoning should be changed to allow multi-family housing development in appropriate areas, with incentives for doing so through density bonuses and potentially some tax advantages for properties with year-round rental units (see strategy 2.2.4).

2.2.2 Permit the development of smaller and nonconforming lots (or remainder lots) for affordable housing

Zoning changes that reduce the minimum square foot lot requirement under certain conditions or in certain locations, as well as other dimensional requirements, should be considered to allow the development of smaller homes on smaller lots when there is some inclusion of affordable housing. Such development is consistent with building patterns that prevailed earlier in the last century that led to the construction of housing that was more broadly affordable. This smaller-scale development also encourages the creation of more walkable neighborhoods. And when linked to open space preservation requirements, this development reduces sprawl and protects much of the Island's semi-rural character – goals consistent with affordable housing production.

While all towns have some form of zoning for smaller lots, largely for homesites, the reduction from three-acre to single-acre zoning still represents large-lot development that should be further reduced in appropriate locations. It should be noted that only West Tisbury has zoning that allows for density bonuses in affordable housing development, which should also be considered by the other communities. (Have these density bonuses ever been used?)

Provisions to allow the clustering of units to preserve some open space on sites should also be included in local zoning, including density bonuses for the inclusion of affordable housing. While all Island towns except West Tisbury have some form of this cluster/flexible zoning, only Oak Bluffs includes affordability requirements.

2.2.3 Promote nontraditional forms of housing to meet diverse needs

The Vineyard has a saturation of single-family dwellings with few other alternatives. No single housing model can work for all individuals and families. The Island requires an array of housing

types to accommodate diverse housing needs of the young and the old alike. These diverse housing types will necessitate zoning changes however, unless the “friendly” 40B process is used.

There is some precedence for more nontraditional housing approaches such as the cohousing model and accessory apartments in West Tisbury as well as some dormitory style housing for seasonal workers. Other housing configurations that should be explored and allowed through rezoning or 40B include the following:

- *Transitional housing:* There were two (2) transitional housing units on the Island that were supported by CACCI and unfortunately lost due to funding cutbacks some time ago. Since then the economy has not greatly improved for those lower wage earners who are living paycheck to paycheck and particularly vulnerable to fluctuations in employment and any other family crisis. Island service providers note that about 150 families have applied for services without documented addresses, and there were about 15 families at risk of becoming homeless. Temporary housing options for these individuals and families are needed to enable them to regain stability and access permanent units. There has been some resistance to the Rapid Rehousing/Housing First Programs that have been successful in other parts of the state as a way of providing permanent rental housing for the homeless with accompanying support services. Such funding should be further explored for use on the Vineyard.
- *Assisted living options:* More assisted living options are needed, particularly those that incorporate some affordability. Service-supported housing is required for seniors along the full range of income and required level of care. Windemere is the only assisted living option that will accept residents who rely on Medicaid for their payments. It is desirable that this housing is located in proximity to public transportation routes to enable occupants to remain connected to the community and in-town locations would be preferable. Assisted living provisions are included in Edgartown and West Tisbury zoning bylaws but have not been utilized to date.
- *Other congregate settings.* Congregate housing can take many forms and other names for such housing have included supported housing, life-care homes, boarding or rooming houses, Sober Houses, congregate retirement housing, congregate senior communities, residential care, sheltered housing, enriched housing, single room occupancy (SRO) housing, enhanced single room occupancy (ESRO), safe havens,⁵ etc. Cohousing and group homes also share elements of congregate living as well. Other than assisted living options mentioned above, these housing types can be effective in meeting the needs of an increasingly older population and those with special needs.
- *Dormitory-style housing:* Housing for seasonal workers is especially needed on the Vineyard, and employers have sponsored such development under various models that are summarized in Section 2.4 of Interim Report #2. Other opportunities to encourage such housing should be pursued with the private sector taking the lead.

⁵ Safe Haven Programs are directed to providing service-enriched housing for the chronically homeless mentally ill.

Dormitory housing could be provided in new or existing structures, and the *Island Plan* even suggested the possibility of using an old cruise ship if dock space could be secured. Edgartown and Oak Bluffs have dormitory housing provisions in their bylaws, and only Edgartown addresses staff apartments. Opportunities to utilize properties owned by the Towns, School District, and Hospital for attracting and retaining essential workers should also be explored.

