

**CHEBEAGUE ISLAND  
HOUSING STUDY  
Final Report  
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Prepared for:

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And the  
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# INTRODUCTION

## Affordable Housing Issues

Islanders (both year round and seasonal) place a high value on the retention of a diverse year round community as one of most appealing attributes of Chebeague. Home prices have been escalating rapidly on the mainland and on island and shorefront properties. Increasing home prices, and related assessments and property tax costs on the Island are raising the cost of home ownership. There are few rental housing units on Chebeague, and some are not available to renters for the entire year. As of 2000, about 63% of the Island's housing units were occupied only seasonally.

Chebeague's resident households currently have a very diverse range of incomes. The median household income on Chebeague is less than half that of mainland Cumberland (even with Cumberland Foreside excluded.) A high proportion of Chebeague households are seniors, and there are relatively few younger households with children living on Chebeague. As prices and tax costs rise, there is concern that year-round residents will not be able to afford to live on Chebeague. Over time this might result in a growing population of higher income retirees and seasonal homeowners, and declining year round occupancy, unless Island housing becomes more available and affordable to support younger, working families. Senior households who have lived for many years on Chebeague may be in need of alternative forms or housing that will allow them to remain on the Island as long as possible.

## Purpose and Approach

The central purpose of the study was to recommend an affordable housing strategy for Chebeague Island based on a study that included:

1. Conducting a comprehensive housing survey to determine needs and interest in alternative affordable housing on Chebeague;
2. Profiling the affordable housing initiatives and resources that have been used on Maine islands that have created about 112 affordable housing units;
3. Evaluating a range of affordable housing initiatives for Chebeague that are appropriate to the scale and type of needs on the Island.

## Organization of Summary Report

This summary report is organized in the following sections:

- Part I: Affordable Housing Strategy for Chebeague
- Part II: Analysis of Chebeague Housing Needs and Housing Survey Results
- Part III: Affordable Housing Development on Maine Islands

Technical Appendix (Detailed Survey Tabulations – under separate cover)

## **PART I: AFFORDABLE HOUSING STRATEGY FOR CHEBEAGUE ISLAND**

The expansion of affordable housing opportunities on Chebeague is necessary to sustain a diverse, year round community on the Island. The importance of affordable housing for year round residents was emphasized in the responses to the housing survey by both year round and seasonal residents as essential to maintaining the character of Chebeague.

### **A. Challenges and Opportunities**

Island living presents challenges to year round living that include higher consumer costs, increasing property taxes, and the fixed schedules necessitated by ferry travel. Uncertainty about the future of the Island's elementary school may contribute to doubt among prospective residents with children about whether to live on the Island year-round. The Island has a relatively high proportion of seniors and relatively few younger households with children in comparison to other Maine island communities. There is a concern that if costs keep rising and if families cannot be retained on the Island, that Chebeague will be increasingly dominated by retirees and seasonal home owners.

Unlike many of Maine's other year round island communities, Chebeague is located within the state's largest job market, and double ferry coverage connects it to a concentration of urban employment opportunities within a relatively short distance. Chebeague is a place of diverse household incomes, and is attractive to the part of the market that values community over convenience. The other part of the Island's appeal is its attractive physical setting and its capacity to provide a retreat from what is viewed as a more stressful mainland environment.

### **B. Recommended Five-Year Strategy**

Our recommendations for Chebeague include specific action steps for the creation of affordable housing opportunities in three areas:

- Homeownership
- Rental housing
- Assisted living

Affordable home ownership or rental housing may be created in several ways: (1) acquisition and resale of land or existing homes; (2) the sale of lots or the sale of new homes to eligible buyers with resale subject to affordability covenants; (3) development of new rental housing; and (4) creation of accessory apartments. Bringing prices of new units within the reach of low to moderate income households will require significant subsidy through foundation aid, private donations from residents and businesses, contributed services and government programs where applicable.

Based on interpretation of the Chebeague Island Housing Survey, we estimate that the interest in alternative, year-round affordable housing breaks down as follows:

Housing Alternative	Short Term - Next Five Years	Long Term - Beyond 5 Years	Total Interest Indicated by Survey
Homeownership Opportunities	8	12	20
Rental Housing	4	7	11
Assisted Living	2	10	12
Total Interested Households	14	29	43

The number of households indicating an interest in affordable ownership or rental housing in the next 5 years should be used as the basis for a five-year plan to increase and preserve an affordable housing supply on Chebeague. Expansion to a larger initiative for affordable housing for more households should probably be based on a review of experience gained from initial efforts, or from the development of waiting lists created by the new initiatives.

The housing strategy below includes general and specific recommendations for a five-year planning and development period.

**1. Form an Island non-profit corporation and set priorities**

It is important to be prepared to act as opportunities for property acquisition or offers of donations arise. Having a general purpose non-profit organization in place early on is an advantage, and could be used for both housing and economic development purposes. A community-based non-profit can raise unrestricted capital through private donations.

The local organization should set priorities for the types of households and income ranges it intends to serve in “affordable” housing. People involved in forming the non-profits which developed Island Commons and the community recreation center undoubtedly have expertise which could be tapped for this new venture.

<b>Steps to form a non-profit:</b>	<b>Timeline: 6 months</b>
1. Identify at least 5 people interested in being board members of the new non-profit.	
2. The board should establish a mission statement which includes but is not limited to the creation of affordable housing.	
3. Write the by-laws, complete the state incorporation papers and apply to the IRS for a 501(c) (3) designation.	

**2. Acquire Properties**

The new non-profit is advised to actively seek donations of land or existing homes that may be used to expand affordable housing opportunities. Many island organizations have had land donated by the Town or by individuals. Even if the property isn’t suitable for a specific development, it can be sold to purchase other property. The housing survey indicated that about 13% of property owners (both year round and seasonal residents) would consider the

sale or donation of property if it helped create affordable housing opportunities on Chebeague. The non-profit could make it easy for someone to give land or capital as a bequest. Other innovative arrangements could be explored, such as the non-profit organization acquiring existing homes, and reselling them to qualified buyers at a discount. The home might be subject to affordability covenants or recapture provisions applicable to the future resale of the home.

### **3. Determine income, price and rent targets for affordable housing**

Gross rental housing costs include rent paid to the landlord plus other costs for heating fuel, domestic hot water, and electricity. The gross monthly housing cost for homeowners includes mortgage principal and interest, property taxes, hazard insurance, plus the costs of heating fuel, domestic hot water, and electricity. The standard housing affordability measure is that gross monthly housing costs should not exceed 30% of gross monthly income.

The table below shows the typical range of household incomes served by affordable housing programs, and the maximum monthly housing costs affordable at each level.

2005 AREA INCOME LEVELS - TARGETS FOR AFFORDABLE HOUSING					
Household Size	Max. Very Low Income	Max for Tax Credit Rental Housing	Max Lower Income	Maximum at Median Income	Typical Affordable Ownership Housing Maximum Income
	@50% AMFI	@ 60% AMFI	@ 80% AMFI	@ 100% AMFI	@ 120% AMFI
1 Person	\$22,550	\$27,060	\$36,050	\$45,100	\$54,075
2 Person	\$25,750	\$30,900	\$41,200	\$51,500	\$61,800
3 Person	\$29,000	\$34,800	\$46,350	\$58,000	\$69,525
4 Person	\$32,200	\$38,640	\$51,500	\$64,400	\$77,250

MAXIMUM MONTHLY COSTS AFFORDABLE AT 30% AND 25% OF INCOME					
Maximum Monthly Housing Cost @ 30% of Income (Including Heat, Hot Water, Electricity)					
1 Person	\$564	\$677	\$901	\$1,128	\$1,352
2 Person	\$644	\$773	\$1,030	\$1,288	\$1,545
3 Person	\$725	\$870	\$1,159	\$1,450	\$1,738
4 Person	\$805	\$966	\$1,288	\$1,610	\$1,931
Maximum Monthly Housing Cost @ 25% of Income (Including Heat, Hot Water, Electricity)					
1 Person	\$470	\$564	\$751	\$940	\$1,127
2 Person	\$536	\$644	\$858	\$1,073	\$1,288
3 Person	\$604	\$725	\$966	\$1,208	\$1,448
4 Person	\$671	\$805	\$1,073	\$1,342	\$1,609

In the table above, affordable monthly housing costs are shown at both 30% and 25% of income. Because non-housing costs for island living are higher than on the mainland, using a housing cost ratio of 25% (lower section of above table) may be advisable for computing affordable housing costs on Chebeague, since a smaller portion of the islander household budget will be available for housing expenses. Alternatively, income eligibility levels for island housing programs could be adjusted upward to recognize the higher cost of island living.

The table below provides a rough guide to estimating the home price that would be affordable to a 3-person household at the area median family income (AMFI). Mortgage costs were computed based on interest rates from 5% to 9% and a term of 25-30 years. Allowances have been incorporated for taxes, insurance and utility costs in estimating the price-to-income ratio for affordable prices. Actual underwriting terms for loans may differ. By multiplying the number shown by gross household income, the estimated affordable home price can be estimated for a typical household at the median area income.

<b>Estimates of Supportable Home Price to Income Ratio At Area Median Family Income Adjusted to 3 Persons Maximum 30% of Gross Income to Housing Costs</b>			
Mortgage Interest Rate	5% Down Payment	10% Down Payment	20% Down Payment
5%	3.0	3.2	3.6
6%	2.7	2.9	3.2
7%	2.5	2.6	2.9
8%	2.3	2.4	2.7
9%	2.1	2.2	2.5

The table below assigns more specific price to income ratios to income levels from 60% to 120% of AMFI. If low or moderate income home-buyers can secure below-market financing through MSHA, Rural Development, the VA or other sources, then they could afford a higher mortgage and therefore a home price higher than those shown above.

**Estimate of Supportable Home Prices with 10% Downpayment, 6% Mortgage (25 to 30 Year Term) \***

Supportable Price/Income Ratio:	@ 60% AMFI	@ 80% AMFI	@ 100% AMFI	@ 120% AMFI
	2.26 x income	2.64 x income	2.87 x income	3.03 x income
1 Person	\$62,000	\$95,000	\$130,000	\$164,000
2 Person	\$70,000	\$109,000	\$148,000	\$187,000
3 Person	\$79,000	\$123,000	\$167,000	\$211,000
4 Person	\$88,000	\$136,000	\$185,000	\$234,000

\* After adjustments for utility costs, taxes and insurance

The Chebeague housing survey results indicate that an affordable homeownership program should probably center on a household income range between 80 to 120% of AMFI. Based on the survey results, the median household income of non-elderly households interested in alternative housing on Chebeague was about \$50,000 (for a family of 3 persons, that's between 80% and 100% of AMFI). A mid-point price for a buyer in this income range would need to be in the \$123,000-\$167,000 to be affordable at market interest rates with a 10% down payment. At the top end of about 120% of AMFI, the estimated maximum price affordable to a 3-person household would be \$211,000 assuming a 6% interest rate. The median price of non-waterfront homes on Chebeague is currently close to \$300,000.

In order to bring home prices or rents within reach of the target income ranges, the non-profit will need to be active in attracting land and cash donations, grants, and contributed services in order to bridge the substantial gap between market housing prices and affordable costs. In some cases, creating affordable ownership options for households under 80% of AMFI may be possible, but would either require substantial existing home equity, a deep subsidy or discount to the buyer, and/or below market interest rates.

Most households that earn less than 80% of AMFI will need rental housing. For rental housing initiatives, the recommended rent levels for Chebeague should include units affordable at the 50-60% of AMFI level, or at gross rents of about \$550 to \$800 per month (including utilities). The target market for rentals includes a mix of households who already rent on the Island (some of whom move seasonally), some senior residents, and young people forming new households who want to move to the Island.

#### **4. Create Up to 12 Affordable Units Over 5 Years**

**(For up to 8 homeowners and 4 renter households)**

##### **General recommendations**

- **Serve a wide range of households who need affordable housing**  
Chebeague year round residents have a wide range of household incomes. Mixed income approaches are likely to be more successful than initiatives that serve exclusively low or very low income households.
- **Allow some time for a new initiative to prove successful**  
The market limitations imposed by an island location call for gradual, phased program to increase the affordable housing stock on Chebeague. Experience on other islands suggests that word of mouth is preferable to a recruitment effort to encourage renters or buyers in an affordable housing effort.

##### **a. Lot sale option with home built by buyer**

A lot development initiative will require less up-front cost and risk than building homes to sell. Resale controls and other restrictions are especially important in creating such a program. The lots could be contiguous or on scattered sites. Initial occupancy and resale restrictions should include provisions that homes be exclusively for year round occupancy, with affordable housing covenants or other limitations that keep resale price levels accessible to low to moderate income buyers.

