

**AFFORDABLE HOUSING IN NANTUCKET**  
**A study conducted by Jonathan Rose & Associates, Inc.**  
**July 1998**

**INTRODUCTION**

Nantucket faces a serious affordable housing crisis. High demand from visitors, seasonal workers and second homeowners has driven the cost of free market housing far above prices local residents can afford. With the rapid rise in housing prices outstripping the incomes of Island residents, many local families, municipal workers, teachers and others who constitute the fabric of Nantucket's society are being forced to permanently leave the Island.

As a popular resort destination, the Island also needs to cope with a massive influx of seasonal workers during the now extended vacation period of late Spring to the end of Fall, and for many seasonal residents, through Christmas and New Year's. Seasonal employees often live in over-crowded conditions - public and private sector employers report their inability to hire employees during the peak season due to the lack of affordable housing. In addition, as the island population ages, there will be an increasing need for housing the elderly and other special needs populations.

This lack of affordable housing was identified in the July 16th editorial of the Inquirer and Mirror as the "number one problem that the island needs to face and solve in the next few years". The editorial continues "if the Comprehensive Plan does anything, it needs to come up with a realistic plan to address this very real need." This report, a companion report to the Comprehensive Plan, aims to outline a range of feasible, implementable and realistic solutions to the housing problem.

We believe that it makes sense to focus on four sectors of the population that need an expanded housing supply: Middle income full-time residents; seniors and other people with special needs; lower income full-time residents; and seasonal workers. Each sector is competing with the other for the same limited resource, and thus any solution for one sector will open up supply for the others. For example, developing single family homes that are affordable for purchase by public sector employees will free up rental housing for others.

## GOAL

The goal of this report is to outline a range of solutions that will help create a sufficient supply and range of high quality affordable housing on the Island of Nantucket. This is crucial to maintaining a local community presence on the island, a community that enhances the physical sense of place, character and charm of Nantucket. By so doing, the Island will remain a preferred place of residence for its inhabitants and a popular destination resort for tourists and second home owners. Achieving this means producing and maintaining a variety of housing types, in all price ranges of the market, to meet the varying needs of Nantucket's population.

## GUIDING PRINCIPLES

We have found that it is easiest to implement a plan if everyone agrees to its underlying principles. We propose the following principles to guide the effort to provide affordable housing on Nantucket. These should be reviewed and modified if necessary:

- A broad range of housing types and prices needs to be provided to meet the varied demands of the Island's residents seeking affordable housing. Affordable, permanent housing is the essential base from which families can ultimately attain stability and economic comfort, children can grow and the community can continue to carry forward its history.
- Affordable housing should fit seamlessly into the existing community fabric. The architectural characteristics, building materials and housing patterns of Nantucket are unique and key elements of the island's character. This character must be continued to ensure that the link between individuals and their built environment is maintained.
- At a time when natural resources are dwindling and building materials must be imported, it is prudent to develop Island appropriate, environmentally sound construction principles, from designing buildings that operate as efficiently as possible, to using recycled or environmentally friendly building products.
- Affordable housing should be located on transit corridors or adjacent to schools or areas of employment. The housing should be dispersed so as not to create "ghettos" or areas of excess concentration, although small "villages" of appropriate density should be considered at select locations, such as the municipal parcel on South Shore Road. It is important to understand that if they are well planned, high densities such as those in the Village of Sconset can be

replicated in other locations and still be appealing and harmonious with the Island's character.

- Affordable housing solutions should be integrated into the comprehensive planning process so that implementation occurs in a coordinated way. At the same time, the need is dire, and all efforts should be made to streamline rather than encumber the implementation of affordable housing.
- Nantucket cannot grow forever - nor can its supply of housing, affordable or otherwise. Affordable housing must be viewed as one important piece in the long term, bigger picture of how far the Island will grow and what it's citizens want it to look like ultimately.

#### EXISTING SITUATION - PROBLEMS AND ISSUES

Nantucket is faced with a number of housing problems, all of which have their associated social and economic issues.

The recent influx of wealthy people seeking second or third homes on the Island has pushed real estate values through the ceiling, and has meant that the average person living and working on the Island year round cannot afford to buy a home. In addition, the increasing popularity of Nantucket as a tourist resort has meant that demand for housing during the season has become extreme. Rental properties are gauged to the seasonal market, which now stretches from April all the way through to October, and during this time, rents can be more than 10 times what they might be off-season.

