

Concord Affordable Housing Funding Committee

Meeting Minutes: January 30, 2018 meeting

Committee members present: Holly Darzen (clerk), Todd Benjamin (chair), Ruth Bennett, Elisabeth Elden, Sue Myers (by phone)

Others Present: Mary Hartman and Linda Miller, Finance Committee Observers; Ray Andrews

1. Ray Andrews attended the meeting as a potential new member of the committee. He is interested in maintaining and promoting diversity in the town, and was enthusiastically encouraged to join the group.
2. Todd Benjamin thanked Sue Myers for the summary and report format, and reminded the committee that funding strategy summaries are due. Please share them via email with other committee members for information purposes. Send them to Holly to include with minutes when complete.
3. Sue Myers updated the group on her summary of using a property transfer fee for revenue. She reiterated what it is and reviewed its use for Land Bank funds on Nantucket (2%), Martha's Vineyard (2%) and Provincetown (3%). Provincetown and Martha's Vineyard tried to use funds raised from the Land Bank transfer fee for affordable housing; Martha's Vineyard did and research is not yet complete on Provincetown. Urban Land Banks frequently use abandoned property for developing affordable housing. Like most other revenue source strategies, this would require legislative approval after getting Finance Committee, Select Board, and Town Meeting support. Retrospectively for Concord, a .25% fee would have resulted in \$800,000 – \$900,000 revenue and a .5% fee would have resulted in an average of about \$1.7 million in revenue for the years 2012 to 2017. Regarding the actual process, the Registry of Deeds requires the Land Bank stamp in order for the property sale to be recorded. The committee has not agreed on a specific rate as yet.
4. Holly Darzen reviewed summaries on PILUs and a Building Permit Fee Surcharge:
Fees on Special Permit Developments and/or PILUs (Payments in Lieu of Units)- There are some current zoning requirements (subdivisions) where the Town has the option to purchase a lot for affordable housing, but funds are never available to develop affordable housing from this. Affordable multifamily project units are occasionally conveyed by special permitting, but opportunities for this are scarce due to limited land, and the Town now meets its 40B 10% affordability requirement. The Planning Department could consider more requirements for affordable units (preferred) or PILUs and/or an increase in special permitting fees, which are very low. This is seen as something that should be addressed as planners consider changes to the regulations, perhaps in coordination with other towns in the region. Todd reiterated that according to Liz Rust other towns are more successful at getting PILU revenue. However, Concord is a small town with relatively infrequent multifamily projects/special permit applications from which to derive units or money.
Building Fee Permit Surcharge – Holly and Elisabeth formulated a new approach to the permit fee surcharge petition offered in last year's Town Meeting. Rather than being based on a \$/SF finished space for large homes, they looked at a fee increase across the board for all building permit applications from the current \$10/\$1000 construction value. Construction involving affordable units would be exempt. Examples provided:

Construction Value	Base Permit fee @\$10/1000	Surcharge fee @ \$4/1000
\$20,000 new bathroom	\$200	\$80
\$100,000 kitchen/family addition	\$1,000	\$400
\$1,000,000 new house	\$20,000	\$4,000
\$5,000,000 commercial bldg.	\$50,000	\$20,000
	Note: excludes plumbing, electrical, mechanical fees	

However, the building permit construction value in 2016 was \$84 million, and a \$4 surcharge would only have produced \$338,800, which is not very much given the effort of getting the fee in place (Fin Com, Select Board, Town Meeting, and legislative approval). An increase of the surcharge to \$10/\$1000 (doubling the current fee) would probably be necessary to raise a worthwhile amount, and even then it would be significantly less than a .5% transfer fee. Sue Myers suggested getting a legal opinion on the necessity of MA legislative approval for either the transfer fee or the building permit fee surcharge.

There was discussion about the merits of the building permit fee surcharge. The expansion and improvement of existing homes increases their value. And, the razing of smaller, less expensive homes to build larger, more costly ones reduces the availability of moderately priced housing in Concord, making the average home price higher and less attainable for many. A higher fee on the renovation and new construction building permits that allow these changes can help the town fund new housing options. This can help preserve the diversity and affordability of housing in Concord, especially for town government employees, retail, restaurant and service business employees, and long-term Concord residents who wish to downsize.

If this strategy used a sliding scale of rates, so large value construction pays more per \$1000 construction value, it would be one way to increase revenue. Linda Miller noted that the permit revenue would fluctuate with the economy, as would the transfer tax strategy.

5. The question arose as to how much revenue is the target of this effort. Ruth responded that consistency of the revenue is a main goal, especially with a dedicated fund it can grow in. In his 2017 petition Charles Phillips used the number of small homes on the market annually and the cost to buy them down for his revenue target.
6. Todd Benjamin reported on his conversation with Kerry LaFleur.
 - Unused Tax Levy** - (not the same as free cash). This is generally 5%. This would require putting a line item in the budget each year for affordable housing, which would have to pass annual Town Meeting.
 - Free Cash** - She reiterated this is only for specific capital projects and currently only for free cash excess over 10%. Free cash is currently about \$10 million, is in a stabilization fund to avoid an increase in taxes, and is in a ladder CD. Todd said there could be proposal of 2% of the free cash for affordable housing, as long as free cash never fell below 8% of the budget.
 - Bonds** – This money comes in a lump sum and requires 2/3 majority vote at Town Meeting, then 45 – 60 days to finalize at which point the money goes into a revolving fund which could be allocated for CHCD and CHA projects which then need to follow state procurement regulations.

Mary Hartman noted that you need to get state approval of funding streams for repayment prior to voting on bonding. Bonding is generally only approved for specific capital projects. **PILOT** – Payment in lieu of taxes is another source of revenue since Concord has a few non-profits with large real estate holdings. If these were taxed normally, the top six would yield over \$800,000 in annual revenue. A good aspect of this strategy is the parity; they are using a lot of land, so it follows that they should contribute for real estate for affordability housing. Other towns are pursuing this avenue of support. Chris Whelan may know history on this effort.

7. Meeting Schedule – Our next meeting is 2/13 at the Assessors Office on Court Street. At that meeting we will consider changing some meetings to Wednesdays. Todd will get us on the agenda for the 3/8 Finance Committee meeting which Holly and Todd will attend.
8. All approved the revised 1/16 meeting minutes. Holly asked that everyone send her their funding strategy summaries when they are complete.
9. Elisabeth Elden brought up the idea of using something like the Chapter 61 land classification, whereby land gets classified for affordable housing, taxes reduced, and the Town gets first right of refusal to purchase the property, Possibly with the seller paying 5 years of back taxes. This approach could morph into something like the donation tax credit discussed in one of the articles Todd provided. To be discussed further.
10. Todd will get an item on the 2/5 Select Board agenda to extend our committee until the 2019 Town Meeting.
11. Public comment: Mary Hartman and Linda Miller discussed whether we could just make a Town Meeting petition to have an ongoing annual amount in the budget for affordable housing. Linda felt it would not be possible without specific capital projects associated with it.
12. Ray Andrews affirmed that he would like to join the committee, but he will be out of town for the next meeting. He will apply via the green card and we are glad to have him.

Respectfully submitted, Holly Darzen clerk