<b>Steps for Developing Lots</b>	<b>Timeline: 18 months</b>
1. Acquire land.	
2. Work with engineer to ascertain site development costs including soil surveys, clearing and grading, well and septic installations and permitting. Also add in "soft costs" such as legal costs to separate lots.	
3. Establish guidelines for home design and construction (size, style, etc.) or provide floor plan options.	
4. Develop re-sale control covenants and restrictions for year round use and what type of structure can be built on the land.	
5. Seek grants, donations and/or below market loan to pay for the infrastructure costs to create lots ready to be built on.	
6. Seek qualified applicants who want to build and live year round on the island.	

Another option available may involve helping family members of Chebeague property owners build on land that the family owns.

It is recommended that, if partnering with any other organizations or developers in creating affordable housing, the Island non-profit stipulate its own terms for development on the lots it will sell, including such provisions as:

- The home will be occupied year round
- Approved design and maximum living area in the home
- The maximum sale price and qualifying income ranges
- Priority to existing Island residents or family members who are income eligible



- Affordability covenants requiring resale to an income eligible family and/or
- Provisions for recapture of initial subsidies or discounts at the point of resale

b. Constructing new affordable homes to sell

The housing survey indicated some interest in the construction of affordable new homes. Therefore, the target market includes some Chebeague residents that already own a home, but want to build a home that is more affordable or more suitable to their current needs, such as a growing family. In such cases, there may be opportunities for a non-profit to acquire the participant's previous home for renovation and resale subject to affordability controls.

**Develop Economical Homes:** Keeping the size of homes reasonable will be important to maintaining an appropriate scale of construction that contains costs. A suggested model would be to plan for 3 bedroom, 1-1/2 bath detached units with 1200-1500 square feet of living area and a full basement on a lot to be owned by the occupant. Each home should have its own well and septic system (not shared). The cost of barging in modular homes, like those on Islesboro, should be investigated.

**Steps for Constructing Affordable Homes**

**Timeline: 36 months**

1. Raise money to pay for pre-development costs
2. Acquire land.
3. Select architect and choose an energy efficient design which is in keeping with other homes on the Island. With architect, determine costs to construct
4. Obtain pre-development reservation commitments from interested qualified buyers
5. Determine how many units to be built
6. Obtain necessary approvals for a sub-division if required.
7. Seek donations or grants to pay for the difference between the cost to construct and the amount prospective home-owners can afford.
8. Obtain a loan from a local bank to provide bridge financing during the construction process to be paid back as the homes are sold.

c. Affordable rental units

Sale of lots or sale of homes, including rent-to-own options will be easier to manage operationally than rental housing. However, some general occupancy rental housing is needed on Chebeague and could serve both the youngest and oldest households. A two bedroom unit with one-level living would appeal to both age groups. The gradual development of a permanent stock of affordable rental units would serve a number of needs:

- Younger households in affordable rental units would have the opportunity to try year-round island living without the full commitment to home ownership and a long term mortgage.
- On Chebeague, older people are likely to stay in their homes as long as possible, and then move to assisted living when physical needs dictate the change. While relatively few seniors are likely to move to senior apartments without supportive services, some rental units should be available for seniors.

- Secondary benefits are created as seniors move to alternative housing. The unit they vacate may become available to relatives or others in need of affordable housing.
- Some small rental units could be marketed to seniors who are downsizing. Access to 1-story rental units would provide seniors an alternative housing opportunity that bridges the gap between the responsibilities and costs of ownership and assisted living.

The survey returns included few if any property owners who rent out any housing for year round use. There may be opportunities to encourage the creation of accessory rental units within the existing housing stock (in both year round and seasonal properties).

If rental units are to be newly constructed, it is recommended that they be designed to allow both elders and younger households to rent them. Our recommendation is to seek for designs that fit with the Island, with a style and floor plan that is cost-efficient and energy efficient.

**Recommended Design of Rental Units:** 2 bedrooms, 1 level, 800 to 900 sq. ft., free-standing “cottages” or 2 to 4 unit buildings with an exterior that resembles a single family house.

**Monthly rent:** Based on the survey (and general income levels), rental housing should be created so that some units are affordable at or below the 60% of AMFI level. Keeping gross rents (including heat, hot water, and electricity) at or below the HUD FMR (currently \$720 for a 1-bedroom unit and \$933 for a 2-bedroom unit) would also allow an eligible tenant with Section 8 voucher assistance to afford the gross rent.

Partnering with a private investor to develop rental housing should be explored. For example, the non-profit could acquire land, determine the income ranges to be served, require that the rental units be occupied year round and approve a general design for the rental units.

The non-profit could then put out a request for proposals for a developer to build according to these specifications. The developer would buy the land and earn rental income, but subject to the covenants the non-profit has imposed concerning affordability, design and year round occupancy. The non-profit would not have to be involved in long-term rental property management and the investor would obtain his/her own financing.

#### d. Acquisition and re-sale of existing homes on Chebeague

Chebeague’s affordable housing strategy should be open to the possibility of non-profit acquisition (through purchase or acceptance of donations) of land and/or existing homes, which could be renovated (if necessary) and resold to eligible-income buyers subject to long-term affordability covenants.

A secondary benefit to owners of homes that are subject to affordability covenants could include **reduced property taxes**, to the degree that resale value is limited by the terms of the covenant. It is possible that this instrument could be used by existing senior homeowners to limit their property tax burden through granting a covenant that limits the potential resale value of the home to a target income level. However, the grantor of the covenant would be sacrificing the benefit of maximum gains from resale.

### **Affordable Housing Covenants**

In Maine, affordable housing covenants may include any of the following limits or conditions:

- Resale price
- Equity appreciation
- Extent or value of improvements made
- Class of persons to whom sold or leased (income, for example)
- Right of first refusal for covenant holder to purchase
- Maintenance and insurance
- Right of covenant holder to inspect
- Types of construction and materials used in construction or improvements
- Other provisions to enhance affordability

(See MRSA Title 33, Chapter 6, §121-126 for more detail)

## **5. Develop long term plan for Island Commons (assisted living)**

Chebeague has a high concentration of seniors, even in comparison with other Maine island communities. Based on the housing survey results, Chebeague's seniors are likely to stay in their homes as long as possible, then move to assisted living, rather than move to apartments without services.

Although many households indicated a long-term interest in assisted living (as provided by Island Commons), most were unsure when they would actually need it. The survey results indicate long-term support for some amount of expansion at Island Commons, but the timing of any expansion should be gauged according to other information, such as actual waiting lists and turnover. The total number of assisted living units supportable at any point in time will depend on the number of seniors in the eldest age groups (principally the number 75-80 or older) who need personal care or supportive services.

As of 2000, the age 75+ population of Chebeague was 40 persons according to the Census. Census sample data indicated 8 persons age 75 or older with self-care limitations. Nearly the same number (7) are now housed in assisted living at Island Commons (17.5% of the age 75+ population). A reasonable projection of the age 75+ population would suggest that the supportable population could grow to 10 -11 persons by 2010.

As the Island's population continues to age, plans should be developed to determine the maximum number of people that the facility can or should accommodate on the existing site. Alternative forms of housing might be considered on or near the site, such as constructing some free-standing rental units for seniors who could live nearby in a 1-story accessible rental unit.

## **6. Make homeowners aware of home improvement assistance programs**

The survey did not indicate extensive problems with the condition of housing units, but some owners may benefit from available assistance for problems such as roof repair and septic system reconstruction. For example PROP of Portland, a regional community development

agency, administers MSHA's Maine Home Repair Network in Cumberland County. This program of loans and grants to low-income homeowners can help renovate or replace failing home components.

Under this program, eligible homeowners must have an income that is 80% or less of the area median family income. Based on the survey results, many Island households, especially seniors, would qualify for this assistance. The entire home must be rehabbed and brought up to minimum HUD Housing Quality Standards. Rehab work can include such things as repairing or replacing roofs, flooring, windows, heating systems, siding, and septic systems. Loan amounts and terms vary by program and repair needs. Loan terms include an interest rate no higher than 1% over 20 years.

### **7. Assess experience and adjust long-term goals**

Any plan needs to be dynamic and open to change as new opportunities and challenges arise. The initial efforts to create affordable housing may generate new ideas, models and approaches unique to Chebeague.

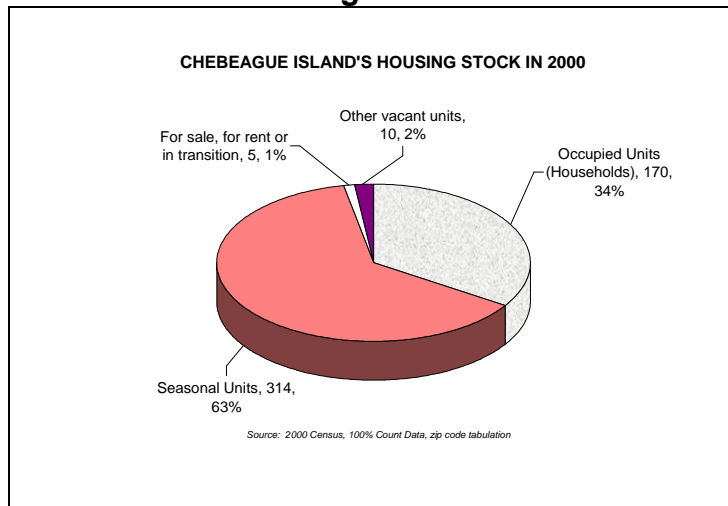
## PART II: ANALYSIS OF CHEBEAGUE HOUSING NEEDS AND HOUSING SURVEY RESULTS

### A. Island Census Profile (2000)

#### 1. Chebeague Characteristics

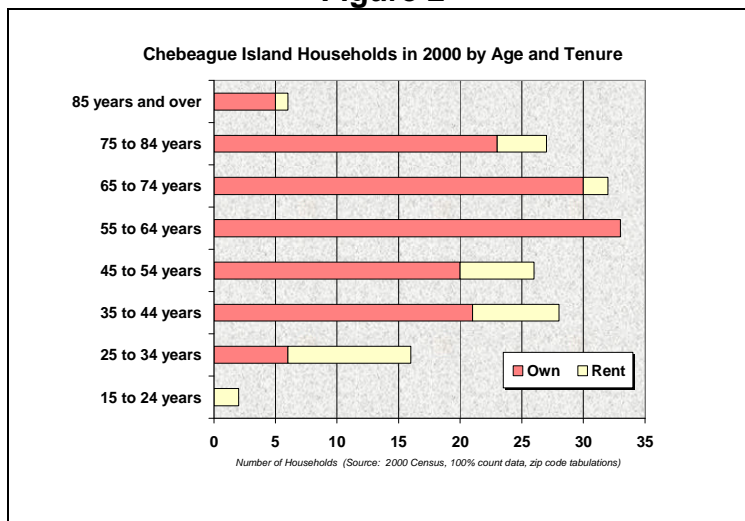
As of 2000, the U.S. Census counted 499 total housing units on Chebeague, a year-round population of 356 people, and 170 resident households. The housing stock on Chebeague in 2000 was 34% occupied year round units (170), 63% seasonal units (314) and 3% other vacant units including those for sale or for rent (15 units).

**Figure 1**



As of 2000, 21% of the households living on Chebeague had one or more children under age 18 living in the household. Eighty-one percent (81%) of the households were homeowners and 19% were renters. About 25% of the Island's population was age 65 or older.

**Figure 2**



A relatively small percentage of Chebeague households are in the younger age groups under 35 (only 10.6%). Thirty-eight percent (38%) of Chebeague households in 2000 were headed by a person age 65 or older. With the exception of two year-round island communities, Cliff Island and Little Cranberry, Chebeague had the highest proportion of households age 65 or older of Maine's island communities. Nineteen percent (19%) of Chebeague Island households were headed by a person age 75 or older. Aside from the very small island community on Little Cranberry, Chebeague had the highest percentage of resident households age 75 or older among the year-round island communities in Maine.

According to the Census, nearly 60% of the households on Chebeague had some income from self-employment. The median family income on Chebeague, as of 1999, was \$46,250, while the median household income was \$32,118.

The distribution of resident household income by tenure is illustrated in Table 1 below based on U. S. Census sample data from 2000 (reports 1999 income). The income distribution has been estimated in relation to the area median family income for the Portland MSA in the same year, with adjustment for household size. A high percentage of Chebeague's households are seniors, many of whom are retired or on fixed incomes. This has a significant effect on the Island's income distribution and its median household income.