- *Two-family dwellings:* The owner-occupied two-family house that includes a rental unit is an exceptionally affordable form of housing as it provides the owners with a stream of rental income that is calculated as part of mortgage underwriting criteria (lenders generally consider about 75% of projected rental proceeds in mortgage calculations), making the home more affordable and also including much-needed year-round rental units. Design guidelines can be developed to insure that these units resemble single-family homes and new zoning could allow these units as-of-right. The proposed tax exemption included in strategy 2.2.4 below should provide some incentives for producing these units (see strategy 2.2.1 above for information on existing zoning provisions related to two-family homes).

Model: The More Affordable Two-family House

It should be noted that this report strongly recommends the construction of two-family homes with *both an owner's unit and year-round rental unit*. Because of the ability to include rental income in underwriting calculations for mortgage financing (lenders typically include about 75% of the projected rent), this type of housing is much more affordable, reaching a lower income purchaser. For example, the affordability analysis that is included in Appendix 1 of Interim Report #1 indicates that the median priced single-family home of \$535,000 would require an income of \$103,500 with 80% financing, but a purchaser with the same income could afford a two-family home for \$569,500. Conversely, a \$535,000 two-family house would be affordable to a purchaser earning about \$68,850 with 80% financing.⁶ These houses can also resemble single-family units in outward appearance and should be promoted through zoning and tax relief (see Section 2.2 for more information).

- *Cottage-style or bungalow-type housing clusters:* This type of housing has been popular in the West Coast of the country where there is an intense focus on smart growth development principles and increasing numbers of smaller households. The model involves the development of small cottages or bungalows that are clustered around a community green space. This housing type targets empty nesters, single professionals, and young couples. Such development provides opportunities for the ownership of small, detached dwellings within or on the fringe of existing neighborhoods, often enhancing affordability while simultaneously encouraging the creation of more useable open space

⁶ Figures based on interest of 5.0%, 30-year term, annual property tax rate of \$5.36 per thousand for Dukes County (this is based on an average of the tax rates for all six towns, weighted by the number of housing units), insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), rental income of \$1,000 per month (\$750 in calculations), and the owner paying no more than 30% of its income on housing.

for the residents through flexibility in density. A similar approach, with somewhat larger houses, was used in the pocket neighborhoods of Jenney's Way and Eliakim's Way through the Island Housing Trust.

- *Tiny homes:* In the context of an increasing number of smaller households on the Island, including individuals who are living alone, and a growing micro-housing movement, some consideration should be given to the introduction of what are being referred to as "tiny houses". There are companies that are building very small homes that can be easily moved with up to approximately 144 square feet. These units are well designed and priced very affordably. The version pictured below is priced at around \$60,000 or even \$25,000 for a "build it yourself" version. It includes a small bedroom and sleeping loft. These cottages could also potentially provide decent and affordable housing for those most affected by the Island Shuffle, if locations for siting them could be identified with appropriate zoning.



- *Mixed-use, "above the shop" type housing.* The *Island Plan* recommends that development be directed to town and village areas to reinforce compact, mixed-use and walkable areas. Mixed-use development that incorporates affordable housing was effectively pursued by the Town and TRI through the Noyes Building in Oak Bluffs. Apartments in the upper floors of mixed-use buildings are allowed by-right in Tisbury's mixed-use business district and by special permit in Tisbury. Provisions that incentivize affordable housing in village areas should be pursued.
- *Accessory apartments:* All Island towns have provisions for accessory apartments, but only West Tisbury has made significant progress in promoting these units. While accessory apartments are unlikely to meet all of the state provisions for inclusion in the Subsidized Housing Inventory (SHI), they still meet a pressing need for smaller, year-

round rental units. Efforts to revisit and revise zoning provisions for accessory apartments and potentially create an Island-wide initiative should be explored (see strategies 2.1.4 and 2.2.4 for more details on promoting this type of housing).

- *Live-work space:* Live-work space, sometimes referred to as zero commute housing, are spaces where artists or other workers combine their residence with their work area, typically in an open floor plan offering large, flexible work areas. This type of housing is likely to be well-received on the Vineyard and new zoning should be pursued.

**Model: Old Ann Page Way in Provincetown
(Mix of Rentals and Studio Space)**

Community Housing Resource Inc. (CHR) developed Old Ann Page Way, a project that includes 18 rental units for households earning at or below 60% of area median income with pricing of rentals based on 40% and 50% of median income. The development also includes ten (10) non-residential artist studios available for rent to the general public. The project involved the redevelopment of a former supermarket site held by A&P after they relocated to another location in Provincetown. Rumors about asbestos that deterred interest in the site were proven false by site inspection and the testing of samples. CHR purchased the site and started initial site work in 1999, including some demolition, and construction was completed in 2002.