As a result, many municipal workers, teachers, retail workers, carpenters, policemen and other year round workers can no longer afford to live on the Island and have either left or are in the process of leaving. This exodus leaves a hole in the community fabric - many residents live in uncertainty, doing the Nantucket shuffle between living in comfortable housing during the off-season and insufficient housing during the season.

To compound the problem, the shortage of seasonal housing threatens the Island's major economic boomtime - the holiday season. Employers now spend valuable pre-season time trying to secure decent housing for their employees, often in vain. The uncertainty surrounding housing has caused more than one employer to end up with a shortage of staff, as he couldn't promise them housing until the last minute. By the time employers had managed the almost impossible task of securing a few rooms, these potential employees had often lined up work elsewhere.

The Nantucket Economic Base Study Report noted that the seasonal work force contained some of the lowest paying sectors in 1990, so many of the employees who do manage to find a place to live spend all or most of their earnings on rent, a situation which is unlikely to see them coming back the following year. Many employees end up working 80 hour weeks to cover the high rent and the shortage of staff.

Another consequence of limited, expensive housing is that workers often share the cost of rental units by piling as many people into a house as possible. Stories abound of radically overcrowded units, some cases of young workers sharing beds where they rent the bed for a few hours and then have to wake up and make way for the next in line. Not only does this lead to an unproductive workforce, it is also very dangerous and violates fire code regulations. Overall, the problem of housing seasonal workers is important to the economic well being of Nantucket. As Bob Engler says in his report entitled "Current and Projected Housing Needs on Nantucket", "since tourism is and continues to be Nantucket's most prominent industry, it looms as a critical problem if the Island cannot adequately house the lower paid seasonal work force upon which tourism depends."

Although the bulk of housing needs falls into the categories mentioned above, there are a number of smaller categories of equally needy people. These include seniors who have spent their lives on the Island. The housing opportunities in complexes such as the Landmark House and Academy Hill are limited and need to be expanded. There seems to be a need for an assisted living complex where residents are provided with meals, monitored by personal care attendants, and provided with maintenance treatment for various diseases such as Alzheimer's, Cancer, Parkinson's, Senility, etc.

Having a divorce rate higher than the national average, there is also a large population of single parents on Nantucket who have to raise children on one income, often working 2 or 3 jobs to do so. This is a particularly stressful situation, and the kids suffer from lack of attention as their parents are always working.

The rapid growth in large "trophy" homes owned by off-island people has significantly influenced the Island's economy. However, these homes place high demands on local infrastructure through increases in sewerage, stormwater runoff and vehicle traffic. Although this demand is concentrated over a short period it is excessively high. Construction of trophy homes creates jobs, although it appears that many new houses are being built by off Island labor and contractors, which causes a leakage of potential profit off the Island. Conversely, large second homes create a substantial new demand for housekeepers, maintenance workers, garden services, etc. These jobs pay well and create a demand for more housing.

CURRENT NANTUCKET AFFORDABLE HOUSING EFFORTS

A number of programs exist on the island, some funded by government and others by non-profit initiatives. The Nantucket Housing Authority (NHA) is the largest government funded housing body developing affordable housing. Among it's projects, the NHA, in affiliation with NHA Properties, Inc., a private non-profit entity, has undertaken an interesting program of recycling existing housing stock from "teardown" units. These houses are then relocated in a scattered manner to sites secured by the NHA. This effort promotes recycling, is cost effective and creates dispersed affordable housing. The houses, for the most part, exhibit the characteristic architectural style common to the Island.

It is important to note at this point how effective ordinances can be in providing the necessary stimulus and guidelines for such a program. Although the NHA has been practicing this program for 6 years, the biggest impetus was an ordinance drafted by the NP&EDC, which requires "demolition delay", a requirement to advertise houses for "adoption". Since this ordinance was accepted, the number of available houses has skyrocketed. In fact, the NHA and NHA Properties, Inc. currently faces a shortage of sufficient land to site these buildings, and unfortunately often has to pass up the opportunity of accepting a house because they have nowhere to put it.

The NHA has also developed rental housing using federal and state programs. These projects provide an essential housing resource, but are not well received by some members of the community, in part because of limitations on the design of the housing and program requirements imposed by the federal and state program. Additionally, these projects drain a great deal of the time of NHA board and staff members through dealing with off-Island bureaucracies.