**Table 1**  
**Household Income Distribution - Chebeague Island - 1999**

Household Income in 1999 (Sample from 2000 Census)	Owner Occupied	Renter Occupied	Total
Less than \$5,000	0	0	0
\$5,000 to \$9,999	17	0	17
\$10,000 to \$14,999	15	0	15
\$15,000 to \$19,999	0	7	7
\$20,000 to \$24,999	0	7	7
\$25,000 to \$34,999	46	0	46
\$35,000 to \$49,999	17	8	25
\$50,000 to \$74,999	49	0	49
\$75,000 to \$99,999	0	0	0
\$100,000 to \$149,999	8	0	8
\$150,000 or more	0	0	0
<b>Total Households</b>	<b>152</b>	<b>22</b>	<b>174</b>
Estimated Distribution by Income as % of Area Median Family Income (1)	Owner Occupied	Renter Occupied	Total
Under 50% AMFI	45	14	58
50-80% of AMFI	44	3	47
80-100% of AMFI	17	5	22
100-120% of AMFI	22	0	22
Over 120% of AMFI	25	0	25
<b>Total Households</b>	<b>152</b>	<b>22</b>	<b>174</b>
Percent Distribution Of Households Relative to AMFI	Owner Occupied	Renter Occupied	Total
Under 50% AMFI	29.3%	62.6%	33.5%
50-80% of AMFI	29.0%	11.9%	26.8%
80-100% of AMFI	11.2%	23.9%	12.8%
100-120% of AMFI	14.3%	1.6%	12.7%
Over 120% of AMFI	16.2%	0.0%	14.1%
<b>Total Households</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Income interpolated based on estimated area median family income for Portland MSA using 3-person family for owner occupied and 2-person family for renter occupied units.

Monthly homeowner housing costs differ significantly by whether or not the owner still has a mortgage payment. Because many Chebeague households are in the senior age categories, many Island households have no mortgage expense as part of their housing cost. In 2000, Chebeague homeowners with a mortgage had a median gross monthly housing cost of \$938 (including principal interest taxes and utilities). Island homeowners with no mortgage had a median monthly cost of \$323.

The U. S. Census (2000) provides one measure of housing cost burden as a percent of income, but it is based on sample data and not a 100% count of households (see Table 2 below). Based on the Census data, there were 7 renter households that had a high cost burden (30% or more of household income) and 31 homeowners or a total of 38. Housing cost by age data were available for a sample of 150 households, which indicates that about 25% of the Island's households had a high cost burden. Based on this tabulation about 42% of senior households (age 65+) had a high cost burden compared to only about 16% among other households (under 65).

**Table 2**

**Chebeague Households 2000 - Housing Cost Burden by Age (Sample Data)**

Households by Tenure and Gross Housing Cost as % of Income	Households By Age		
	Under 65	65 +	Total
<b>Homeowner Sample</b>	88	40	128
Pay 30% +	15	16	31
Percent Pay 30%+	17.0%	40.0%	24.2%
<b>Renter Sample</b>	7	15	22
Pay 30% +	0	7	7
Percent Pay 30%+	0.0%	46.7%	31.8%
<b>Total Sample</b>	95	55	150
Pay 30% +	15	23	38
Percent Pay 30%+	15.8%	41.8%	25.3%

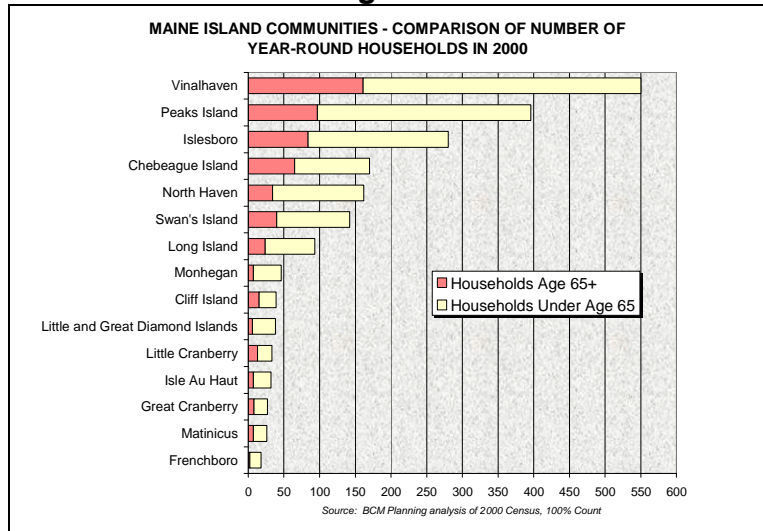
*Note: The sample data contain no households under age of 35 or 45-54 years old*

The sample data for the Census is not entirely representative of households in all age groups. For example, the sample data (summary file 3 series) reflects no data on households headed by persons under age 35, or any in the 45-54 year old age groups. Other sample data from this series indicates that no males age 75 or older live on Chebeague. The 100% count data is a more accurate profile of demographic characteristics, but all income and housing cost related data come from the sample information.

## 2. Comparison with Other Maine Island Communities

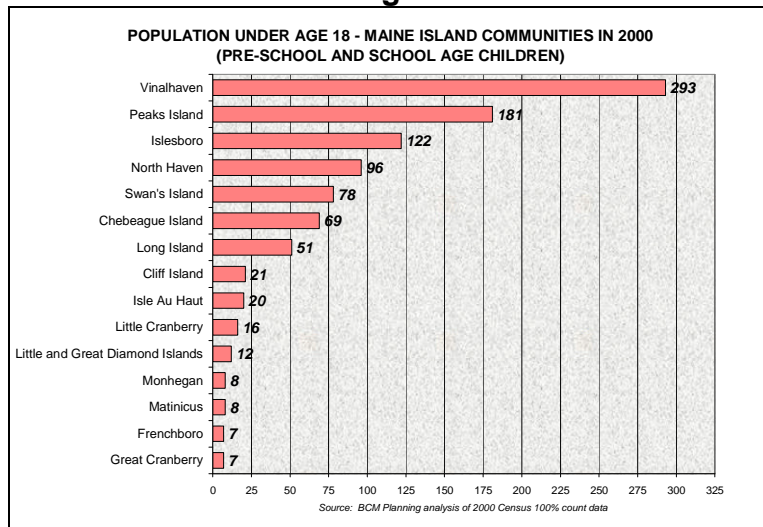
Overall, Chebeague Island had the 4<sup>th</sup> largest number of total resident households among the year-round island communities. The largest island communities are Vinalhaven, Peaks Island and Islesboro.

**Figure 3**



Chebeague ranked 6<sup>th</sup> however, in number of persons under age 18 among these island communities (Little and Great Diamond Islands are combined as one in these comparisons).

**Figure 4**



The next two pages provide a demographic comparison (2000 Census) of Chebeague Island to other Maine island communities with year-round populations. Data for Little Diamond and Great Diamond Island have been combined. These comparisons are useful later in the study as we review the type and scale of housing initiatives that have been pursued on other Maine islands relative to the size of each community, its population and housing stock.



Chebeague Island Housing Study, 2005

Table 3 – (Sheet 1 of 2)

COMPARISON OF MAINE ISLAND COMMUNITIES USING 2000 CENSUS (page 1 of 2)

100% COUNT CENSUS DATA	Chebeague Island	Cliff Island	Long Island	Peaks Island	Little and Great Diamond Islands	Great Cranberry	Little Cranberry	Frenchboro	Isle Au Haut	Swan's Island	Islesboro	Matinicus	Monhegan	North Haven	Vinalhaven
Total Housing Units (Year Round & Seasonal)	499	152	353	871	201	147	168	61	164	419	741	178	177	488	1,153
Total Population (Year-Round)	356	87	202	843	82	54	74	38	79	327	603	51	75	381	1,235
Average household size	2.09	2.23	2.17	2.12	2.16	2.00	2.24	2.11	2.47	2.30	2.15	1.96	1.63	2.35	2.25
Total Households (Year Round Occupied Units)	170	39	93	396	38	27	33	18	32	142	280	26	46	162	550
Owner occupied	138	24	69	300	35	26	26	14	26	118	236	23	31	112	416
Renter occupied	32	15	24	96	3	1	7	4	6	24	44	3	15	50	134
% Own	81.2%	61.5%	74.2%	75.8%	92.1%	96.3%	78.8%	77.8%	81.3%	83.1%	84.3%	88.5%	67.4%	69.1%	75.6%
% Rent	18.8%	38.5%	25.8%	24.2%	7.9%	3.7%	21.2%	22.2%	18.8%	16.9%	15.7%	11.5%	32.6%	30.9%	24.4%
Median Age of Population	49.0	45.5	44.3	42.4	48.7	51.0	43.3	43.5	41.5	40.9	45.9	47.8	48.5	38.7	40.2
Pre-School and School Age Population															
Total Under 5 (Pre-School Age)	18	5	9	39	2	0	7	3	5	16	31	0	1	22	84
Age 5-17 (School Age)	51	16	42	142	10	7	9	4	15	62	91	8	7	74	209
Total Under 18	69	21	51	181	12	7	16	7	20	78	122	8	8	96	293
Percent of Population Under 18	19.4%	24.1%	25.2%	21.5%	14.6%	13.0%	21.6%	18.4%	25.3%	23.9%	20.2%	15.7%	10.7%	25.2%	23.7%
School Age (5-17) Children Per Household	0.30	0.41	0.45	0.36	0.26	0.26	0.27	0.22	0.47	0.44	0.33	0.31	0.15	0.46	0.38
Households with one or more people under 18 years:															
Total	36	13	30	113	9	5	6	5	11	43	73	4	6	50	169
% of Households	21.2%	33.3%	32.3%	28.5%	23.7%	18.5%	18.2%	27.8%	34.4%	30.3%	26.1%	15.4%	13.0%	30.9%	30.7%
Senior Population															
Age 62+	111	20	41	142	12	17	23	6	13	72	145	10	14	63	258
Age 65+	88	20	37	122	9	15	20	4	11	61	120	9	11	47	229
Age 75+	40	5	7	41	1	6	9	0	5	25	60	3	7	24	107
% of Population Age 65+	24.7%	23.0%	18.3%	14.5%	11.0%	27.8%	27.0%	10.5%	13.9%	18.7%	19.9%	17.6%	14.7%	12.3%	18.5%
Total Housing Units	499	152	353	871	201	147	168	61	164	419	741	178	177	488	1153
Seasonal Housing Units	314	91	252	458	148	118	130	34	131	258	434	143	121	313	563
% of Units Seasonal	62.9%	59.9%	71.4%	52.6%	73.6%	80.3%	77.4%	55.7%	79.9%	61.6%	58.2%	77.5%	68.4%	64.1%	48.8%
Rental Vacancy Rate	3.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	20.0%	0.0%	7.7%	10.2%	62.5%	31.8%	0.0%	5.0%
Owner Vacancy Rate	0.7%	0.0%	2.8%	0.0%	0.0%	0.0%	7.1%	36.4%	0.0%	3.3%	1.7%	0.0%	3.1%	5.1%	0.5%

Source: BCM Planning compilation and analysis of U. S. Census data for 2000

Chebeague Island Housing Study, 2005

Table 3 – (Sheet 2 of 2)

COMPARISON OF MAINE ISLAND COMMUNITIES USING 2000 CENSUS (page 2 of 2)