The project was among the first on Cape Cod to be financed with Low Income Housing Tax Credits. In addition to the tax credit equity investment, the project used Barnstable County HOME funds, state HOME funds, and the Affordable Housing Trust Fund, for a total public subsidy of more than \$3 million. The tax credit equity investment was syndicated through MHIC's⁷ Equity Fund. MHIC also provided the construction loan as part of the One Source Program that includes permanent financing from the Massachusetts Housing Partnership (MHP).

- *RV's and campground facilities:* A reality of the Island Shuffle has been that any number of individuals and families has opted for camping during the summer as opposed to other housing options (commuting from off-Island, doubled-up with friends and families, living in unsafe housing, paying more than they can afford for seasonal rentals, etc.). However, zoning has restricted this alternative form of safe and temporary housing during the summer, which should be addressed.
- *Adaptive reuse.* Adaptive reuse involves the conversion of nonresidential properties – such as institutional, commercial and even industrial properties – into housing. An example of an adaptive reuse project was the conversion of the Old Rectory at 45 Franklin Street to three (3) units of affordable housing by DCRHA. This type of development should also be encouraged on the Island as it holds to smart growth principles of redeveloping existing property and may even be an avenue for reclaiming historic properties.

⁷ Massachusetts Housing Investment Corporation, a private, non-profit corporation which provides loans for affordable housing equity funds for low-income housing tax credit developments, and loan guarantees for lead paint removal.

2.2.4 Offer incentives for year-round rental housing

Martha's Vineyard certainly needs much more affordable housing, but given that 54% of the Island's housing stock is for seasonal or occasional use, more year-round housing is needed as well. The Towns should consider adopting a couple of options to promote year-round housing units, rental units in particular.

First, towns might adopt a new taxing policy for year-round rentals, modeled after Provincetown's policy for exempting landlords from real estate taxes that are rented year-round to eligible tenants at rents that do not exceed HUD limits. This exemption was approved in May 2003. While this exemption would not result in an increase of SHI units, it would still serve a pressing local need for more year-round rental units that are relatively affordable.

Model: Provincetown's Year-round Rental Housing Tax Exemption

- The portion of the property that qualifies under the Program as affordable rental housing is exempt from the property tax. "The amount of the exemption is equal to the tax otherwise due multiplied by the square footage of the units set aside for affordable housing purposes divided by the total square footage of the structure."⁸
- The exemption is available only to owners of year-round rental property.
- No deed restrictions are required.
- Property owners must apply for the exemption on an annual basis, applying to the Board of Assessors.
- The Town's Principal Assessor determines eligibility under the Program by reviewing the lease as well as tenant's income information verified by the previous year's tax return or a copy of one monthly bank statement showing the electronic transfer of Social Security payments.
- Property owners must have a lease in place for the entire fiscal year, and the lease must conform to income limits for low-income households earning at or below 60% of area median, adjusted for household size and determined annually by HUD. Owners may not charge rents, including utilities, which exceed allowable rent levels for qualifying tenants based on the tenants paying no more than 30% of their income for rent/utilities. If the owner does not pay utilities, then an allowed utility allowance must be subtracted from the allowed rent.

Another option would be to consider adoption or amendments to the homesite bylaws, and allow a second unit to be created on the lot if it is developed for year-round use without necessarily any affordability restrictions.

Additionally, zoning changes to better promote accessory apartments, such as the one included in West Tisbury's zoning bylaw, provide another approach for increasing year-round rental units and provide a number of important benefits including:

- Enable homeowners to capture additional income, which is particularly important for elderly homeowners or single parents where such income may be critical to remaining in their homes. Also, some young families or moderate-income households might be able to afford homeownership if they could count on income from an accessory apartment.
- Provide appropriately sized units for growing numbers of smaller households.

⁸ Town of Provincetown, FY2007 Affordable Housing Property Tax Exemption for Owners of Affordable Year-round Rental Housing, website www.provincetowngov.org.

- Offer inexpensive ways of increasing the rental housing stock at lower cost than new construction and without loss of open space, without significant impact on the surrounding neighborhood, and without additional Town services such as streets or utilities.
- Provide companionship, security and services for the homeowner, from shoveling the sidewalk for an elderly owner to babysitting for a single parent.
- Offer good opportunities for keeping extended families in closer contact.
- Generate tax revenue in a locality because accessory units add value to existing homes.