Other non-profit organizations involved in creating affordable housing include the Nantucket Community Services assisted living program, run from Landmark House and The Homestead.

DEFINITION OF AFFORDABILITY

For the purpose of this report, affordable housing based on Nantucket's 1998 median income for a family of 4 is defined as follows:

very low income	0-50% of median income
low income	50-60% of median income
moderate income	60-80% of median income
middle income	80-120% of median income

**TABLE 1: PROJECTED ANNUAL INCOMES AND HOUSING AFFORDABILITY ON NANTUCKET**

%MFI	Annual Income	Affordable Rent(monthly)	Affordable Home Price*
30	\$17,850	\$416	\$56,201
40	\$23,800	\$555	\$80,346
50	\$29,750	\$694	\$104,490
60	\$35,700	\$833	\$128,635
70	\$41,650	\$972	\$152,779
80	\$47,600	\$1110	\$176,923
90	\$53,550	\$1249	\$201,068
100	\$59,500	\$1388	\$225,213
110	\$65,450	\$1,527	\$249,357
120	\$71,400	\$1,666	\$273,501

\* For affordable home price, assume 5% down payment; 6.75 interest and 30 year amortization; \$1,200/year real estate taxes.

Source: FY 1998 median family income, HUD

**SOLUTIONS - RECOMMENDATIONS AND ACTIONS**

Based on observations in the field, discussions with local residents and business people with an interest in affordable housing, an assessment of the existing situation, and our own experience, we propose the following recommendations as ways to increase the supply of affordable housing on Nantucket. These are described in the remainder of this report.

1. Create a Housing Office.
2. Encourage growth in number and type of affordable housing stock for low income residents
3. Ensure systems are set in place to enforce new zoning and housing regulations.
4. Preserve and expand the existing housing stock to provide for year round middle income residents.
5. Provide adequate housing for seasonal employees.
6. Address the need for shelter for elderly, special needs and single parent populations.

7. Develop public/private projects as models to expand the housing supply, particularly for municipal workers.
8. Use the building permit cap, as a tool to create needed affordable housing.

In many of the recommendations that follow, we recommend using committees to help with policy. We have found that committees often work well when they represent a diverse cross-section of the community, when they have a very clearly defined issue to examine and a short time to get the work done. For example, we like setting a three meeting life span to certain committees. During the first meeting, everyone gives his or her point of view. During the second meeting, the common ground emerges. If the committee members know that the third meeting is their last, they stop posturing and often reach consensus. However, this only works when the issue to be discussed is clearly defined and the meetings are facilitated by someone who really keeps it on track.

**RECOMMENDATION 1: ESTABLISH HOUSING OFFICE**

Many of the programs described below need to be administered by a public sector entity. An agency dedicated to acquiring land for the siting of affordable housing units is also essential if these programs are going to come to fruition. We propose the creation of the Nantucket Housing Office (NHO), a not-for-profit housing development, referral and management entity. The NHO must be structured to command the public trust and function as an essential component of housing production.

Initially the Housing Office will need to be financially supported, but it should be managed entrepreneurial, with the goal of becoming self supporting through income from development fees, property management fees and income from resident referral fees, recertification, placement fees and real estate commissions.

Regarding the management and staffing of the NHO, it would be prudent to try and avoid creating a large new bureaucracy. Since the NHA already has funding for staff and is experienced in development, management and income certification, it makes sense to build the housing office as an outgrowth of, in collaboration with, or as an affiliate of the NHA.

It is also worth exploring other sources of funds, such as the levy of a 1/2 % transfer tax and seeking “start up” grants from charitable sources, such as the private foundations many second homeowners have established.

The Housing Office could provide the following services:

1. It should serve as the public arm of public/private partnerships to develop affordable rental and ownership homes. It may also develop seasonal housing.
2. The NHO should be the central location where residents can inquire about housing, be evaluated for eligibility and qualify for the appropriate affordable housing program. Eligibility should be determined by income and scoring of a point system. The point system should award points for length of residency (or birth on the Island), occupation (such as municipal or school system work), volunteer service in emergency services and other local activities which need support. We recommend that a broadly representative committee of staff and citizens determine the criteria for this point system. (See also Recom. 4, page 12, point 1)
3. The NHO should acquire land to be used both for new affordable home construction and for siting houses that are moved from their original location. To achieve this, it should collaborate with the municipal government, school board, airport commission, the NHA and local land trusts.
4. The NHO should manage all affordable rentals owned by the public sector and process the resale of deed restricted housing units. It should help to enforce affordability regulations through monitoring of all affordable rentals and sales. It should be the central office through which rentals and sales are processed.