100% COUNT CENSUS DATA (Cont'd)	Chebeague Island	Cliff Island	Long Island	Peaks Island	Little and Great Diamond Islands	Great Cranberry	Little Cranberry	Frenchboro	Isle Au Haut	Swan's Island	Islesboro	Matinicus	Monhegan	North Haven	Vinalhaven
Households by Persons in Household	170	39	93	396	38	27	33	18	32	142	280	26	46	162	550
1-person household	59	8	30	144	10	7	10	4	8	43	86	9	22	45	179
2-person household	69	19	36	141	18	15	16	10	10	53	117	13	21	66	193
3-person household	15	7	15	51	6	3	0	2	7	21	35	1	1	16	80
4 + person household	27	5	12	60	4	2	7	2	7	25	42	3	2	35	98
Households by Age															
Total	170	39	93	396	38	27	33	18	32	142	280	26	46	162	550
15 to 24	2	0	1	3	0	0	1	2	1	8	4	1	5	3	29
25 to 34	16	4	8	44	2	3	5	2	5	12	27	1	7	27	75
35 to 44	28	7	21	94	5	5	6	3	9	31	56	5	7	38	109
45 to 54	26	11	25	101	15	3	5	3	6	30	64	7	13	38	100
55 to 64	33	2	14	57	10	8	3	6	4	21	45	5	7	22	76
65 to 74	32	11	20	51	5	4	6	2	3	21	35	4	3	16	77
75 to 84	27	3	4	34	1	2	2	0	4	14	33	3	3	12	60
85 years	6	1	0	12	0	2	5	0	0	5	16	0	1	6	24
% of Households Under Age 35	10.6%	10.3%	9.7%	11.9%	5.3%	11.1%	18.2%	22.2%	18.8%	14.1%	11.1%	7.7%	26.1%	18.5%	18.9%
% of Households Age 65+	38.2%	38.5%	25.8%	24.5%	15.8%	29.6%	39.4%	11.1%	21.9%	28.2%	30.0%	26.9%	15.2%	21.0%	29.3%
% of Households Age 75+	19.4%	10.3%	4.3%	11.6%	2.6%	14.8%	21.2%	0.0%	12.5%	13.4%	17.5%	11.5%	8.7%	11.1%	15.3%
<b>CENSUS SAMPLE DATA</b>															
Median family income in 1999	\$46,250	\$31,875	\$43,214	\$67,788	\$93,603	\$36,250	\$53,438	\$45,000	\$34,167	\$32,083	\$48,750	\$41,250	\$53,125	\$42,361	\$42,917
Median household income in 1999	\$32,188	\$31,667	\$35,833	\$40,185	\$93,843	\$36,250	\$39,688	\$38,125	\$25,000	\$28,438	\$39,643	\$32,500	\$26,250	\$40,446	\$34,087
Median owner household income in 1999**	\$32,283	\$33,750	\$43,281	\$50,913	no data	\$47,917	no data	\$38,750	\$29,000	\$31,250	\$43,036	\$41,250	\$41,875	\$41,023	\$38,000
Median renter household income in 1999**	\$21,429	\$30,000	\$19,375	\$31,000	no data	\$16,250	no data	\$23,750	\$5,000	\$17,083	\$31,000	\$6,250	\$16,875	\$25,000	\$25,469
% Of Households with Self-Employment Income	59.5%	50.0%	32.6%	23.9%	0.0%	64.3%	46.3%	61.5%	61.8%	50.3%	40.6%	61.5%	73.9%	58.4%	49.7%
Median real estate taxes**	\$2,161	\$3,063	\$2,273	\$2,385	no data	\$800	\$675	\$750	\$1,229	\$1,030	\$1,047	\$500	\$1,000	\$1,429	\$942
As % of Median Owner Income	6.7%	9.1%	5.3%	4.7%	no data	1.7%	1.7%	1.9%	4.2%	3.3%	2.4%	1.2%	2.4%	3.5%	2.5%
Median selected monthly owner costs:															
Housing units with a mortgage	\$938	\$900	\$1,069	\$1,098	\$3,031	\$950	\$875	\$475	\$643	\$850	\$821	\$700	\$1,150	\$958	\$821
Housing units without a mortgage	\$323	\$392	\$363	\$417	\$550	\$285	\$270	\$350	\$292	\$288	\$292	\$200	\$275	\$407	\$282
Median gross rent	\$950	\$483	\$763	\$725	\$1,625	no data	\$475	\$325	no data	\$416	\$608	no data	\$400	\$507	\$489

\*\*Data not available at block group level. Block group needed for data unique to Peaks Island. Data for zip code 04108 substituted for this variable.

Source: BCM Planning compilation and analysis of U. S. Census data for 2000

## B. Chebeague Sales Data: 2001 to 1st Quarter 2005

Sales data for Chebeague Island was provided by the Cumberland Assessor's office and tabulated by the Consultant. Sales data are shown for land only, "interior" homes (not on the water) and for oceanfront homes (see Table 4). The sales data indicate that typical homes sold on Chebeague (non-ocean-front) in 2004 and early 2005 had average sale prices between \$250,000 and \$280,000. The average living area in these homes was approximately 1,500 square feet.

**Table 4**  
CHEBEAGUE ISLAND PROPERTY SALES 2001 TO 1st QUARTER 2005 (1)

Land Sales							
Year	Number of Sales	Living Area	Land Area in Acres	Aggregate Sales Price	Average Price Per Acre	Average Price Per Lot	Median Price Per Lot
2001	6	n.a.	11.28	\$248,600	\$22,039	\$41,433	\$28,800
2002	10	n.a.	33.22	\$957,575	\$28,825	\$95,758	\$51,250
2003	5	n.a.	13.18	\$195,750	\$14,852	\$39,150	\$32,500
2004	13	n.a.	33.46	\$1,260,700	\$37,678	\$96,977	\$50,000
2005	3	n.a.	5.69	\$283,000	\$49,736	\$94,333	\$43,000
Home Sales - Interior							
Year	Number of Sales	Living Area (Sq. Ft.)	Land Area	Aggregate Sales Price	Average Price Per Home	Median Home Price	Average Living Area Per Home
2001	10	13,176	24.05	\$1,253,400	\$125,340	\$147,750	1,318
2002	10	15,559	12.92	\$1,980,700	\$198,070	\$171,600	1,556
2003	9	11,412	11.26	\$1,705,710	\$189,523	\$210,000	1,268
2004	12	17,623	10.68	\$3,066,900	\$255,575	\$250,000	1,469
2005	1	1,504	0.18	\$279,000	\$279,000	\$279,000	1,504
Home Sales - Oceanfront							
Year	Number of Sales	Living Area (Sq. Ft.)	Land Area	Aggregate Sales Price	Average Price Per Home	Median Home Price	Average Living Area Per Home
2001	3	5,406	4.25	\$540,000	\$180,000	\$200,000	1,802
2002	3	5,528	3.05	\$917,000	\$305,667	\$400,000	1,843
2003	2	1,864	2.41	\$632,000	\$316,000	\$316,000	932
2004	4	9,410	20.09	\$4,881,000	\$1,220,250	\$1,187,500	2,353

(1) Excludes transfers with no sales price indicated

Source: BCM Planning analysis of sales data and property characteristics provided by Cumberland Assessor

Table 5 summarizes sales by the residence of the current owner and the type of property sold. There are a significant number of "sales" in the file with no price indicated. Presumably, these include transfers of property within families or other sales that do not represent "arms length" transactions.

Based on a review of assessment data, there appeared to be about 310 "interior" homes on the island and 140 ocean front properties with homes, or a total of 450 properties identifiable as having housing units located on them.

The sales data indicate that about ten non-waterfront home sales per year occur on the Island. Average annual turnover of ownership appears to average between 2% and 3% of homes on the island (excluding transfers with no price consideration). These data are useful as indicators of sales price trends as well as the relative availability of homes on Chebeague from property turnover.

**Table 5 - Property Turnover**

ESTIMATED PROPERTY TURNOVER ON CHEBEAGUE ISLAND - TRANSFERS 2001 TO 1ST QUARTER 2005

Residence of Current Owner	Type Property Transferred	Number of Transfers	Tranfers With Price Indicated	Transfers with No Price Indicated	% of Transfers with No Price Indicated
Chebeague Island	Land Only	20	12	8	40%
	Home - Interior	30	20	10	33%
	Home -Oceanfront	8	5	3	38%
Other Greater Portland	Land Only	12	7	5	42%
	Home - Interior	17	8	9	53%
	Home -Oceanfront	4	1	3	75%
Other Maine	Land Only	5	3	2	40%
	Home - Interior	3	2	1	33%
	Home -Oceanfront	4	1	3	75%
Other New England State	Land Only	9	6	3	33%
	Home - Interior	11	4	7	64%
	Home -Oceanfront	5	1	4	80%
Other State	Land Only	16	9	7	44%
	Home - Interior	14	8	6	43%
	Home -Oceanfront	11	4	7	64%
Total All Owners	Land Only	62	37	25	40%
	Home - Interior	75	42	33	44%
	Home -Oceanfront	32	12	20	63%
Total Number of Interior Homes on Island		310			
Total Number of Oceanfront Homes on Island		140			
Total Estimated Homes on Island		450			
<b>Turnover During Period 2001-1st Quarter 2005</b>					
% of Interior Homes Transferred 2001-1st Quarter 2005		24%	14%	11%	
% of Oceanfront Homes Transferred 2001-1st Quarter 2005		23%	9%	14%	
% of All Homes Transferred 2001-1st Quarter 2005		24%	12%	12%	
<b>Average Annual Turnover</b>					
Avg. Annual % of Interior Homes Transferred		5%	3%	2%	
Avg. Annual % of Oceanfront Homes Transferred		4%	2%	3%	
Annual Avg % of All Homes Transferred		5%	2%	2%	

Source: BCM Planning analysis of sales data and property characteristics provided by Cumberland Assessor

## **C. Chebeague Island Housing Survey 2005**

### **1. Purposes of Housing Survey**

The principal purposes of the survey were:

- To determine whether Chebeague's year-round households have a need for alternative forms of affordable housing;
- To estimate whether there are other households with some connection to the Island who might live there year-round if affordable housing were available;
- To evaluate the types of housing most appropriate to the needs of the Island; and
- To identify potential barriers to island living as well as elements that might attract and retain residents.

### **2. Questionnaire Design**

Because 63% of the Island's housing stock is occupied only seasonally, it was recommended by the Consultant that all housing units be included in the survey because of the role that the seasonal units and seasonal households may play in the future. In addition, some seasonal residents might themselves become year-round residents of the Island, or might transfer their property to other relatives who could become year-round households.

In May of 2005, the Consultant worked with the Town of Cumberland and the Islands Committee in developing several questionnaires; one for island residents, a second for summer residents and non-resident property owners, and a third for people living off the island who might be interested in living on Chebeague at some point in the future. The first draft surveys were reviewed with the Islands Committee. Subsequent and final drafts of each survey form were reviewed by the Consultant, Cumberland Town Planner Carla Nixon, and Beth Howe, the chairperson of the Islands Committee.

### **3. Distribution of Surveys <sup>1</sup>**

The support of the Chebeague Island Council was solicited by the Islands Committee so that questionnaires could be sent out by bulk mail. To assure confidentiality of the returns, all survey forms were pre-addressed for return directly to the Consultant's post office box. The objective of the survey was not to conduct random sampling, but to gather information from year-round residents, summer residents and other property owners, and people off the island who might be interested in moving to Chebeague.

The Islands Committee was responsible for the development of the mailing lists and distribution of the survey. The mailing lists were compiled from the Town of Cumberland assessor's list of Island property owners, the Chebeague phone directory, and information from the Islands Committee about people living year round on the island but not listed in the directory, and who do not own property on the Island. These two mailing lists were separated into and targeted toward residents who live on Chebeague year round and to nonresident property owners.

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<sup>1</sup> Distribution and mailing procedures described here were documented by Beth Howe.

A third list was compiled representing those living off the island who might be interested in living on Chebeague at some point in the future. The Committee generated this list from a number of sources, including graduates of Greeley High School, contacts with parents who have children who might be interested in living on the island, people who have been employed as lobstering sternmen, and general brainstorming by the Committee.

Overall, the initial bulk mailing of 506 pieces was made on July 8, 2005 using the Island Council's bulk mailing permit. Initially, as part of the bulk mailing, 27 questionnaires were sent to off-island people, and another 36 were sent out over the next month in response to additional requests and suggestions.

Publicity about the survey appeared in the Island's monthly *Calendar* in June, July and August of 2005. All three survey forms were also posted on the Chebeague website ([www.chebeague.org](http://www.chebeague.org)). The forms were available for downloading, printing and mailing back. Based on the appearance of some returned questionnaires, a few surveys appear to have originated from the web posting, but due to the confidentiality of the survey returns, the number of additional people reached by this method is unknown.

To reach more off-island people the survey was publicized in several newspapers that would reach people on the Maine coast. An op-ed piece appeared in the August 2005 *Island Times*, published on Peaks Island. A short article appeared in the September 2005 *Working Waterfront*, published by the Island Institute in Rockland. The articles provided information for the website and for contacting Beth Howe on Chebeague, but no further requests were received.

A reminder postcard was sent to all the year-round and summer/property owner respondents on August 4, 2005. Addresses for summer people were again checked with the postmaster. If the summer person was receiving mail on Chebeague, the reminder was sent there. The postcard gave the web address and Beth Howe as a contact person if someone needed a replacement questionnaire. Beth Howe received 7 requests for an additional questionnaire from year-round residents and 7 from summer residents/property owners. Four year-round questionnaires were given to people at the Library.

#### 4. Survey Returns

A total of 195 questionnaires were received by the Consultant by mid-September and were tabulated as part of the housing survey effort. The number of surveys mailed out and returned is summarized below:

**Table 6 – Survey Return**

CI Housing Survey Returns	Number Mailed	Number Returned	Percent Return
Resident Household	170	63	37.1%
Other CI Property Owners	310	118	38.1%
Off-Island Survey	63	14	22.2%
<b>Total</b>	<b>543</b>	<b>195</b>	<b>35.9%</b>

The survey achieved a balanced rate of return among both residents and Island property owners (return rate of 37% for resident households and 38% for other island property owners). The return from off-island respondents was 22%.

