

## Progress Report on CICA’s Housing Work, August 2008

The *Chebeague Housing Study* recommended specific five-year goals and more tentative goals for the period beyond the first five years.

To provide	Five-year goals	Beyond five years
Homeownership opportunities	8 households	12 households
Year-round rental housing	4 households	7 households
Assisted living opportunities	2 individuals	10 individuals

### STARTING ON THE STRATEGIC PLAN: ISSUES

In 2007 CICA began to work to accomplish these goals. At that time we had no experience in providing housing and were faced with many possible ways in which housing that is attainable for working families could be provided –

- acquisition of either existing houses or apartments,
- sale of serviced or unserviced lots,
- accepting donated houses,
- renovating older houses,
- from-scratch construction of houses,
- acquisition of manufactured housing,
- creation of apartments accessory to existing houses.

There are also several ways that the housing could be made available – through rental or by sale. Rentals require management of the rental process and maintenance of the units. Sale can involve either sale of the lot and house, or only of the house, with ownership of the land retained by CICA. Sales also require CICA and the Chebeague community to decide what balance to strike between helping homeowners accumulate wealth from the increase in the value of their houses and making sure that houses subsidized by the community stay attainable for other island families when they are sold.

Any mix of these strategies requires making decisions about who should be eligible for the housing. Income, job status, existing connections to the Chebeague community, previous housing experience, and a requirement for sweat equity were all possible criteria.

Finally, making housing attainable for working people on Chebeague depends on meeting three financial objectives. The first is to build a base for raising yearly operating funds to subsidize the existing and future rental housing. This summer the Housing Committee organized a fund-raising House Tour. It did not take place because 226 South Road could not be included. But it can be organized again for next summer. It is uncertain how much money it might raise -- \$4,000 is probably a high estimate.

The second financial objective is to acquire low-cost or free land for building housing. The Curit property, which was sold to the Town at a below-market rate to be used for affordable housing, is one such possibility but building an access road and subdividing

the land is a larger and more expensive project than CICA can take on this early in its development. Instead it hopes to convince the Town to provide an easily-accessible single lot for an initial projects.

Finally, CICA needs to raise capital from donations and grants to enable us to offer on existing year-round houses that come on the market. Some Federal and State money is available for “affordable” housing, but it comes with strings attached about the income levels of the residents that may not be suitable for Chebeague. So far CICA has relied primarily on grants from other non-profits dedicated to financing affordable housing. But this money is not available on a repeated basis. For a multi-unit project, the Town of Chebeague Island could establish an affordable housing Tax Increment Financing District. This would not pay for the land but could cover the cost of infrastructure to make the land accessible.

### **INITIAL THREE-PHASEE PROJECT**

The *Strategic Plan* proposes that CICA provide five units of attainable housing over a five-year period, divided into three Phases.

#### **Phase 1: 226 South Road**

The first project, now in operation, is the purchase of an existing single family house and making it available as an attainable house. In July 2007 CICA purchased 226 South Road for \$244,000. Money for the purchase and initial rent subsidy was raised through a \$197,000 loan from the Genesis Community Loan Fund, a grant for \$20,000 from the Island Institute’s Affordable Coast Fund, and a matching grant of \$25,000 from Genesis for which CICA raised \$25,000. It will initially be rented, but in the future may be sold as an affordable house. If and when it is sold, the house will be subsidized to bring the asking price down to the \$180,000 range.

A three bedroom house with a bath and a half would be particularly suitable for a single mother and children or a small family. It is large for a couple or a single person.

This “pilot” purchase has already provided a variety of valuable lessons. We have developed a process for soliciting rental applications and for choosing renters. Under the eligibility criteria the applicants need to demonstrate: need for housing, income that is below the Cumberland County “moderate” income limit, based on family size; credit worthiness, and year-round residence on Chebeague, with a preference given to people holding jobs which are vital to the year-round community. The renter would pay 30 percent of their income, whatever their income was, for rent and utilities

A 5- person Selection Committee, independent of the CICA Housing Committee was formed to review applications and select tenants. In the first round we had two applicants and the Selection Committee worked very hard to develop fair and transparent criteria for evaluating them. The tradeoffs and choices between candidates can be difficult.

For a variety of reasons, the applicants chosen in the first round never moved into 226 South Road. So in June 2008 we made a second call for applicants to rent the house. One

lesson learned in the first round was that it is impractical for several reasons to include both rent and utilities in the 30 percent of income figure. The utility costs vary throughout the year in only moderately predictable ways, so that the tenant's payment would vary from one month to the next. In addition, the utility costs for 226 South Road are in the range of \$300 to \$400 per month, increasing the subsidy that CICA provides to a level that the organization cannot afford. So a decision was made to set the rent at 28 percent of the applicant's income and to have them pay the utilities.