The town should determine, as a matter of public policy, the scope of the Housing Office's domain. For example, if second units are rented as affordable apartments, perhaps the Housing Office certifies the qualifications of the tenant, but the owner is able to choose the renter.

5. The NHO and its board should provide input into policy guidelines for all affordable housing programs.
6. The NHO should play an active role in all affordable housing planning and construction.

We recommend that a community process begin to determine who will receive priority placement in affordable housing as per the point system defined above - for example, priority might be given to municipal workers, school system employees, on Island elderly, and young adult residents raised on the Island who are seeking to leave home but remain on the Island.

## RECOMMENDATION 2: AFFORDABLE RENTALS AND SALES FOR LOW INCOME RESIDENTS

A balanced housing stock includes affordable rental units. The Nantucket Housing Authority has made a good start at developing single family homes for rent. This effort should be extended to include appropriately scaled multifamily units. Many homes in Nantucket's downtown core have already been informally developed into apartments. New apartments should be developed to look like larger single family homes rather than "projects."

### *Action*

1. Expand the NHA's recycled home program, as described on page 5. Provide a location to store recycled homes temporarily.
2. The development of small scale multifamily housing should be permitted as an "as of right" use in defined zones. These buildings can actually look like large single family homes. Design guidelines should be developed to insure that Nantucket's historic fabric is preserved and that scattered site multifamily apartments can be built in neighborhoods served by water and sewer. These buildings will need to provide parking and enough yard space so as not to overwhelm their neighbors.
3. It is important to dispel any fears that neighboring residents may have in response to the development of multifamily housing. Community meetings should be held to explain how this type of housing has been successfully implemented. Factors such as housing people with a mix of incomes, strict enforcement of overcrowding, parking, noise and open space regulations, and creative design solutions all enable the creation of developments that are unobtrusive and comfortable to live near. All housing must reflect Nantucket's traditional scale and architectural design standards.
4. There are many financing programs that support the development of affordable rental housing, such as the Low Income Housing Tax Credit, which serves families earning between 30-60% of median income. We recommend developing a small, infill, rental demonstration project through a public/private partnership to create an attractive model that can then be duplicated by the private sector.
5. We recommend that the town make a special effort to create a larger inventory of lots to receive recycled homes destined for the landfill. These lots can be purchased or created by giving density bonuses to developers who donate lots as part of larger development plans. The NHA or NHO should also pursue a revolving line of credit to increase the capacity to move and transfer more of these homes at one time. It is also worth considering expanding the program from rental to include homeownership under the R.O. Guidelines (see Recom 4). Incentives should be offered under the zoning to encourage house donation.

6. Consider requiring that newly constructed second dwellings be rented with 12 month leases to full time residents unless used by family members. The Working Group report emphasizes this option, saying that second dwellings, while not only representing a form of increased density, were also historically used by year round residents for additional rental income or for extended family members.

7. Other strategies suggested in the Working Group report that we support include: The Town favoring year round occupied housing units in setting fees and levies and issuing building permits; increasing density in areas already served by public services to help defray land costs, and allowing a variety of ownership vehicles (condo, co-op etc.) to make it easier to own year round housing.

### **RECOMMENDATION 3: ENFORCEMENT OF ZONING AND HOUSING REGULATIONS**

A sentiment expressed by officials, business owners and residents is that the existing enforcement of zoning and housing regulations is inadequate. If future programs are to be successful they need to be based on fair and consistent enforcement, otherwise housing will not reach the intended recipients.

#### ***Action***

1. Currently, the Chief Building Inspector is responsible for zoning enforcement as well as building inspection. He simply does not have the staff to enforce the zoning and building codes. Furthermore, if these were to be firmly enforced, there would not be enough legal or code complying housing supply to accommodate the Island's needs. We, therefore, recommend that a three year amnesty be enacted on code violations, subject to the following:

- a. At the commencement of the amnesty, the town begin keeping a log of every suspected or reported code violation, and make outreach efforts to determine what unreported violations exist.
- b. The town should hire temporary staff to inspect every logged house (or perhaps contract out code inspection work to local architects).
- c. The inspector and the owner should develop a compliance plan that identifies actions to be undertaken immediately, actions to be undertaken before the next summer season, and actions to be undertaken before the end of the amnesty period. For example, smoke alarms should immediately be installed where required.