## 5. Tabulation and Interpretation of Results

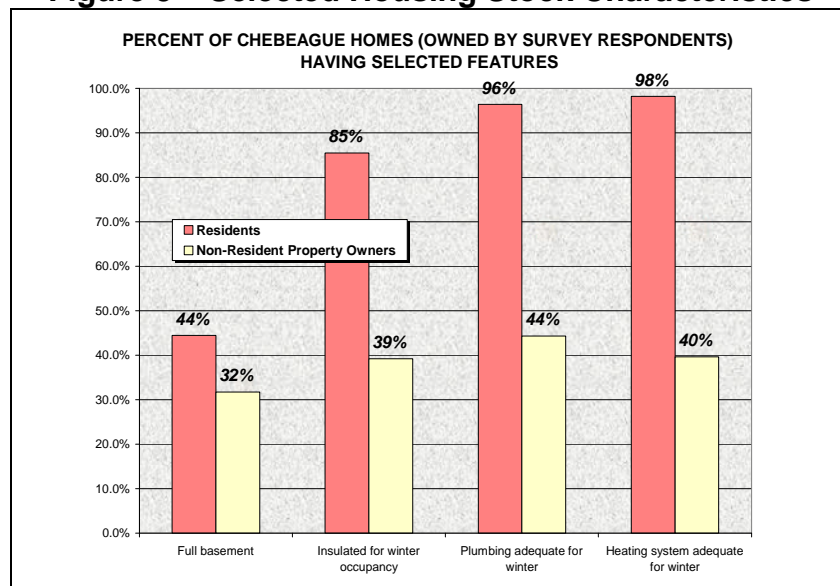
### a. Application of Survey Data

By design, the survey produced a self-selected (rather than random) sample. Because of the direct and focused mailing that occurred, it is probable that most of those with a Chebeague Island connection who would be in need of affordable housing on the Island are included in the questionnaires that were returned. It is probably not appropriate to base conclusions on any extrapolation of survey results based on percentages, because those who responded probably constitute a group with a somewhat higher interest in or need for housing than others. Therefore, the estimated market for housing is best estimated from the number, rather than the percent, of households indicating a need or interest in year-round affordable housing on the Island.

### b. Housing Conditions

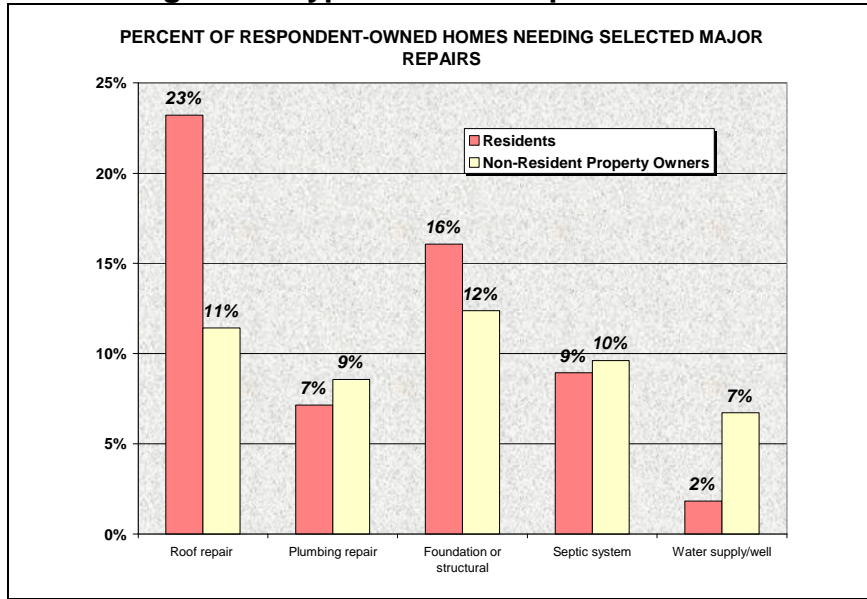
Respondents to the resident and nonresident property owner surveys were asked to rate various features of housing conditions. Only about 44% of residents and 32% of nonresidents indicated that they had full basements in their homes. Plumbing, heating and insulation were adequate for the vast majority of homes of residents. The responses from nonresident property owners indicate that about 40% of seasonal units on Chebeague may be capable of supporting year round (winter) occupancy based on the adequacy of plumbing and heating systems.

**Figure 5 – Selected Housing Stock Characteristics**



In terms of repairs needed to homes, the most frequent needs were for roof repair and foundation or structural issues for residents. Nine percent of residents and 10% of seasonal homeowners indicated a possible need for septic system improvement. About 7% of the seasonal properties might be in need of water supply or well improvement.

**Figure 6: Type of Home Repairs Needed**



**c. Housing Costs of Year-Round Residents**

Seventy three percent (73%) of the respondents to the resident survey had no mortgage payments – their monthly housing costs are principally for taxes, insurance and utilities only. The median mortgage cost and interest for those with a mortgage was about \$1,000 per month and the average was \$1,073. The median property tax reported by resident homeowners was \$3,551. Homeowners with no mortgage had median annual property taxes of \$3,661 (average of \$4,479) in the sample. Homeowners with a mortgage paid a median of \$3,400 and an average of \$3,953 per year.

The typical gross monthly housing costs of homeowners on Chebeague are estimated in Table 7 by the sum of monthly mortgage and property tax costs, plus an allowance of \$50 per month for property insurance, and \$250 per month for the combined cost of utilities (heat, hot water, electricity). For renters, gross costs were computed by adding an allowance of \$200 per month for combined utility costs to the reported monthly contract rent.

**Table 7 – Typical Ownership Costs on Chebeague 2005**

Ownership Cost Component	Existing Homes Without a Mortgage	Existing Homes with a Mortgage	New Buyer of Median Priced Home (1)
Principal & interest:	\$0	\$1,100	\$1,670
Property taxes	\$300	\$300	\$300
Insurance (estimate)	\$50	\$50	\$50
PITI subtotal:	\$350	\$1,450	\$2,020
Heat/HW/Electric:	\$250	\$250	\$250
Total Monthly Cost	\$600	\$1,700	\$2,270
Minimum Income Needed @ 30% to Housing	\$24,000	\$68,000	\$90,800

(1) Assumes price of \$275,000 (non-waterfront); 10% down, effective 6%-7% conventional fixed rate mortgage 25 year term



Using these estimates, the total monthly cost for homeowners without a mortgage is about \$600 a month. Under this assumption, the minimum income needed to support an existing home with no mortgage costs is about \$24,000. This appears to be roughly comparable to the median household income of senior households on the island who responded to the survey (about \$26,000).

For year round Chebeague homeowners with a mortgage (of existing homes) the estimated gross housing cost per household is about \$1,700 a month. For homes with a mortgage, the minimum income needed to support housing at a 30% gross housing cost ratio is \$68,000 (or \$81,000 at a 25% cost ratio). This is considerably higher than the median income of non-elderly households that responded to the survey (about \$52,500).

Opportunities for purchase of existing homes are relatively rare on Chebeague, where there is very limited turnover of property. Assuming that a new buyer were to purchase a median priced home of about \$275,000 (non-waterfront) on Chebeague, the estimated mortgage cost is estimated at \$1,670 per month, and gross monthly costs projected at \$2,270 including taxes, insurance and utilities. At a 30% housing cost ratio, a household would need a minimum annual income of about \$91,000 per year to afford the home. At a 25% gross housing cost ratio, the household income required would be \$109,000.

The median rent reported by the few households within the sample who rent on Chebeague was \$550 per month, not including utilities. The typical cost of gross rent including utilities on the Island is estimated at about \$700 per month based on the small number reported in the survey. This cost would require a minimum annual income of \$28,000 per year at a 30% housing cost ratio and \$33,600 at a 25% ratio. The typical rent indicated by the survey is considerably lower than the 2000 Census sample data indicated (\$950 per month). However, the Island relies on the availability of single family homes for its rental supply, and some of these are available only on a seasonal basis to renters.

#### ***d. Resident Household Income***

Of the total resident households who responded to the survey (63), 57 indicated both their age and their income range. As illustrated in Table 8, the estimated median household income for households under age 65 was \$52,500 and for households headed by a person 65 and older \$26,250. The overall median household income was \$42,500 among residents in the sample. Particularly significant to housing planning for Chebeague is the very broad income distribution among the households living there.

In order to “standardize” income ranges, household incomes were converted from the household income ranges indicated by survey respondents and tabulated by their household size and then assigned to various categories based on a percentage of area median family income. This helps prevent the information from the survey from becoming “dated” because the household incomes relative to the median should remain relatively constant compared to the change in dollar amount incomes over time.

Just over 30% of the households had an income of under 50% of the area median family income, and about 49% had incomes at or below 80% of the area median family income (AMFI). As illustrated in Table 8, the income distribution among seniors is skewed more toward the lower end of the income scale, with about 52% of senior households earning less than 50% of the AMFI. About two-thirds of senior households on Chebeague have incomes under 60% of

the area median family income for the Portland MSA. See Table 9 for the definition of 2005 dollar income ranges as a percent of area median family incomes for 2005.

**Table 8: Household Income of Residents by Age Group**  
**HOUSEHOLD INCOME DISTRIBUTION - CHEBEAGUE RESIDENT HOUSEHOLDS IN SAMPLE**

Income Range Reported in 2005 Survey	Age Group			Percent Distribution		
	Under 65	Age 65+	Total	Under 65	Age 65+	Total
Under \$15,000	0	7	7	0.0%	30.4%	12.3%
\$15,001-\$20,000	1	1	2	2.9%	4.3%	3.5%
\$20,001-\$25,000	4	3	7	11.8%	13.0%	12.3%
\$25,001-\$30,000	2	2	4	5.9%	8.7%	7.0%
\$30,001-\$35,000	1	2	3	2.9%	8.7%	5.3%
\$35,001-\$40,000	1	2	3	2.9%	8.7%	5.3%
\$40,001-\$45,000	4	1	5	11.8%	4.3%	8.8%
\$45,001-\$50,000	1	1	2	2.9%	4.3%	3.5%
\$50,001-\$55,000	3	1	4	8.8%	4.3%	7.0%
\$55,001-\$60,000	2	0	2	5.9%	0.0%	3.5%
\$60,001-\$75,000	5	0	5	14.7%	0.0%	8.8%
\$75,001-\$100,000	3	1	4	8.8%	4.3%	7.0%
\$100,001-\$125,000	3	1	4	8.8%	4.3%	7.0%
\$125,001-\$150,000	2	0	2	5.9%	0.0%	3.5%
\$150,000 or more	2	1	3	5.9%	4.3%	5.3%
Total With Income Data	34	23	57	100.0%	100.0%	100.0%

Estimated Median Household Income                      \$52,500    \$26,250    \$42,500

**Income Range Relative to Area Median Family Income (Portland MSA) and Household Size**

Estimated Income Relative to Area Median	Age Group			Percent Distribution		
	Under 65	Age 65+	Total	Under 65	Age 65+	Total
Under 40% AMFI	4	9	13	11.8%	39.1%	22.8%
40-50% AMFI	2	3	5	5.9%	13.0%	8.8%
50-60% AMFI	2	3	5	5.9%	13.0%	8.8%
60-80% AMFI	4	1	5	11.8%	4.3%	8.8%
80-100% AMFI	4	2	6	11.8%	8.7%	10.5%
100-120% AMFI	5	2	7	14.7%	8.7%	12.3%
120-150% AMFI	3	0	3	8.8%	0.0%	5.3%
150% AMFI +	10	3	13	29.4%	13.0%	22.8%
Total	34	23	57	100.0%	100.0%	100.0%

**Table 9**  
**INCOME AND MAXIMUM MONTHLY HOUSING COST BASED ON**  
**HUD AREA INCOME LIMITS FOR 2005**

Income as Percent of Median Family-Portland MSA-2005	PERSONS IN HOUSEHOLD (1)				Significance of Income Limit
	1	2	3	4	
40% AMFI	\$18,040	\$20,600	\$23,200	\$25,760	Effectively this represents the typical minimum income needed to afford tax credit rental housing without additional subsidy such as Section 8.
Maximum Monthly Housing Cost @ 30%	\$451	\$515	\$580	\$644	
50% AMFI	\$22,550	\$25,750	\$29,000	\$32,200	Maximum of "very low income" range defined by HUD. This is the maximum qualifying income for Section 8 voucher rental assistance.
Maximum Monthly Housing Cost @ 30%	\$564	\$644	\$725	\$805	
60% AMFI	\$27,060	\$30,900	\$34,800	\$38,640	Maximum qualifying income for Tax Credit credit rental housing.
Maximum Monthly Housing Cost @ 30%	\$677	\$773	\$870	\$966	
80% AMFI	\$36,050	\$41,200	\$46,350	\$51,500	Upper limit for "low income" as defined by HUD. Also referred to as maximum for "low and moderate income" limit for CDBG and other programs.
Maximum Monthly Housing Cost @ 30%	\$901	\$1,030	\$1,159	\$1,288	
100% AMFI	\$45,100	\$51,500	\$58,000	<b>\$64,400</b>	Median family income estimated by HUD. HUD assigns its estimate of median family income (\$64,400) to a four-person household.
Maximum Monthly Housing Cost @ 30%	\$1,128	\$1,288	\$1,450	\$1,610	
120% AMFI	\$54,120	\$61,800	\$69,600	\$77,280	Often used as upper end for moderate income beneficiaries of affordable home ownership programs, Maine Affordable Housing TIF Districts.
Maximum Monthly Housing Cost @ 30%	\$1,353	\$1,545	\$1,740	\$1,932	
150% AMFI	\$67,650	\$77,250	\$87,000	\$96,600	Sometimes used as upper end income for moderate income definition in affordable housing programs (not recommended here).
Maximum Monthly Housing Cost @ 30%	\$1,691	\$1,931	\$2,175	\$2,415	

*(1) The typical renter household has 2 persons; the typical homeowner household has 3 persons. While HUD assigns its estimate of the area median family income to a family size of 4, the average family is a 3-person household. Typically, elderly households (age 65 or older) have an average of about 1.5 persons per household.*

**e. Housing Cost as Percent of Income**

Household income and housing cost data (rent or mortgage costs and property taxes) was provided by 48 of the households in the resident survey. Since income data was collected in ranges, and the actual cost of utilities is not known for each respondent, estimates of gross housing costs (see subsection c. above) were computed. Housing cost ratios were then approximated by dividing the gross housing cost by the mid-point of the income range for resident households in the survey. In general households are considered to have a high housing cost burden when this ratio is 30% or more of gross income.