While all communities have some zoning provisions for accessory units, it may be useful to revisit and revise existing bylaws to make it easier for property owners to create such units. Moreover, the Towns might consider provisions for accessory apartments that have been adopted by Wellfleet. This Program does not require deed restrictions nor does it include mandates for tenants to be selected from a pre-qualified Ready Renters List as dictated by state requirements for including accessory apartments in the Subsidized Housing Inventory. Consequently the units, although affordable based on specified income and rent limits, would be ineligible for inclusion in the Subsidized Housing Inventory. Wellfleet also offers a loan program for assisting owners in creating these units, provides tax relief to owners with accessory units, and is conducting a design competition for detached accessory apartments.

Model: Wellfleet's Accessory Apartment Program

- Property owner applies for a special permit.
- Building Inspector and Board of Health visit and inspect the unit to determine if there are any health and safety violations that must be corrected prior to the owner obtaining the special permit.
- Those owners whose incomes are below 100% of area median are eligible for participation in Wellfleet's Affordable Accessory Dwelling Unit Loan Program that provides no interest loans to support necessary improvements.
- The ZBA reviews the application and the reports submitted by the Building Inspector and Board of Health, holds a public hearing, and grants the special permit.
- The Building Inspector issues a Certificate of Occupancy prior to the unit being occupied.
- Prospective tenants must submit income information to the Assistant Town Administrator that documents that they qualify for the units. Once qualified, property owners will be officially notified of the monthly rent they are able to charge based on HUD Fair Market Rents. A list of qualified tenants is available to property owners, or owners may be able to select their own.
- The Town Assessor issues a tax abatement to the property owner based on a specified formula, without the need for the owner to submit to a separate application process (this requires state legislative approval).
- The property owner annually submits forms that document the continued eligibility of the tenant and use of HUD Fair Market Rents.
- If a property owner decides at some point to opt out of the special permit, they must inform the Building Inspector and remove the kitchen in the accessory unit. They are allowed to convert the space to other uses such as a "private guest house" or office.

2.2.5 Revisit MVC's Affordable Housing Policy

As discussed in Section 2.5 of Interim Report #2, the Martha's Vineyard Commission (MVC) adopted an Affordable Housing Policy in 1986 with several subsequent amendments. The Affordable Housing Policy serves as a guide for DRI applicants to mitigate a project's potential impact on affordable housing using an inclusionary zoning approach for proposed residential developments (including a certain percentage of

affordable units in the development or a cash in-lieu of units based on a percentage of the assessed value) and a linkage approach for nonresidential development (providing fees based on the square footage of the proposed development to be used to subsidize affordable housing on the Island).

Over the years further revisions of this important Policy have been discussed particularly related to increasing the level of fees relative to the per square foot of new commercial construction and intensity of use. Prior to introducing any of these changes, MVC was advised to do a nexus study to study the relationship between nonresidential property development of regional impact and the need for affordable housing. This study was completed in 2003 by John Ryan of Development Cycles and offered a number of options to insure that the Policy would meet the legal requirement that fees should be proportional to impacts and some flexibility in responding to specific applications.

MVC then drafted some changes to the Affordable Housing Policy in 2006, however, these changes was put on the back burner while the organization focused on the *Island Plan*. Now that the *Island Plan* has been successfully revised and adopted, this report suggests that the draft changes to the Affordable Housing Policy be revisited, revised as appropriate, and submitted for review and approval.

2.2.6 Use IHT ground leases on all subsidized permanent housing units

As suggested in strategy 2.1.2, all subsidized housing units that are created as permanent year-round housing should use deed restrictions through the IHT's ground lease to insure long-term affordability of this valuable housing inventory. These affordability restrictions protect taxpayer and community investments for as long a period as possible yet still allow the purchaser to build some wealth and realize financial gain at a rate of return greater than if they had invested in the stock market or a ten-year Treasury bond with lower rates of delinquency and foreclosure.)⁹

2.2.7 Expedite permitting for affordable housing development

It is essential that every municipality have a local regulatory process that protects the community from development that is not in the best interest of its citizenry but also reduces unnecessary red tape. Some municipalities have attempted to make the permitting process easier to navigate, providing greater guidance to applicants on requirements and more predictability in the process.

The Island communities might explore whether there is a need to fine-tune the review and approval of housing developments that involve affordable housing including the potential of expediting permitting for such projects. Guidelines that articulate the Towns' priorities and other written materials that better clarify the regulatory process might be developed. The Martha's Vineyard Commission as well as the Joint Committee on Affordable Housing may be the logistical vehicles for these discussions. It is useful to note that the Cape Cod

⁹ Thaden, Emily, "Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts", 2011 Lincoln Institute of Land Policy; and Temkin, Kenneth, Brett Theodos and David Price, "Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-term Affordability Controls, The Urban Land Institute, October 2010.