- d. Once there is an agreed upon plan, the owner should be able to then legally acknowledge the income from previously illegal rentals. Local banks shall be enlisted to offer loans to assist with the more expensive renovations if required.
  - e. The buildings should be reinspected to ensure compliance with the agreed upon plan. It is likely that, in many cases, the overall occupancy level of existing housing should be reduced.
  - f. The town should determine the maximum number of full time and seasonal residents it is willing to have per room and per bathroom, and the extent to which it will require that parking be provided.
2. If an amnesty plan is put into effect, the town must be willing to enforce the code once the amnesty period is over. To assist with compliance, all lenders of record for each building should receive copies of notices, correction plans, court orders, etc.
  3. The town also needs to reach out to the construction community to remind it to report work requiring permits and to encourage compliance.
  4. The Housing Office will enforce compliance with regulations regarding affordable housing price and occupancy guidelines.

**RECOMMENDATION 4: MIDDLE INCOME "RESIDENT ONLY" HOUSING**

The Working Group report states that " it may be necessary to regulate/restrict and police the stock of year round housing to protect that market from the seasonal home buyer.....there must be a number of strategies to ensure the middle class housing stock remains in existence." This is not an easy problem to overcome, but other resort communities have created affordable, for sale housing for long term residents, designated as R.O. or "resident only" housing.

R.O. housing is typically single family, duplex housing, or townhouse buildings to provide for a range of middle incomes and family sizes. To purchase a home under this program, the purchaser needs to be qualified by the Housing office as having lived and worked in the town for three years. (Or a period of time to be determined by you. For example, would you give new school teachers preference if providing housing was essential to their hire?) The home can only be sold to a resident also qualified by the Housing Office. This creates a local sub-market, separate from the one driven by the second home economy. This system takes time to implement and as more and more houses are sold to residents, the stock of R.O. homes builds until there are enough to satisfy demand. As a member of the audience exclaimed at a presentation we gave on the Island on July 23, "imagine if we had done this 10 years ago!" This is precisely the

point, the process needs to begin as soon as possible, so that in 10 years time there is an adequate stock of R.O. Housing on Nantucket.

To make the R.O. system work, the units must initially be sold to residents at a price that can be afforded by the targeted income group. The resale price then has to be limited by an appreciation cap to give purchasers an incentive to participate in the program. We recommend that the purchasers be assisted by a down payment assistance fund. The committee would also recommend the basis for the appreciation cap, such as the CPI.

For example, a home selling for +- \$200,000 with 95% financing would be affordable to a family earning \$53,550/year with a \$10,000 down payment (these numbers are not precise, because we also recommend that the housing office receive a fee for managing the sale). If the Housing Office fee was 2% (or \$4,000), it could either come out of sale proceeds, or be added to the sale price. In either case it would result in better returns for long term ownership. If the appreciation cap were the CPI, let's say 2.5% per year, and the family sold the home in two years, it would resell for \$210,000. The seller would make a \$10,000 gain and would have doubled his or her equity investment of \$10,000 in 2 years. Meanwhile, the new buyer would still have an affordable home.

Failure to comply with R.O. regulations would trigger the sale of the house to another R.O. qualified resident, with legal fees deducted from the funds received by the seller.

The Town, through the Housing Office may develop R.O. housing independently or in partnership with developers. R.O. Housing could also be developed by the school district, the airport, the Town and other private enterprises for their own employees.

### *Action*

1. The community should engage in a discussion aimed at establishing a definition of resident status and establishing priority amongst the residents. For example a point system might be established which would allocate a number of points corresponding to the number of years as a full time resident; the number of years served as a fireman, policeman; an example of service to the community etc. Once the required number of points has been attained, that person will then be eligible for R.O. Housing. Or a lottery could be held, with an applicant's chances increasing according to his or her point total. We suggest that a committee be formed to meet no more than three times and report on it's conclusion.