Among Chebeague homeowners responding to the survey, we estimate that the median gross housing cost ratio is 24% of income. However, many homeowners in the survey are seniors who have no mortgage expense as part of their monthly housing cost. Our estimate of the median housing cost on Chebeague is 19% of gross income for households without a mortgage, and 29% for those with a mortgage, based on resident household responses.

As shown in Tables 10 and 11 below, about 38% if the households that provided income and cost information spend 30% or more of their income on gross housing costs. The highest cost ratios are found among the households earning less than 50% of AMFI (very low income, by federal standards).

**Table 10 – Resident Housing Cost Burden by Income<sup>2</sup>**

Household Income 2005	Estimated Housing Cost Ratio			Total
	Under 30%	30.0 to 49.9%	50% +	
Under \$15,000		3	1	4
\$15,001 to \$20,000			1	1
\$20,001 to \$25,000		2	4	6
\$25,001 to \$30,000	2	2		4
\$30,001 to \$35,000	2			2
\$35,001 to \$40,000	3			3
\$40,001 to \$45,000	4			4
\$45,001 to \$50,000	1		1	2
\$50,001 to \$55,000	2	1		3
\$55,001 to \$60,000	1	1		2
\$60,001 to \$75,000	4	1		5
\$75,001 to \$100,000	4			4
\$100,001 to \$125,000	3	1		4
\$125,001 to \$150,000	2			2
More than \$150,000	2			2
Total Sample	30	11	7	48
Percent	62.5%	22.9%	14.6%	100.0%

**Table 11 – Resident Cost Burden by Income as % of AMFI**

Household Income 2005 as % of AMFI	Estimated Housing Cost Ratio			Total	% Pay 30%+ for Housing
	Under 30%	30.0 to 49.9%	50% +		
Under 50% AMFI	1	6	6	13	92%
50-80% AMFI	7	1	1	9	22%
80-120% AMFI	9	2	0	11	18%
120% +	13	2	0	15	13%
Total	30	11	7	48	38%
Percent	62.5%	22.9%	14.6%	100.0%	

**f. Housing Preferences**

For households that indicated a definite or possible interest in alternative, affordable year round housing on Chebeague, the surveys asked whether various types of housing would be desirable, acceptable, or unacceptable relative to the household's needs. The prospects of owning or building a new home showed the highest preference ratings among resident households and nonresident property owners. Rental housing was seen as an acceptable form of housing for between 25% and 35% of respondents.

<sup>2</sup> These tabulations are estimates only, based on actual reported mortgage and property tax costs, plus allowances for insurance and utilities. Ratios are computed at the mid-point of each income range.

Assisted living rated high among residents as a desirable form of housing, probably because the Island Commons development provides is a tangible example of that form of housing. While assisted living had a very high rating among residents, it is not an alternative that households plan on moving to in the near future. When asked when they would be prepared to move to alternative housing, the response of most was “unsure” in association with assisted living. Most moves to assisted living take place as a matter of necessity rather than choice.

**Table 12 – Relative Housing Preferences for Alternative Year Round Housing**

<b>RESIDENT SURVEY (n=27 to 32)</b>			
<b>HOUSING PREFERENCES</b>	<b>Desirable</b>	<b>Acceptable</b>	<b>Unacceptable</b>
Rentng a house	7.1%	32.1%	60.7%
Renting an apartment	3.6%	28.6%	67.9%
Assisted living	55.6%	0.0%	44.4%
Owning a house	77.8%	18.5%	3.7%
Building a new house	38.5%	46.2%	15.4%
Owning new manufactured home	15.4%	50.0%	34.6%
Owning a condominium	20.7%	27.6%	51.7%
Building with 2 or more attached units	6.9%	51.7%	41.4%
Dwelling unit with everything on one floor	43.8%	43.8%	12.5%

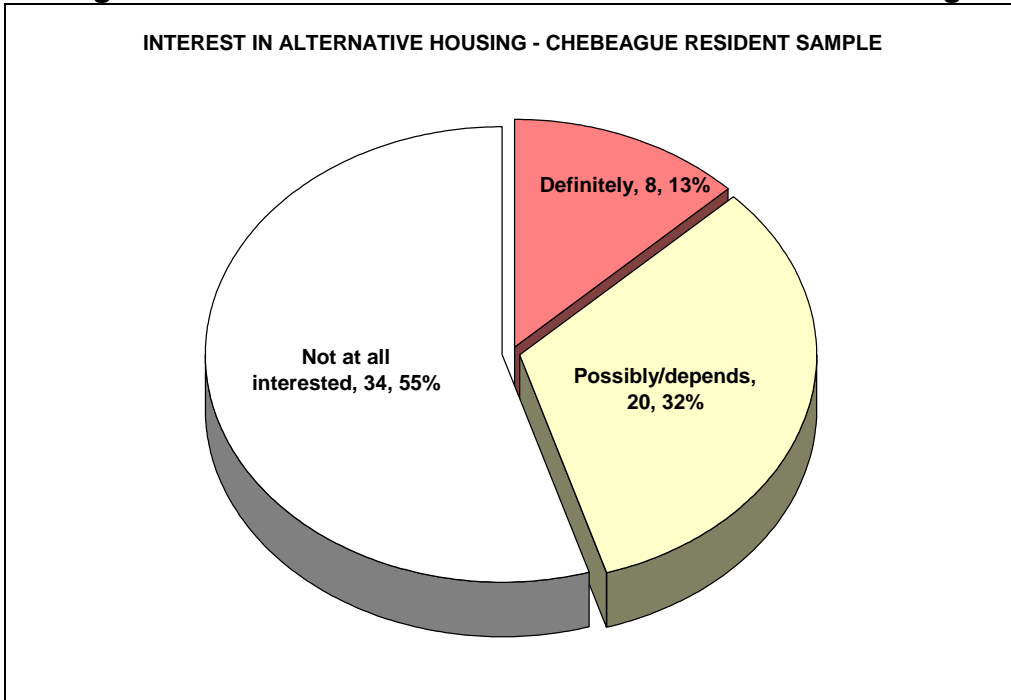
  

<b>NON-RESIDENT PROPERTY OWNER SURVEY (n=26 to 28)</b>			
<b>HOUSING PREFERENCES</b>	<b>Desirable</b>	<b>Acceptable</b>	<b>Unacceptable</b>
Rentng a house	14.3%	21.4%	64.3%
Renting an apartment	7.4%	14.8%	77.8%
Assisted living	3.6%	39.3%	57.1%
Owning a house	82.1%	17.9%	0.0%
Building a new house	50.0%	23.1%	26.9%
Owning new manufactured home	11.1%	51.9%	37.0%
Owning a condominium	14.8%	29.6%	55.6%
Building with 2 or more attached units	14.8%	37.0%	48.1%
Dwelling unit with everything on one floor	35.7%	53.6%	10.7%

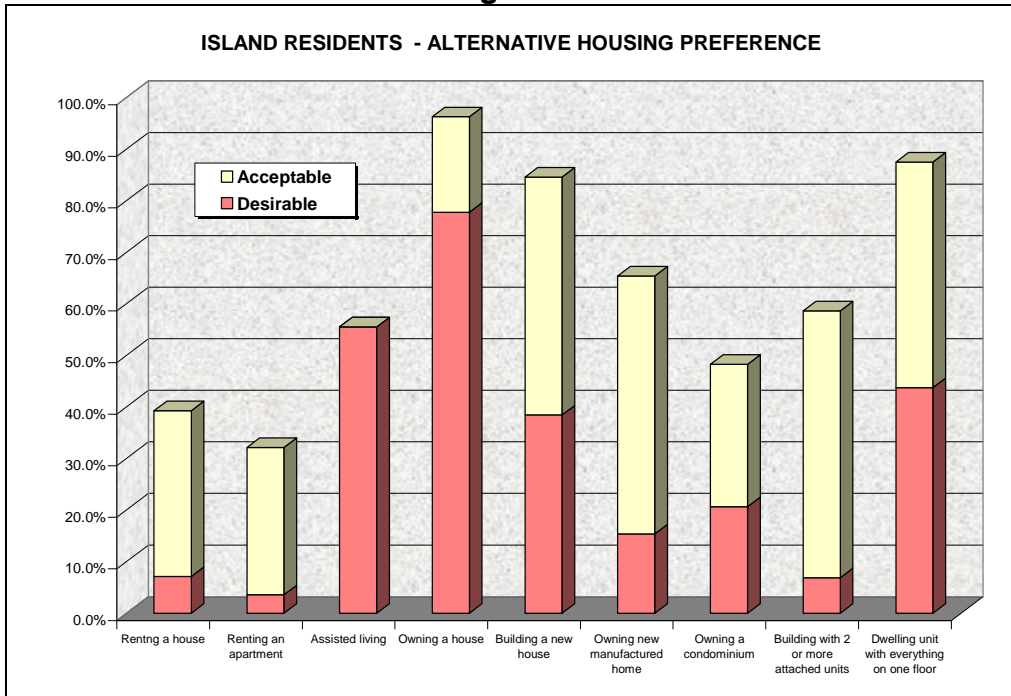
  

<b>COMBINED SAMPLE (n=55 to 60)</b>			
<b>HOUSING PREFERENCES</b>	<b>Desirable</b>	<b>Acceptable</b>	<b>Unacceptable</b>
Rentng a house	10.7%	26.8%	62.5%
Renting an apartment	5.5%	21.8%	72.7%
Assisted living	29.1%	20.0%	50.9%
Owning a house	80.0%	18.2%	1.8%
Building a new house	44.2%	34.6%	21.2%
Owning new manufactured home	13.2%	50.9%	35.8%
Owning a condominium	17.9%	28.6%	53.6%
Building with 2 or more attached units	10.7%	44.6%	44.6%
Dwelling unit with everything on one floor	40.0%	48.3%	11.7%

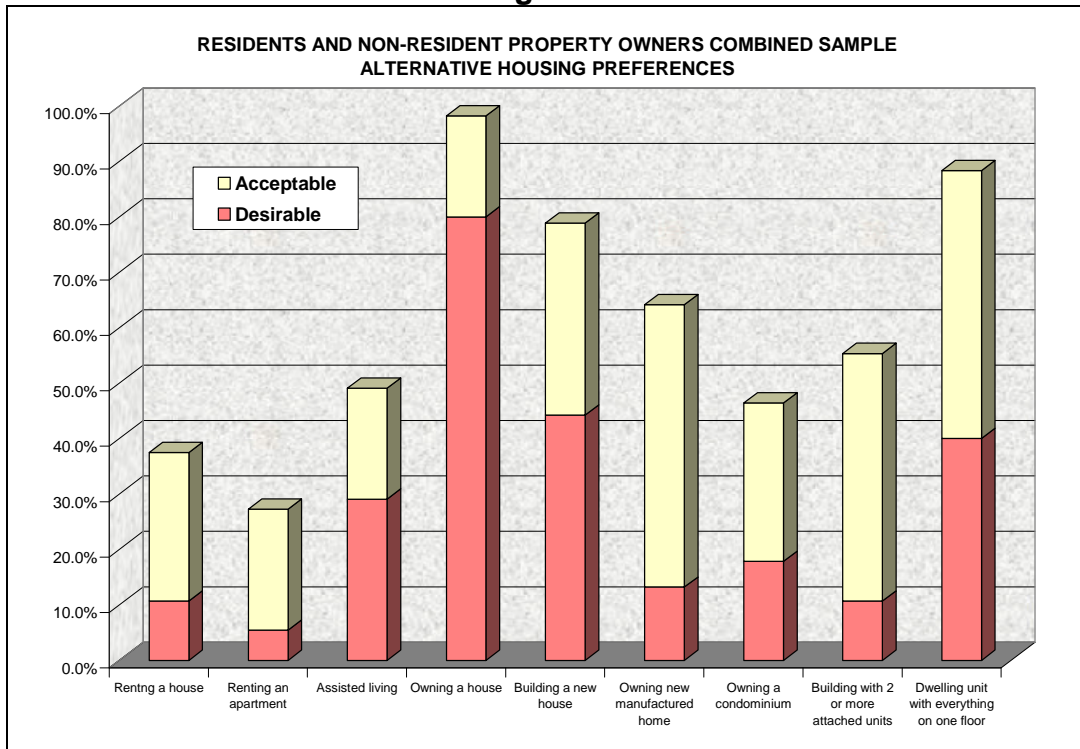
**Figure 7 – Level of Resident Interest in Alternative Housing**



