



Town of Orleans

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COMMUNITY PRESERVATION PROJECT APPLICATION

Project Title: Affordable Housing Trust Fund

Submission Date: November 19, 2021

Applicant (note if Town, individual or non-profit): Orleans Affordable Housing Trust Fund
Address:

Co-Applicant, if any (note if Town, individual or non-profit):
Address:

Project Contact Person: George Meservey, Planning Director

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E-mail:

Federal Tax Identification Number (if non-profit):

Project purpose (Check all that apply):

Open Space Historic Preservation Community Housing
 Recreation

Project Location/Address:

Community Preservation Funding Request: \$500,000 – or - \$5,000,000 Bond Authorization

Brief Project Summary, Including Justification of Project Category Checked Above:

Request is to supply affordable housing funding in FY23 to be placed under the direction and control of the Orleans Affordable Housing Trust Fund Board. CPA funding is critical to the Town's efforts to increase opportunities for affordable housing in Orleans. In the past, Community Preservation funding has been conveyed to the control of the Trust on an annual basis. This application requests consideration of the benefits of approving a larger amount in the form of a bond authorization. Such authorization would allow the Affordable Housing Trust Fund Board to make decisions on housing proposals based on an overall long-term funding commitment, instead of project-based funding as has been approved previously.

Affordable Housing — Request for Housing Trust Fund

CPA FY23 Application – 11-19-21

- **Detailed Narrative:** A complete and detailed description of the project including goals and objectives, consistency with Community Preservation Act goals, compatibility with the Orleans Comprehensive Long Range Plan, and relevance to the community and its needs,

This application seeks funding to increase affordable housing opportunities in Orleans. If continued annual CPA support is anticipated for housing, consideration should be given to using a bond issue as an efficient way to make funds available at the levels required while providing cost certainty in future CPA budgeting. The Affordable Housing Trust Fund Board would like to have a work session with the CPC to discuss the merits of the alternative funding approach.

Previous Efforts

Between FY20 and FY22, the Town Meeting awarded \$1.3 million in CPA funds to the Affordable Housing Trust Fund. The funding was critical to jump starting the activities of the Trust. Funds to date have been used for several projects, including:

- Pennrose Development – feasibility study, architectural & design services enabled the 62-unit project to move forward. It is currently waiting for an award of tax credits that will provide the funding needed to begin construction. (The project also received \$2 million subsidy in the form of a CPA bond issue, which funds will go to the developer not the Affordable Housing Trust.)
- Purchase of property at 107 Main Street – feasibility & due diligence, followed by purchase of the property by the Affordable Housing Trust. A developer has been selected and is beginning the design & permitting process. *The Housing Trust is supportive of a CPC application by Housing Assistance Corporation for gap funding to complete its financing plan for the project. 14 units*
- 10 Quanset Road – Trust funds were awarded to Habitat for Humanity to purchase a building lot for a single family home. Supplemental funds were also awarded to offset construction costs and the home is now occupied by a qualified, first-time homebuyer. 1 unit
- 24 Old Colony Way – The Housing Trust purchased, renovated, and operates a 2-bedroom apartment in the Old Colony Condominium development. 1 unit
- Governor Prence Motel property – The Housing Trust contributed \$450,000 toward the purchase of the property. A planning committee has been formed and will soon begin a public process to determine the most beneficial future use of the 5.5 acre property. Zoning potential is for up to 70 units of housing.

In addition to CPA funds, the Town Meeting approved a Prop 2½ override for affordable housing in the amount of \$275,000. The funds are requested annually.

Housing Needs

A 2017 Community Housing Needs Study indicated substantial housing needs among Orleans households. It concluded that there was a rental unit gap of 274 units among households with incomes at or below 80% of Area Median Income. In addition, the number of ownership households with low or moderate income that are cost burdened (paying more than 30% of income for housing) was 529.

The above numbers do not include former residents forced to leave Orleans for lack of housing options.

In response to the documented need, the Orleans Select Board voted to adopt a goal of creating 100 new affordable dwelling units over a 10-year period. 85% were to be rental apartments, 15% homeownership.

Based on the increase in the housing market over the last two years, and the nearly nonexistent availability of rental units, many people think the housing situation has gotten significantly worse.

Justification for Funding

Continued local funding is required to address housing needs. The annual allotment of funds to the Housing Trust provides the ability for the Trust Board to seek out and develop project opportunities. However, annual funding at the current level is not enough to support projects of significant size, such as the Pennrose project or a future redevelopment of the Governor Prentice property. Based on contemporary building costs, recent annual allocations cannot even fully support a mid-sized development such as 107 Main Street.

A more robust and effective funding method that could cost the same or less than the annual allocation would be to authorize a bond issue for the Affordable Housing Trust.

Bonding for open space purchases has a long history in Orleans. When the Cape Cod Land Bank was created, Orleans used the bonding capacity of the dedicated revenue to purchase conservation lands at lower prices than would prevail in later years. This enabled the Town to preserve large tracts of land as a better alternative than relying only on the annual Land Bank funds for smaller purchases.

A parallel can be made with affordable housing. At the present level of support, the Housing Trust is not able to truly consider larger projects based on its annual allocation. Indeed, the bond issue for Pennrose was a smart choice for Orleans, and finalized the future creation of 62 badly-needed housing units.

The concept of general bonding for affordable housing is not unique. The Town of Nantucket successfully brought housing bond issue articles to Town Meeting on two occasions. As a project was approved by the Trust it was able to use funds in the bond authorization to help support the needed financing. Once the bonds were issued the debt service became part of the Nantucket CPC's annual budget.

This request for a \$5.0 million bond issue would not have an impact on the CPC annual budget until such time as the bonds were issued. Under the terms of the Affordable Housing Trust

bylaw, the Select Board would need to approve any debt before it can be created. Using the Penrose project as an example, the projected annual cost of a \$5.0 million bond would be \$387,500 the first year, declining to \$255,000 in Year 20 (based on today's rates).

Benefits

If the CPC feels that it is likely to continue to support affordable housing at a level comparable to recent years, then using a bond issue would make good financial sense. The advantages for the Affordable Housing Trust would be:

1. Greater leverage of existing revenue to produce more housing units faster, as the current need is great;
2. Dedicated revenue based on the tax base is stable and continuing. There is limited risk of the CPA being rescinded. The CPA surcharge will increase in revenue over time, making a bond issue a lesser relative obligation in succeeding years.
3. Community Preservation Committee would not be put in the position of evaluating individual projects. Housing projects are complicated, and financing is often a conglomeration of several funding sources. Members of the Affordable Housing Trust are solely focused on housing, and are therefore in the best position to make decisions on direct funding of individual projects.
4. Low-cost borrowing through municipal bonds is cost-effective.
5. Bonding will help speed housing development by making an early decision on overall funding and allowing the Housing Trust Board and Select Board to make final funding decisions.

What the Community Preservation Committee would be giving up would be individual decision making on each housing proposal as it comes along. What it would gain is a more cost-effective means of providing the significant funds necessary to meet the housing challenge.

Members of the Affordable Housing Trust would welcome the opportunity to explore this possibility with you to determine the best use of Community Preservation Funds.

- **Financial Data:** Provide financial information for the project including total cost, additional revenue sources (public, private or in-kind), basis for the fiscal estimates and any other fiscal details currently available.

There is no specific identified property that would use the funds at this time. Either an annual allocation would be placed under the control of the Affordable Housing Trust Fund Board, or a bond authorization would be used to enable one or more future projects.