2. Under the zoning code, a density bonus program should be instituted to encourage developers to develop R.O. Housing. For example, if a developer provides a certain percentage of R.O. Units in a new project, the R.O. units might fall outside of the building cap. Since it appears that there are more applicants for free market building permits than available under the cap, we also recommend that a point system be set up

to allocate building permits. Such a system could prioritize the receipt of building permits by those who include R.O. Homes in their projects. (See also Recom. 8, page 16)

3. If a downpayment assistance program is created, then existing homes could be converted to R.O. Homes if the purchaser receives financial assistance from the program. The home could then become a permanent R.O. Resource. This program would be particularly effective if paired with a reduced interest rate mortgage program such as the Federal Home Loan Bank's "First Time Homebuyers Club" program.

#### **RECOMMENDATION 5: AFFORDABLE SEASONAL RENTAL HOUSING**

The employers of seasonal workers need to have access to comfortable, legal, affordable accommodation for their employees. This will benefit the Islands tourist economy in two ways: Employers will be able to attract employees with the guarantee of accommodation, and not risk losing potential employees to other resort destinations. Overcrowding will be avoided, reducing employee discomfort and fire or health risk. Seasonal housing may be accommodated in several ways, including second units, and through the legalization of homes currently providing "informal" seasonal housing.

#### ***Action***

1. To the extent that municipal employees, such as lifeguards, need accommodation, the Town should consider providing housing units in dormitory style buildings for the annual influx of seasonal workers. These buildings can either contain normal apartments, or function as large houses, with dorm style bedrooms, men's and women's bathrooms and a common kitchen and living room. These should be conveniently located and designed in accordance with Nantucket historic architectural guidelines. Local business owners have also expressed interest in investing in the equity required to develop beds in a dormitory. As investors, they would retain this equity and the right to the beds as an asset which could be sold as part of their business. This way they have guaranteed housing for their employees. Maintenance and management expenses will be covered by rents paid by the workers. To make dorms financeable, the market for winter use should be developed. For example, it was proposed that Nantucket house a community college specializing in Hotel and Restaurant training and use the seasonal housing as dorms. The seasonal housing can also be used to house student assistant teachers from the Nantucket schools.

2. Downtown retail businesses should be encouraged to utilize the second floor of their businesses to house workers.

RECOMMENDATION 6: ADDRESS THE NEED FOR SHELTER FOR ELDERLY, SPECIAL NEEDS AND SINGLE PARENT POPULATIONS

Of all the groups needing affordable housing on the Island, perhaps the easiest group to develop support for are the elderly. In addition, as baby boomers age, there will be an increased demand on elderly housing supply. We suggest using the Low Income Housing Tax Credit program and FHA 232 loan guarantees to create affordable elderly rentals.

Efforts should also be directed to provide housing for people who have no permanent place to live, who live in substandard housing and those who have special needs that the private market does not fulfill. Special needs housing often targets the very lowest income households, those earning well below 30% of median i.e. below \$17,850/year. This group includes people who are disabled, homeless, those living with HIV/AIDS or the chronically mentally ill. We suggest that small group homes, scattered around the Island, be developed in conjunction with churches or social service agencies that are willing and capable of taking full responsibility for the program needs of these facilities.

*Action*

1. The planning department should study the long range patterns to determine how many independent and assisted living units are currently needed and will be needed, and determine where they could be developed. This is one sector of the housing demand that, by acting now, Nantucket can actually stay ahead of the curve! These can be a combination of market rate and affordable rentals, with the first helping to subsidize the second.
2. "Landmark" house currently offers 18 units for elderly and mentally handicapped people, with plans to expand to 26 units. We recommend that its expansion be supported. In addition they are looking for a property to develop assisted living units. This initiative should be encouraged.
3. Co-housing, where the rent is shared and, for example, kitchen facilities are communal, is an effective affordable housing type, especially for single parents. Besides the obvious benefit of rent sharing, other spin-offs include socialized child rearing and shared babysitting, and interaction with other parents and children of different ages.
4. It would be wise to study Nantucket's current special needs housing demand, and project future permanent and transitional needs. It is also important to understand the income (or lack of income) of this group so that you can arrange sufficient subsidies. For example, there are federal programs that together pay for all or substantially all of the cost of housing for people with AIDS. This housing needs to include individual case management and support/rehabilitation services.