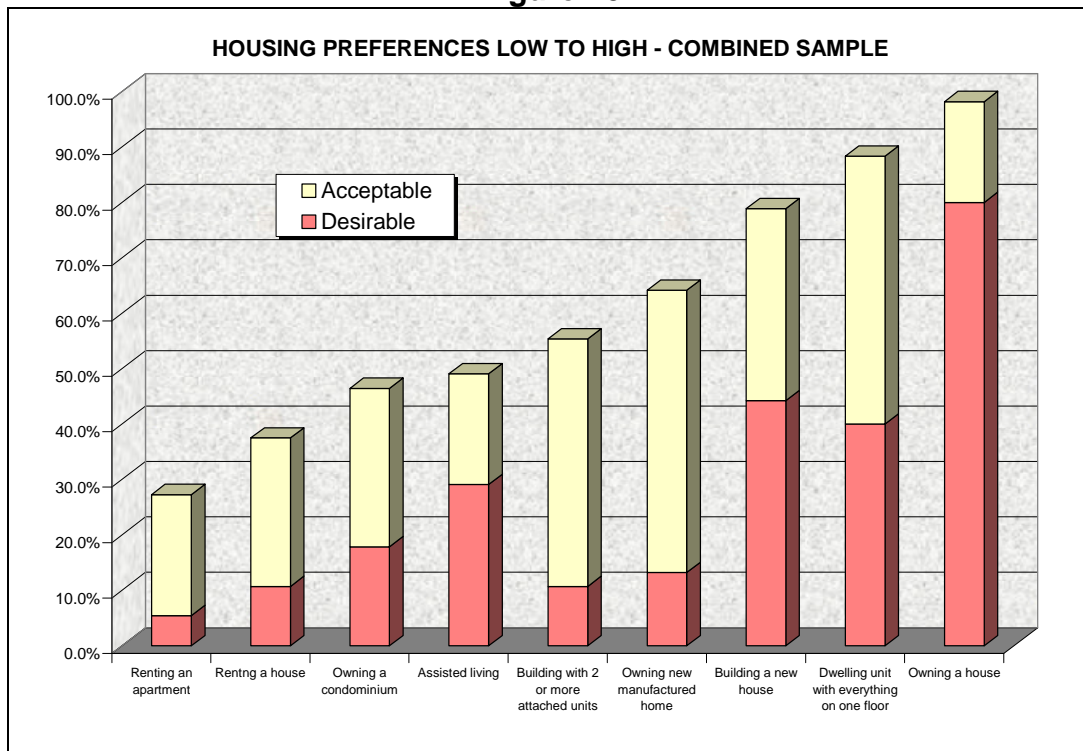
**Figure 8**



**Figure 9**



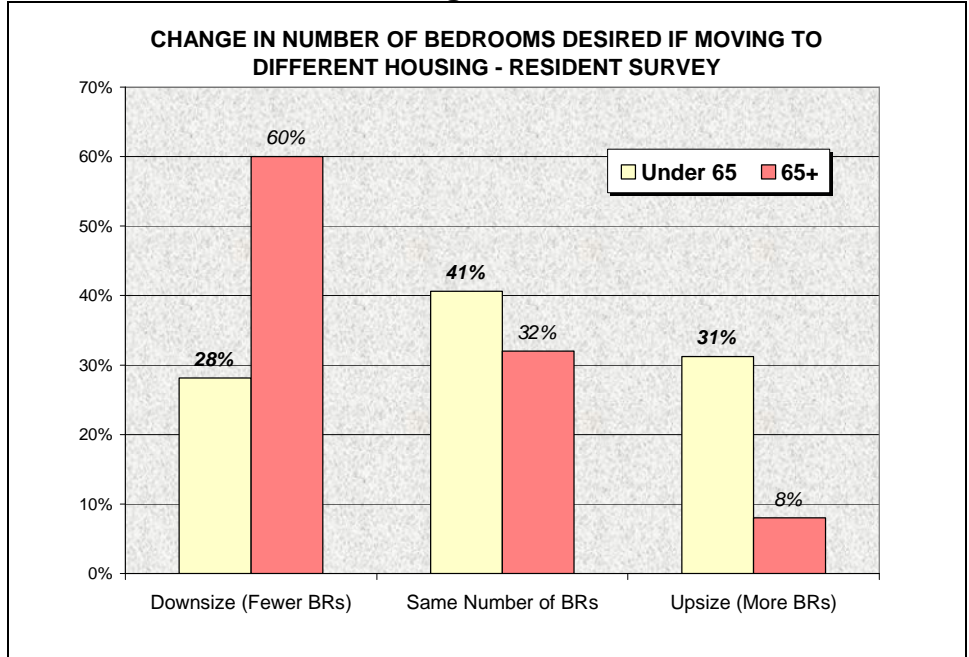
**Figure 10**



Incentives to make a change in one’s housing may include an upsize or downsize for current or anticipated family needs. The survey in general showed some interest in downsizing among seniors. Among the respondents age 65 and older, 60% said that they would prefer fewer bedrooms in their next housing unit and 32% about the same number of bedrooms.

Among households under age 65, only 28% expressed an interest in downsizing. Forty one percent (41%) would want the same number of bedrooms they have today, but 31% expressed an interest in a larger unit, mostly due to expanding household size.

**Figure 11**



**g. Demand for Affordable Alternative Housing**

**(1) Resident Survey.** Of the 63 resident households that responded, 14 households had actively looked for alternative housing during the past two years. A total of 28 households indicated either a definite or possible interest in alternative year round housing on Chebeague, though much of this interest is future-oriented (households anticipating a need as they age). Of this 28 probably not more than 11 would consider renting a house or apartment as an alternative that would be suitable for their needs. Of the 28 with possible interest in alternative housing, there were 9 respondents that indicated preparedness to move within the next five years. The median household income among interested resident households is about \$30,000 for the age 65+ group and about \$50,000 for households under age 65.

**(2) Non-Resident Property Owners.** Of 118 respondents, 63 indicated that it is very or somewhat likely they would move to Chebeague someday for their year-round residence. Of these, 52 indicated their probable housing choice including 39 (75%) that would probably live in housing they already own on Chebeague, and 13 (25%) that would consider other alternative housing on Chebeague. Of those 13, 11 indicated potential housing preferences.



A smaller number (8) gave indications of *both housing preference and when they might move to the Island*. Of those 8, we estimate that most would become homeowners, and 2 would either rent or anticipate moving to assisted living at a later stage of life. In a number of cases, the reasons for uncertainty tend to be oriented toward making the move at some point in the future when they retire. Therefore, we see relatively little immediate demand coming from this group, though there were some households in this part of the survey intending to build a home someday on a vacant lot they own on Chebeague.

The median income among non-resident property owners with a possible interest in alternative housing is about \$60,000 for those age 65 and older and about \$100,000 for households in the under-65 age group. Relatively few non-resident property owners would have a current interest in living on Chebeague year round; those with such an interest are typically those who may move to Chebeague when they retire.

**(3) Other Off-Island Respondents.** This third group was surveyed using a special survey format mailed to 63 off-island households. Of the total sent out, 14 surveys were returned, including 7 with a possible interest in moving to the Island. These “other” interested households were people under age 35. At least 4 of the 7 indicating a potential interest in housing on Chebeague have formerly lived on the Island, and 2 others indicated that they are related to someone on the island.

Most of this group would be people forming new households that have limited income, many of whom would need rental housing, though a number indicated interest in ownership if affordable. Four of the interested households have incomes under \$25,000 (includes college students and those who are working and completing school). One interested household had an income between \$35,000-\$40,000, and the remaining 4 were in the \$45,000-\$55,000 income range. Based on income and interests, not more than 4 households are likely to be interested in renting; the rest are likely to be interested in affordable homeownership options.

**(4) Total Demand Indicated by Surveys.** Of the Island residents who responded to the survey, there were 28 households indicating that they would definitely (8) and possibly (20) have an interest in moving to alternative housing if it were affordable, available and suited to their needs.

Additional detailed tabulations were compiled, based on those respondents that (1) indicated that they would consider alternative housing on Chebeague if it were available, affordable and suited to their needs, *and* (2) answered the question on how soon they would be willing to move if the right housing were available (even if they indicated “unsure”). Among the nonresident property owner’s group, the demand estimates below include only those who indicated that their interest in moving to Chebeague year-round would involve housing *other than* a home they already own on the Island. Nearly all of the potential housing demand anticipated from this group is long-term rather than an immediate need.

Respondents to the surveys were asked to rate various housing preferences, including forms of rental and ownership as well as assisted living. These were rated as desirable, acceptable or unacceptable. Based on detailed cross tabulations, we have attempted to structure the data in Table 13 so that it represents the most likely housing choice of the respondents based on their age, though there might be some crossover between rental and ownership opportunities depending on affordability. The vast majority of households prefer home ownership if at all possible, but the low incomes of a number of the respondents would indicate an initial need for rental housing.

Based on a five-year horizon, we would estimate that among the 3 survey groups, up to 8 ownership units might be supported and 4 rental units. Demand for one or two assisted living units is indicated by survey responses within the next five-years, but nearly all respondents who indicated an interest in assisted living stated that they were not sure when they would need it. Therefore, expansion of assisted living might be best gauged by the development of waiting lists at Island Commons.

**Table 13: Summary of Needs  
Demand for Alternative, Affordable Housing**

<b>WOULD CONSIDER ALTERNATIVE HOUSING WITHIN 5 YEARS</b>				
Type Housing	Chebeague Residents	Other Island Property Owners	Off-Island Group	Total (Maximum) Indicated from Surveys
Ownership	3	2	3	8
Rental	2	0	2	4
Assisted Living	2	0	0	2
<b>Total</b>	<b>7</b>	<b>2</b>	<b>5</b>	<b>14</b>
<b>WOULD CONSIDER ALTERNATIVE HOUSING, BUT UNSURE WHEN</b>				
Type Housing	Chebeague Residents	Other Island Property Owners	Off-Island Group	Total (Maximum) Indicated from Surveys
Ownership	8	4	0	12
Rental	4	1	2	7
Assisted Living	9	1	0	10
<b>Total</b>	<b>21</b>	<b>6</b>	<b>2</b>	<b>29</b>
<b>TOTAL POTENTIAL INTEREST INDICATED BY SURVEYS</b>				
Type Housing	Chebeague Residents	Other Island Property Owners	Off-Island Group	Total (Maximum) Indicated from Surveys
Ownership	11	6	3	20
Rental	6	1	4	11
Assisted Living	11	1	0	12
<b>Total</b>	<b>28</b>	<b>8</b>	<b>7</b>	<b>43</b>

If we look beyond five years, the responses to the survey indicate additional future interest (with no particular time horizon) in an additional 12 units of ownership housing, 7 rental units and 10 people anticipating a need for assisted living sometime in the future. Again, the assisted living numbers are based on people who are probably associating this option with Island Commons and see it as a good place to live, though at some unknown point in the future.

Roughly 50% of long term interest is in more affordable homeownership; the other 50% is split about evenly between rental housing and assisted living needs. We would recommend that initial planning for affordable housing start with a five-year horizon of not more than 8 ownership units and not more than 4 general occupancy rental units. For rental units, the survey data indicate that there would probably not be a large enough market to support an age restricted rental housing project because of the strong preference to wait until there is a need for assisted living. Thus, any rental housing developed should not be age restricted, but be general occupancy rental housing.

Based on the preferred structural types indicated, a rental housing option that might fit the needs of both the youth and senior markets would be one-story living, probably in a two-bedroom configuration, preferably in a detached “cottage style” or duplex form. Some smaller rental units might also be created as accessory apartments or conversion of single-family homes to two-unit configurations, septic systems permitting. In general, respondents were most positive on single detached structures rather than attached housing or apartment units.

The median income of households interested in alternative housing on Chebeague (based on resident incomes) was about \$40,000. About half of the interested households had incomes under 80% of AMFI, but Chebeague residents that need alternative and affordable housing do not fit neatly into any one particular income category. The distribution of income among interested households is better understood by separating elderly households from others (see Table 14).