Commission has been recognized as doing a commendable great job in streamlining permitting processes at the regional and town levels.

(While MVC has inclusionary and linkage provisions as part of its Affordable Housing Policy, do you also want to include a recommendation for the Towns to also adopt these measures?)

2.3 Access New or Increased Resources for Housing

More resources are needed to support affordable housing, particularly given the loss of the Island Affordable Housing Fund (IAHF) that proved to be an effective vehicle for raising private donations for a number of years, providing approximately \$800,000 to \$1 million annually to a number of organizations and projects. To partially compensate for some of this loss, communities passed the Community Preservation Act (CPA) that has represented an important source of funding with local communities committing a total of approximately \$? in CPA funds annually to affordable housing initiatives. This funding has included vital operating support to DCRHA, including its Rental Assistance Program. Most communities also have Affordable Housing Trusts that have dedicated additional funding for local affordable housing efforts including ? Moreover, Community Development Block Grant (CDBG) funding has been a very important funding source on the Island in support of housing rehabilitation, childcare services and special projects.

Another important resource has been the Martha's Vineyard Commission's Affordable Housing Policy that is part of its Development of Regional Impact (DRI) review process and lays out the criteria used by the MVC to calculate the probable effects a development will have on the affordability of housing on the Island. The MVC Policy establishes fees for both residential and nonresidential properties that are used to subsidize affordable housing elsewhere on the Island.

During the course of this study, the issue of funding has continued to be raised as the major stumbling block in the Island's ability to adequately address the full range of pressing housing needs. It has been pointed out that those donors who contributed to IAHF are still largely on the Island, at least from time to time, and more potential donors exist given the continued growth in seasonal units and second homes. There is broad recognition that there are plenty of resources on the Island to support affordable housing and the results of IHT's initial fundraising provides some more recent evidence of such potential. The message of community preservation through affordable housing development is a compelling one for those who care about the Island.

Some options that have been discussed or pursued in the past have turned into political "hot potatoes", and have gone nowhere. Others have come close to approval but have been stymied by political opposition while others have worked effectively and must be continued. Potential or ongoing funding sources that have been suggested are listed below.

2.3.1 Continue to donate publicly owned property for affordable or community housing

The conveyance of Town-owned or other publicly owned property for affordable housing development is an important means of addressing housing needs. While such property is

limited, the *Island Plan* included extensive mapping of Town-owned properties that are included as Appendix 1 of this report. The provision of such properties, whether land or buildings, has been key to housing production to date, providing each community with the opportunity to control development by establishing the terms and conditions for specific projects. Some such properties are currently under discussion by various Town boards and Island housing organizations. For example, Tisbury is considering a three-unit condo project, and Edgartown has a nine-acre site in Meshacket that could accommodate an estimated 54 bedrooms. Also, Island Elderly Housing has property that could be developed but must resolve problems related to wastewater, which will be expensive to address.

It is also important that the properties be conveyed for nominal amounts, signaling an important local investment on the part of the community to leverage other funding sources and providing a vital subsidy as the gaps between project development costs and what qualifying occupants can afford are so large.

2.3.2 Recapitalize DCRHA units

As emphasized in Interim Report #2, DCRHA is unlike most housing authorities which rely on state and federal funding to support the development and management of public housing units. DCRHA financed only one of its properties, Lagoon Heights, through state public housing financing (Chapter 689 Program for the development of special needs housing), and this project was small in comparison to most public housing developments with only eight (8) units. While most housing authorities are supported by ongoing state or federally funded operational subsidies and funding for capital improvements, DCRHA obtains all of its operating funding from rents and Town CPA funding. The higher management costs associated with small projects scattered across the Island, higher rates of recent unit turnover due to unstable economic conditions, and high costs in maintaining properties that were acquired as part of specific projects, have led to an inventory of units that are undercapitalized with too much debt.

DCRHA has been working hard to lobby for additional state subsidies to refinance projects and/or obtain ongoing project-based rental assistance, particularly for those projects with relatively high levels of debt and low margins of income to expenses. The continued viability of this very important housing stock needs to be a priority in the years ahead, and local leaders need to rally in support of DCRHA's efforts. *Coordinated advocacy for state support should become an Island-wide priority to safeguard this important housing inventory.*

Given the Governor's interest in regionalizing public housing agencies across the state into about a half-dozen mega-agencies, it has been suggested that it may be prudent to pass on DCRHA's only state development to another agency, for example the Falmouth Housing Authority, and try to opt-out of any extensive reorganization. Also, if state resources are not forthcoming, it may be necessary for the Island communities to provide an infusion of additional funding to refinance existing projects, potentially from resources derived from strategies 2.3.3 and 2.3.4 below.