#### RECOMMENDATION 7: DEVELOP MODEL PUBLIC/PRIVATE PARTNERSHIPS

This report contains many recommendations. To implement them will require a substantial commitment of staff, time and money. It has been noted that government is best at establishing appropriate affordable housing policies, but often not as effective as the private sector in implementing development. We, therefore, recommend the use of public/private partnerships, in which local developers, contractors and architects join with the public sector to carry out project development. Public/private partnerships depend on trust between the parties that can only come from an open book approach. In successful public/private partnerships, each side brings valuable skills and expertise to the table. The private sector brings expertise in planning, architectural design and construction to the project, a willingness to take risks and an interest in keeping the public process moving. The public sector, on the other hand, brings to the project land, financial resources, zoning approvals, and the capability to act as an applicant for low cost non-recourse loans. Also, the Housing Office can take responsibility for resident selection and marketing.

#### *Action*

We recommend that a demonstration project be built on land currently owned, or to be acquired by the Town. The project should be used to develop confidence in the affordable housing program. It should appeal to as broad a constituency as possible. We recommend building ownership units for municipal workers, school district workers and/or employees of the airport or waterfront commissions. The project might be structured as follows:

1. The land will be provided to the project by the Town by way of a 99 year lease (this will allow the Town to recapture it for what may be other pressing needs 100 years from now)
2. The Town will engage planners to lead the process of determining the design, density and economics of the project.
3. The town or its consultants will establish a financing plan for the project.
4. Once the Town has agreed on the scope of the project, it will establish clear design and financial guidelines and issue an RFP to secure an architect/ developer/ contractor team (with a preference for local teams)
5. The selected development team will design the project according to the design guidelines, and will present its plans to the Town for approval.

6. The development team and the Town together will apply for loans and grants. The development team will provide completion and other guarantees as needed.
7. The plan may be modified by mutual consent of both parties so as to be financeable or politically approvable.
8. Once approved, the development team will start and complete the development (and if not started by a specific date, the developer loses its rights to the project). The Housing Office will market the units, review applications and select the purchasers.

**RECOMMENDATION 8: ENCOURAGE DEVELOPMENT OF AFFORDABLE HOUSING THROUGH USE OF THE BUILDING PERMIT CAP**

We believe that the building permit cap is an excellent planning and development management tool to implement the above recommendations. Although we have tried to recommend methods for creating affordable housing out of existing stock, the only way to deal with the island's housing issues in a prosperous economy is to build more. Furthermore, it is unreasonable to assume that 100% of the new housing built will be affordable. In effect, this is a problem that was caused by economic growth, that can only be solved by further growth.

***Action***

1. We recommend that all affordable rental, seasonal, elderly and special needs housing be permitted outside of the building permit cap, but that the planning office monitor the development rate of these units annually and advise the town as to further restrictions or stimuli as needed. We recommend that when a market rate development is approved, it bear an obligation to create a minimum of 1/3 (or more) of the units as affordable (so one affordable housing unit for every three market rate units). Density bonuses should be provided to accommodate the construction of the affordable units.
2. Developers should compete for development rights under the building permit cap by proposing to increase the ratio of affordable units, or reduce the income of the families served. Thus, if two developers propose to build 10 market rate units and one offers to also build 5 R.O. units, whereas the other offers to build 3 R.O. units, the first developer should win. On the other hand, if one proposes to build 5 R.O. units and the other 3 R.O. units and two lower income elderly units, the second one should win. A building permit cap allocation priority system should be recommended by a three meeting committee process, and then publicly discussed and approved by the Town Board.

3. Developers who are moving a house off an existing site should be required to compete under the building permit cap for a building permit, unless they pay for the full cost of moving and relocating the house, including its new foundations.

### CONCLUSION

With such a persistent demonstrated need for affordable housing, we believe that it is time to start building solutions. We recommend the development of a small demonstration project on Town owned land. Such a project will clarify issues, solidify affordable housing's political constituency, and lay the groundwork for future projects.

An optimal site for such a pilot project would be town owned land available on a 99 year lease basis, with water and sewer connections nearby. As a first project, we recommend a mix of senior housing and single family homes with perhaps one multifamily rental in the form of a single family house, with preference given to town and school employees.

In addition, committees need to be established to define residents' eligibility for Resident Only status and to determine the scope and constitution of the Housing Office.