In the second round there were four applicant households, all with children. This indicates that more people are aware of the program and of the nature of the single house in it so far. The Selection Committee in this round was made up of four of the original members. They found that generally the process developed the fall before was useful in evaluating the applicants, though they suggested some changes to the evaluation framework.

This second round also raised in a different form the issue of how large a subsidy CICA can afford to provide to renters of the house. For potential renters with very low incomes who would require a subsidy of more than \$10,000 per year, it is theoretically possible to get housing assistance from the Section 8 housing voucher program or from welfare. However, the Section 8 Program in Cumberland County has a five-year waiting list, and is not accepting applications at present. Asking applicants to apply for welfare may be problematic.

During the first two years we have the luxury of having a subsidy of about \$10,000/year built into our loan from Genesis, but at the end of the first two years we will have to raise the money for the yearly subsidy. We do not at present have the capacity to raise \$10,000 per year every year.

This turned out not to be an immediate issue in the second round of applications, but it will always be there. Even with a yearly subsidy to the renter in the range of \$10,000, 226 South Road is only marginally affordable to the target population if the tenant has to pay the cost of the utilities as well. There are other rental arrangements on Chebeague, not necessarily year-round and not necessarily as pleasant, that are less expensive, and possible applicants may decide to, or have to, accept them.

The Housing Committee is in the business of providing subsidized housing, so it must build the capacity to raise the subsidy amounts on an on-going basis. It must also look for ways to lower the cost of the housing and to tap any other housing funds that may be available.

The Committee is exploring two ways to reduce the operating cost of 226 South Road. One is to see if the Town will grant a tax reduction for an affordable house. The other is to make the house more energy efficient so the utility bills are not as high. In September 2008, between tenants, the Committee will do repair and weatherization work on the house.

Because of the general weakness of the housing and mortgage markets nationally and on Chebeague, the prospect of selling 226 South Road as an affordable house is probably further in the future than our initial image of two years. But the Housing Committee plans to begin to work this summer on developing criteria for the sale and the future resale of the house so it can remain an affordable house. Genesis' initial financing and rental subsidy will end in August 2009. If the house is to be rented after that time, CICA will have to raise money for the rental subsidy each year.

### **Phase 2: Town Land for Affordable Houses**

If the Town of Chebeague Island is willing, the proposed second project will be the provision of one or two affordable house lots. This is an idea borrowed from Long Island which has made several lots, originally taken by the Town for non-payment of taxes, available to young residents who want to build houses. The lots remain the property of the affordable housing group, and the builders pay annual "rent" to the Town to cover the cost of the property taxes.

So far the Housing Committee has made a report to the Selectmen about its work to date. In April 2008 the Selectmen presented a policy to Town Meeting for dealing with properties on which the Town has foreclosed for non-payment of taxes. The policy was accepted by Town Meeting, so CICA can explore making a proposal to the Selectmen.

### **Phase 3: New Construction of Rental Units**

The third project will be to provide at least two affordable rental units in a new building. This project is now in the planning stage and there are several options for achieving it. CICA could build the units itself, or it could provide assistance to some individual who is interested in building the units.

We have been talking with Wayne and Arlene Dyer about their idea of creating duplex units on land they own using portable schoolrooms. There are issues about how such a project might be built under the Town's Zoning and Subdivision Ordinances. And Wayne and Arlene are very busy already.

### **OTHER ACTIVITIES**

In this first year we have also explored the practicality of renovating a small, attractive, but rundown old house. The estimated cost of renovation to current building standards was far more than could be justified as a reasonable subsidy for an affordable house.

In July 2008 The Chebeague Methodist Church made a proposal to a variety of non-profits on the island to help residents make their houses more tight to the weather before the coming winter of expected high energy prices. The Island Council's Samaritan Fund helps people in need pay their heating bills. One idea was to make an offer with each grant to weatherize the house so that the money is used as efficiently as possible.

The Housing Committee wants to play an active role in this effort. The work in September on 226 South Road may provide useful experience about the costs and amount of work needed to reduce utility costs.

## **CONCLUSION**

This 5-house, five-year goal is less ambitious than the one set in the *Chebeague Housing Study*. However CICA is run entirely by volunteers who need to gain experience through these early projects. During the short time it has been in existence, the Housing Committee has been fortunate that the housing market on Chebeague has been somewhat slow, so the price of housing has not been increasing as rapidly as it was a few years ago. Even in this situation, more opportunities for acquiring or creating affordable housing have come up than CICA has been able to take advantage of. And some opportunities have become available either much more slowly or much more quickly than any of us predicted.

We are increasingly being contacted by people who need housing and who would be eligible for the program. This means that the need to expand the number of units available is becoming more apparent. However, the Housing Committee is still working on providing an adequate subsidy for its first house.

Probably the one certainty in carrying out this Strategic Plan is that actual events will be different from the plans envisioned here. Our hope is that the large goal of keeping a significant amount of housing on Chebeague attainable for year-round families of modest means will keep us all on track.