2.3.3 Explore taxes or special fees on seasonal rental properties

More than two-thirds of the new housing stock developed between 1990 and 2010 was for seasonal or occasional use, which has pushed housing prices beyond the means of most year-round residents and has driven the need for more affordable housing. The growth in

seasonal housing has also been the driving force behind the expanding service industry whose workers often experience poor pay and housing conditions.

It has also been recognized that seasonal rentals and second-home owners subsidize the Towns' tax bases without utilizing the most costly of services, education. However given that Island communities have some of the lowest property tax rates in the Commonwealth, other opportunities to raise funding from temporary residents and landlords should become priorities. One Island resident observed, "There's some low-hanging fruit that hasn't been properly utilized." Certainly the implementation of fees or taxes on seasonal rentals will take strong political will in addition to special funding to wage a concerted effort. It will also need a few champions leading the cause.

Options to tap into different funding streams that have been raised as part of this study include the following:

- Reinvigorating the campaign to capitalize a Housing Bank based on the proceeds from real estate transfer tax for sales over a certain amount. Modeled on the Island's effective Land Bank, a concerted effort with Nantucket was organized in 2005 to obtain the necessary state legislative approval to create a Housing Bank, financed by a 1% fee on the portion of property sales over \$750,000. This proposal was stalled and ultimately defeated, largely by off-Island real estate interests.

Model: Aspen's Sources of Housing Revenue

Over the past 30 years, approximately 2,600 employee-housing units have been created in Pitkin County through the Aspen/Pitkin County Housing Authority. A 1% real estate transfer tax (RETT), a portion of the 0.45% housing/day care sales tax, and Pitkin County's housing impact fee have generated approximately \$12.2 million in annual revenue to support this development. Projections suggest that even this amount of funding will not keep pace with the continued loss of employee-occupied free-market housing in Aspen as well as the diminishing workforce housing units associated with the escalating prices of down-valley housing.

This type of revenue source has been effectively implemented in other locations to support affordable housing. For example, Aspen has adopted a 1% real estate transfer tax, and Vermont has a two-tier tax rate for seasonal versus year-round units.

Model: Vermont Real Estate Transfer Tax

Vermont has adopted a 1¼% real estate transfer tax on sales of properties. However, the first \$100,000 in the sales price is exempted for principal residences with the remaining amount taxed at ½%. If the property has been financed by the State's Housing Agency, the first \$110,000 is exempted from the tax and the remaining amount is taxed at 1¼%. The state has raised approximately \$10 to \$13 million per year, half of which is passed on to the state's housing agency, the Vermont Housing and Conservation Board, to fund its Affordable Housing Trust Fund and the other half supporting the state's regional planning agencies.

- Requiring fees or an occupancy tax on seasonal rentals that would be dedicated in support of affordable housing development have worked in other places, the Outer

Banks for example (3% of total rental, collected by the real estate broker). The *Island Plan* suggests a possible Room Tax that would be shared with the state, a Town's business tax, or a fee to property owners who rent their units on a weekly basis following a required rental registration process.

- Modeling a property tax exemption after Provincetown's policy for exempting landlords from a portion of real estate taxes for units that are rented year-round to eligible tenants at rents that do not exceed HUD limits (see more details in Section 2.2.3).
- Collecting fees on any home over a certain size, such as 4,000 square feet.
- Allocating a percentage of sewer capacity for affordable/community housing projects and extending water and sewer infrastructure where possible as was done successfully with the Jenney Way and Morgan Woods projects in Edgartown. Such offsets of infrastructure costs are another way of subsidizing new affordable development.
- Finding ways to undertake regional private-public collaborations by sharing resources through some Island-wide funding mechanism or agreement to support important housing initiatives. For example, regional Housing Trust Funds have been established in Montgomery County, Maryland; Santa Clara County, the Napa Valley, San Mateo County, and Sacramento City and County in California, as well as Columbus and Franklin County in Ohio and the Lowcountry in and around Charleston, South Carolina.

Model: Housing Trust Fund of Santa Clara County, California

The Housing Trust of Santa Clara County, California is a private-public partnership that has established a revolving loan fund and grants to complement and leverage other housing resources throughout the Silicon Valley. The Fund has raised more than \$20 million during the past few years, largely through area employers, but has also been supported by local government revenue. The Trust Fund has focused on providing resources for predevelopment loans to non-profit housing organizations, gap financing for housing development, and homebuyer assistance.

