

Developers Collaborative Responses to Falmouth Workforce Housing Commission Questions – 7/22/08

Question 1 - *If TIF's, Habitat for Humanity, and/or CDBG funding are not available, would you still be able to proceed with the project?*

Answer: Possibly. The basic logic behind a development pro forma is sources of funds and uses of funds. If there are fewer sources or they are smaller, others have to fill the gap or else the project must be completed on a smaller budget. The number one driver of all of our proposed subsidy sources is our projected high infrastructure costs, based on our engineering due diligence work. With this particular project, we are projecting sources, in addition to unit sales, of AHP, TIF, and CDBG. Absent some or all of this funding, some combination of some or all of the following factors must be realized:

- **Infrastructure costs must be lower than projected** (Note that we feel that the initial estimates received by the Commission from SYTDesign are likely to be unrealistically low due principally to the presence of ledge.);
- **Building costs must come in lower than projected** (This may be possible as builders are very hungry for work right now. The project should be competitively bid to ensure maximum savings in this area.);
- **Quality must be scaled back** (Generally, we are not willing to sacrifice quality. We are committed to a high level of design and construction quality as well as LEED certification and will only be associated with a high-quality project.);
- **Income targeting cannot be as aggressive** (As we noted in our follow-up letter to the Commission after the 1st interview, we are not committed to a specific level of income targeting, but were merely responding to the threshold requirements in the RFP. As smart growth developers, we believe in affordable workforce housing, but are willing to tailor the mix in Falmouth to what best fits the Town's needs. Obviously, if income targeting is less aggressive, sales prices will be higher. However, this may jeopardize the availability of other funding sources such as AHP which specify income targeting as a criteria. This can be successfully dealt with through phasing and other methods, however.); and/or,
- **More units must be built** (We feel we have chosen an appropriate amount of units for the site.)

Note that the first three points represent potential decreases in *uses* of funds, while the last two represent a potential increase in *sources* of funds. Some combination of these will be needed to bring the pro forma back into equilibrium and make the project feasible. It should also be noted that a pro forma at this stage is merely the best estimates at the very beginning of the development process. As more information is gained, estimates will be refined.

Question 2 - *Can you proceed if the Falmouth Workforce Housing Commission does not want condominiums?*

Answer: Possibly. Condominium refers to a form of legal ownership as opposed to a housing type. We assume, however, that this question refers the housing type of attached multi-family housing and not

the form of ownership. We did purposely choose to concentrate multi-family units in Phase for several reasons which give the development plan some unique advantages. Attached multi-family units:

- Create a diversity of housing types and prices that will attract the widest band of family types, including single-parent households;
- Allow for sufficient density in the limited developable area in Phase I to offset infrastructure costs (see Answer 1 for a more thorough explanation of the relationship between number of units (*source*) and infrastructure costs (*use*)) ;
- Use available outside financing sources up front to assure initial success in a soft housing market (price to buyer at 80% AMI potentially as low as \$110,000); and
- Allow for individual privacy as well as a sense of community: not a generic subdivision.

It may be possible, as stated in Answer 1, to develop the site without attached units if costs come in lower or if income targeting is less aggressive. However, we feel multi-family attached units in buildings of five or so units, if carefully designed, sited, and landscaped, can be a real asset to the development and the Town from a number of perspectives.

Question 3 - *If the Falmouth Workforce Housing Commission determined that the scope of the project would be a maximum of 39 single family homes, could you proceed?*

Answer: Possibly. See Answers 1 and 2 for a discussion of the ramifications of fewer units. Again, please note that if costs come in lower than expected, 48 units may not be needed to amortize the infrastructure costs. However, our best estimate at this stage is that it will be necessary. Once we are selected we will be able to perform more due diligence and determine more precisely the answers to these questions.

It is most likely possible to build 39 units and sell them at prices higher than what would be affordable to the stated income targets of the Commission. It may also be possible to build 39 affordable units at a lower quality than Developers Collaborative is willing to build.

Question 4 - *How would you approach selecting a builder? How would you include the Falmouth Workforce Housing Commission in that process?*

Answer: We would develop a short list based on our own experience, with input and/or approval from the Commission and selectively bid the project. In any event we expect to use a local Maine-based company.

Question 5 - *What is your plan to work interactively with the Commission, residents and Town Council on final design and costs and how soon would you begin that process—before or after receiving funding?*

Answer: We plan to begin the public process soon after being selected and before we receive any funding commitments. Generally the development concept must be fairly well-solidified to obtain either public or private funding, and meaningful empowerment of the community means that their input must be sought and incorporated prior to application for funding. Generally, we plan to hold a public meeting or series of meetings which would include a community design workshop to gain as many different perspectives on our initial plan as possible.

In terms of costs, we will begin more engineering and other feasibility studies soon after being selected, and will work closely with the Commission and Council. Our “open book” transparency policy relates not only to our finances but to all our information. We know from experience that to develop a true partnership with a municipality, there must be an open exchange of ideas and information.

Question 6 - *How do you plan to market and sell these homes; i.e. would you do this yourself or use a broker?*

Answer: Our experience had led us to believe that for this project it will be important to integrate sales and marketing. Accordingly, we plan to use a broker who understands marketing green buildings and sustainable developments.