While IAHF provided an important Island-wide funding mechanism for a number of years, a similar regional vehicle for supporting a range of housing programs and projects is worth exploring, *including both public and private funds*. While it is likely that the down-Island communities will continue to experience the most development, all Island towns will benefit from the new housing produced and some regional financial support makes sense. If a project was being built in one community, a policy could be put in place that the other Island towns contribute to project financing through some equitable formula with contributions channeled through this regional Trust Fund.

- Using regional applications for CPA funding based on the premise that housing that is developed in one community is likely to benefit residents of the other communities as well.

2.3.4 Reach out to private donors

As noted in Interim Report #2 and above, the loss of the Island Affordable Housing Fund (IAHF) leaves a big gap in resources for housing. While IHT has experienced some early success in launching its own fundraising efforts, with project grants and donations more than tripling from 2011 to 2012, it is still far short of securing the level of funding that came from IAHF much less what will be needed based on this report. Moreover, IHT's fundraising has focused on its own much needed operational and project support, not for the multiple organizations that benefited from IAHF.

There is an active philanthropic community on the Vineyard that supports an estimated 120 non-profit organizations. Outreach to secure private donations for affordable housing should be pursued. It has also been suggested that there may be some seniors without heirs and might consider donating their properties for affordable housing or selling them for some discounted amount. One participant at a community meeting suggested that there were a lot of people benefiting from the Island's real estate market and that it would be a huge benefit to the Island communities if property owners would consider sacrificing some of these benefits to dampen some of the rampant speculation in support of affordable housing initiatives. This type of recommendation might be considered "pie in the sky" but opportunities to continue to raise awareness on the importance of affordable housing to the economic well-being and preservation of the Island community can be communicated through fund raising efforts.

An Island-wide public-private Housing Trust Fund, as described in strategy 2.3.3 above, should be considered as a vehicle for depositing private donations and funding housing development.

2.3.5 Establish an Emergency Fund for those at risk of homelessness

The Association of Martha's Vineyard Island Clergy has worked as a convener of the Island's faith communities in promoting social justice and supporting the needs of the homeless or those at risk of homelessness in particular, often in concert with the Dukes County Associate Commissioner for Homelessness. Since 2008, they have been instrumental in raising and distributing more than \$20,500 in emergency funding for those at risk of homelessness. The Association has formed The Island Community Task Group for the Homeless that will be approaching each of the towns and other donors to support a discretionary fund to help prevent homelessness. This effort deserves significant support.

Model: Homeless Prevention Council

It may be useful to contact the Homeless Prevention Council¹⁰, based in Orleans, to learn more about their activities in regard to raising funding and awareness of the issue of homelessness on the Lower Cape Cod. With an annual budget of approximately \$360,000, the organization applies for small grants and donations to provide emergency assistance to those at risk of homelessness. They have achieved success from direct mailings, grant proposals from foundations and church endowments, and special programs directed to children (back pack donations in the September and adopt a child's three wishes in December).

¹⁰ The organization is also known as the Interfaith Council for the Homeless of Lower Cape Cod.

Another potentially complementary option to the Emergency Assistance Fund and DCRHA's Rental Assistance Program would be to introduce a special program to help qualifying households access rental housing in the private market by paying some of the upfront costs involved in lease-up. The Town of Harwich has established a Rental Assistance Revolving Loan Program to provide qualifying households with first, last and/or security deposits for rental units.

Model: Harwich Rental Assistance Revolving Loan Program

Supported by CPA funding, the Rental Assistance Revolving Loan Program provides participants with a voucher in the form of a loan, the amount of which is based on their income, expenses, and rent level and which is paid directly to the landlord. This amount is ideally repaid by the Program participants in monthly installments and deposited into the Program's Revolving Loan Fund and thus available for further lending to other eligible participants, although it has been difficult for participants to make these payments and many of the loans have effectively become grants. Moreover, each participant must enroll in a Budgeting Class within six (6) months of receiving the voucher/loan and are encouraged to attend first-time homebuyer classes.

2.3.6 Obtain Dukes County funding for its Associate Commissioner for the Homeless position

The Dukes County Advisory Board, that includes a representative from each of the Towns' Board of Selectmen, approves all County funding allocations. This Advisory Board should consider providing funds in support of its Associate Commissioner for Homelessness, currently an unpaid position. This person has been the "go to" contact on the Island for those who are homeless or are at risk of homelessness, providing ongoing support, including financial assistance (largely through donations) and referrals, to the most financially vulnerable of Island residents. By at least partially funding this position, the County sends a signal that preventing homelessness on the Island is indeed important.

2.3.7 Secure special funding for CDC's

As was noted in Interim Report #2, IHT has obtained designation as a Community Development Corporation (CDC), among the 60 CDC's in the state and the 4,600 or so across the country. These organizations are typically involved in building and reviving neighborhoods including improving the housing stock, producing affordable housing, creating a safe environment, building the economic base, and promoting resident leadership. Through its inclusion in the network of CDC's, IHT will be able to access new resources in support of both rental and homeownership development on the Island.

One of these resources includes the Community Investment Tax Credit (CITC), also known as the Community Development Partnership Act (CDPA), which was introduced by the Patrick Administration in 2012. It is part of a larger economic development bill involving a strategic, market-based approach that leverages private contributions and builds strong local partnerships. Through this initiative, CDC's develop multi-year business plans for community development with the potential of receiving up to \$150,000 in Community Investment Tax Credits per year for three (3) years that the local CDC will use to attract up to \$300,000 per year in private investment, providing flexible seed capital

for new programs. IHT has submitted a proposal to participate in this new initiative. (Philippe, is there anything you want to add on this or other resources?)

2.3.8 Adopt fee waivers or reductions for affordable housing

The waiver or reduction of regulatory fees is an area where the Towns have some additional capability to directly affect project costs and affordability, particularly when combined with expedited permitting (see Section 2.2.7). As part of an ongoing policy, the Towns should consider waiving or reducing by some amount permit fees to support projects that serve a public benefit such as affordable housing. For example, the waiver or discounting of sewer fees related to the development of IEH property for additional senior rental housing would have a substantial impact on project feasibility as it has been a major obstacle to moving ahead with development. Such waivers or reductions in fees might also be covered on an Island-wide basis for projects that will likely benefit residents from all or most of the Island communities.

3. Conclusions

While the recommendations that are summarized above provide the building blocks for the Island's ongoing housing agenda, there were some additional themes that emerged during the course of this study that are fundamental to making progress towards implementation.

First, *education is essential!* Because most of the housing recommendations in this report rely on local approvals, including those of Town Meeting, community support for new initiatives has and will continue to be critical. It will be important to engage all Island communities in productive discussions about priority housing needs, focusing on those earning below 80% AMI, seniors and those at risk of homelessness among them. Strategic efforts to better inform residents and local leaders on the issue of affordable housing and specific new initiatives can build local support by generating a greater understanding of the benefits of affordable housing, reducing misinformation and dispelling negative stereotypes. These outreach efforts are mutually beneficial as they provide useful information to community residents and important feedback to local leaders on community concerns and suggestions. Outreach through various sources, including social media, and in tandem with other groups and interests will be needed.

Second, *partnerships are effective!* These recommendations are reflective of what has been working so effectively on the Island, namely the close collaboration of housing providers in partnership with the Towns and important Island-wide entities such as the Martha's Vineyard Commission. This ethic of working together will be vital to the effective implementation of these recommendations.

Third, *there's no substitute for leadership!* Strong leadership is essential to getting units produced. Given that this housing report is driven by the range of housing needs documented in Interim Report #1, it is hoped that local leaders will recognize the importance of new subsidized housing to the health and vitality of their communities, and support appropriate and worthwhile housing initiatives even in a context of well funded and combative abutter opposition.

Fourth, *get involved!*

For individuals

- Support zoning changes that are referenced in Section 2.2
- Support new funding sources for affordable housing
- Contribute to local fundraising efforts for affordable housing
- Volunteer to serve on a local board or committee involved in housing
- Contribute time, effort and materials to Habitat for Humanity
- Donate land or a house for moving
- Leave estate funds for affordable housing organizations
- Take advantage of programs that convert seasonally rented housing to year-round use

For Island Officials

- Support ongoing municipal funding for affordable housing efforts, including DCRHA's programs and projects
- Identify Town-owned property for affordable housing development and convey such property at a nominal price
- Approve new funding streams for affordable housing
- Create zoning incentives for the creation of affordable housing
- Work together with other Town officials in your community and other communities to promote housing initiatives

For Employers

- Support Island efforts to increase affordable housing, particularly year-round rental housing for essential workers
- Work to find solutions to housing seasonal workers
- Provide housing for your employees (see Section 2.4 of Interim Report #2 for examples of employer-assisted housing)
- Contribute funding in support of affordable housing
- Volunteer to serve on a local board or committee involved in housing

Appendix 1
Map of Town-owned Properties
(need to insert)