**Table 14**  
**HOUSEHOLD INCOME RANGE OF RESIDENTS INTERESTED IN ALTERNATIVE HOUSING**

Household income range (2005)	Under 65	Age 65+	Total	% of Total	Cumulative Percent
Under \$15,000		2	2	7.7%	7.7%
\$15,001 to \$20,000	1		1	3.8%	11.5%
\$20,001 to \$25,000	2		2	7.7%	19.2%
\$25,001 to \$30,000	2	1	3	11.5%	30.8%
\$30,001 to \$35,000	1	2	3	11.5%	42.3%
\$35,001 to \$40,000	1	1	2	7.7%	50.0%
\$40,001 to \$45,000	1		1	3.8%	53.8%
\$45,001 to \$50,000	1		1	3.8%	57.7%
\$50,001 to \$55,000	1	1	2	7.7%	65.4%
\$55,001 to \$60,000	1		1	3.8%	69.2%
\$60,001 to \$75,000	5		5	19.2%	88.5%
\$75,001 to \$100,000	2		2	7.7%	96.2%
\$125,001 to \$150,000	1		1	3.8%	100.0%
Total	19	7	26	100.0%	

Household income relative to area median family income for Portland MSA (adjusted for household size)	Under 65	Age 65+	Total	% of Total	Cumulative Percent
Under 40% AMFI	3	2	5	19.2%	19.2%
40-50% AMFI	1	1	2	7.7%	26.9%
50-60% AMFI	2	2	4	15.4%	42.3%
60-80% AMFI	2		2	7.7%	50.0%
80-100% AMFI	3	1	4	15.4%	65.4%
100-120% AMFI	2	1	3	11.5%	76.9%
120%-150% AMFI	3		3	11.5%	88.5%
Over 150% AMFI	3		3	11.5%	100.0%
Total	19	7	26	100.0%	

*Note: A number of persons in the "under 65" group expressed an interest in housing related to a need that may not arise until they are older.*

Overall, approximately one-half of the residents interested in alternative housing had incomes at or below 80% of the area median family income (AMFI), and about two-thirds had incomes below 100% of the area median. Typically, affordable housing programs for ownership do not extend beyond 120% of AMFI. However, with respect to the additional costs of island living, programs that stimulate more affordable home ownership on the island may want to reach higher into the income scale.

Among seniors, roughly 71% of the households that expressed an interest in alternative housing had incomes less than 60% of AMFI, and 86% had incomes less than 100% of the area median family income.

The diverse income range of households on the Island that expressed an interest in alternative forms of affordable housing suggest that pursuit of traditional federal housing programs that are limited to very low income or lower income households may be workable only at a scale too small to pursue economically. More creative solutions may be necessary that involve creating mixed income housing alternatives on Chebeague.

***h. Rating of Affordability Mechanisms***

Respondents were asked to rate various approaches to maintaining affordable home ownership over time. While a number of respondents indicated that they probably would not need help with affordability and a number were not familiar with some techniques, there seemed to be a higher level of preference for financial assistance provided up front that is due upon resale of the home and some willingness to accept a limitation on the additions or improvements that could be made to the home in order to preserve its affordability in the future.

**Table 15**  
**Approaches to Affordable Home Ownership**  
**Question 9 results: Would respondent be willing to accept selected conditions if it made affordable ownership possible? (26 responses in resident survey)**

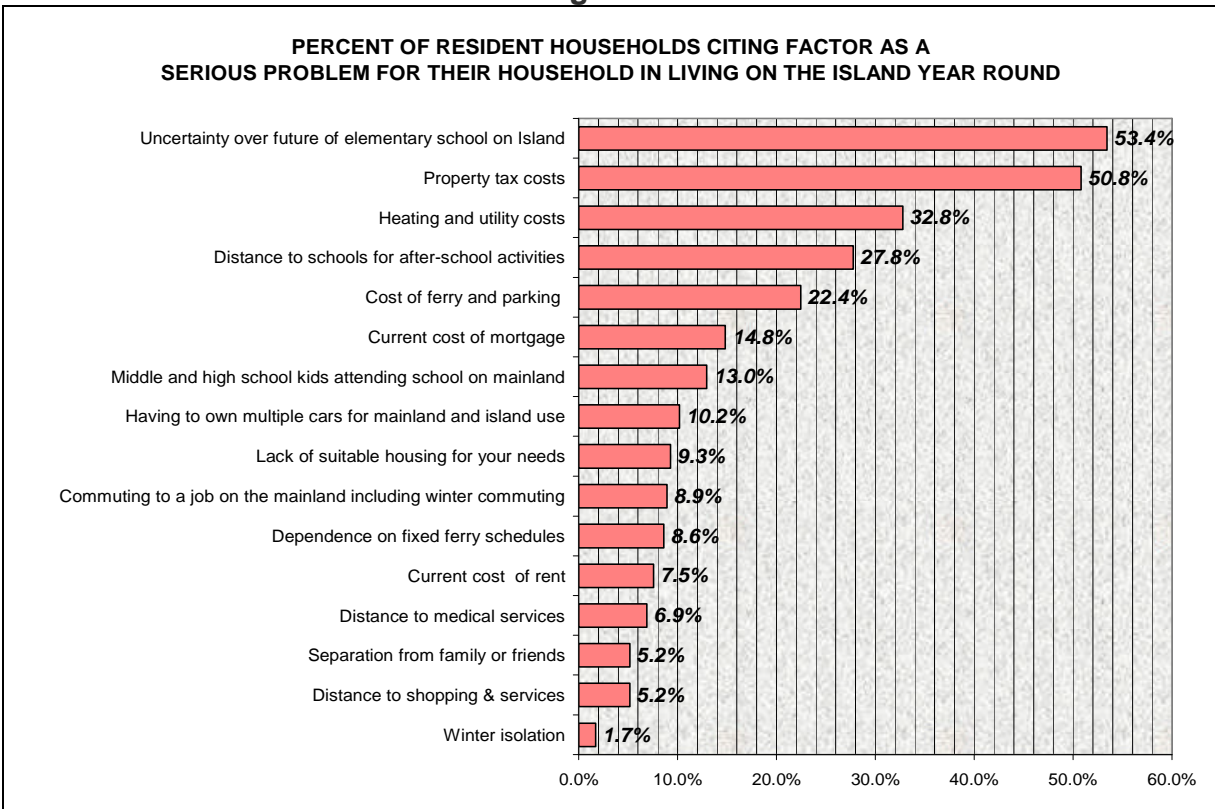
<b>Affordable Ownership Condition</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Would Not Need Help</b>
Financial assistance repaid at resale	50%	8%	19%	23%
Limitations on future gain	35%	15%	27%	23%
Underlying land owned by non-profit	35%	23%	27%	15%
Limits on additions or improvements	46%	27%	12%	15%

Without some control on future sale prices to keep housing affordable, future prices can float to whatever level the market will bear. If that happens, the affordability benefits of any affordable ownership program may be enjoyed only by the first occupants, but not passed on to future owners.

***i. Challenges of Year-Round Island Living***

The survey of resident households shows that the two largest concerns among residents were uncertainty over the future of the elementary school on Chebeague and rising property tax costs. Over 50% of the households who responded to the resident survey indicated that these represented a serious problem for their household in living on the Island year-round. These issues were followed by high costs for heating and utility expenses and the distance to schools for after-school activities (grades 6 through 12 attend mainland schools). The costs of the ferry and parking were rated as greater impediments to year-round living than the limitations of a fixed ferry schedule. Only about 15% stated that the current housing costs of their mortgage represented a problem for them in terms of living on the island. (One reason this cost does not register as significant problem is that 73% of resident respondents had no mortgage costs).

**Figure 12**

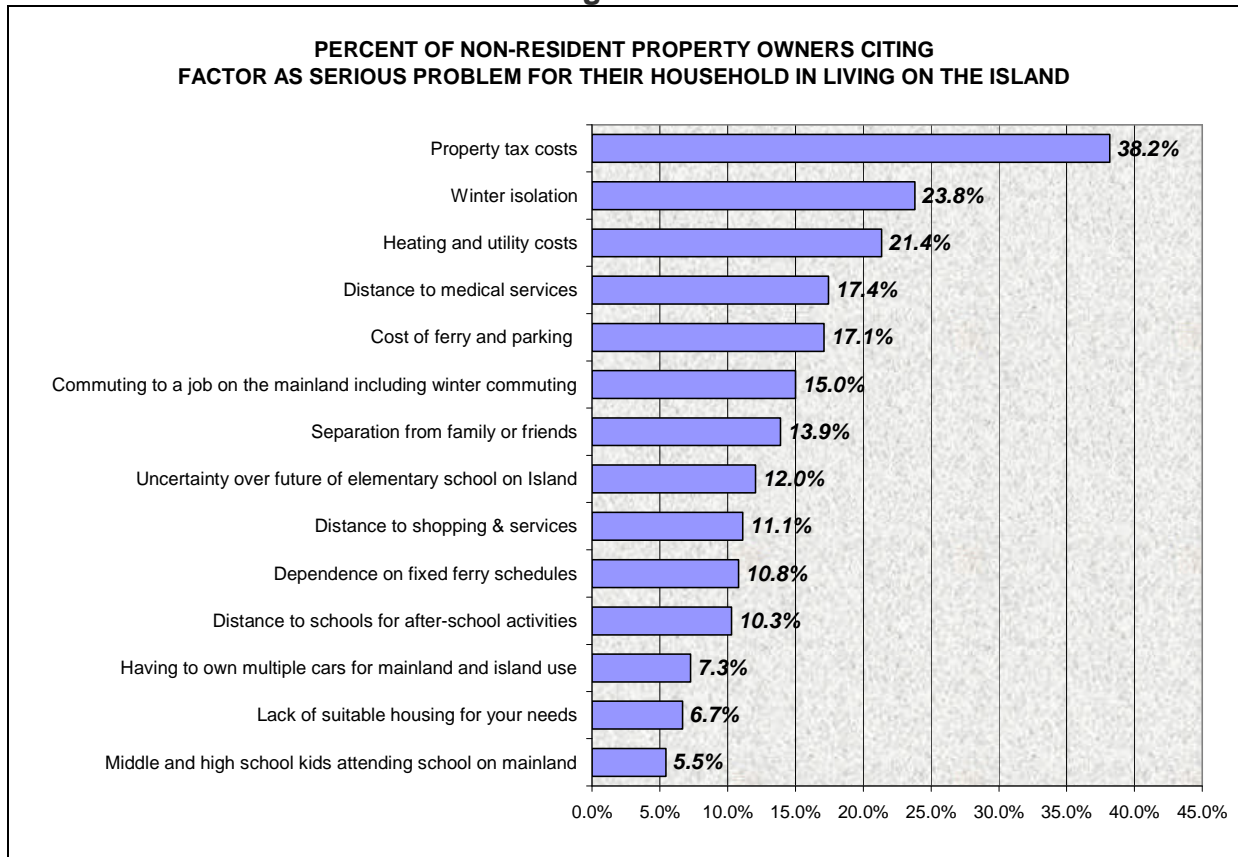


Residents were asked whether the particular factors tabulated above represented a problem for them (personally) in living on the island. Most of the respondents do not have school age children. Therefore, questions relating to the continuity of the elementary school on Chebeague would not have a direct affect on the housing decisions of many respondents.

However, both resident and non-resident households expressed strong concerns about retaining an elementary school on Chebeague, which they see as essential to community viability and to keeping younger working families on the Island. Seventy one percent (71%) of residents with children viewed the uncertainty over the future of the elementary school as a serious problem. Among resident households with children, 43% indicated that they would definitely move off the Island if the elementary students had to attend school on the mainland, and another 36% would consider moving off the Island.

Most of the same rating questions were posed to seasonal households with respect to living on Chebeague year-round. Their principle concern was property tax costs, to which over 38% responded that it would be a serious problem for their household. Most of these households do not anticipate living on Chebeague year round until retirement. The concerns of seasonal residents relative to schools, commuting and a number of other issues were not rated as serious problems.

**Figure 13**



***j. Shared Values of Seasonal and Year-Round Residents***

While the survey results shown in Figures 12 and 13 above center on problems and challenges of island living, responses to other questions showed a clear enthusiasm for Chebeague as a place to live despite its inconveniences. Both residents and non-resident property owners were asked open-ended questions about what they valued most about Chebeague. Responses from the two groups were remarkably similar, with the principal values including:

- A strong sense of community where people of diverse backgrounds help one another
- Natural beauty and unspoiled nature of the Island
- Family roots and generational ties to Chebeague

While seasonal residents may more frequently associate Chebeague with its role as a quiet summer retreat, they also clearly expressed a concern that supporting a diverse year-round community is essential to the Island’s future and character.

Keeping the Island school open was of concern to most respondents in both groups, even among those who have no children or who do not live on Chebeague year round. The role of affordable housing, lower property taxes and utility costs, and other issues were also mentioned in other questions as means of supporting the year-round community. Detailed tabulation of the open-ended question responses is found in the Appendix report.

***k. Actions to Retain and Attract Younger Families***

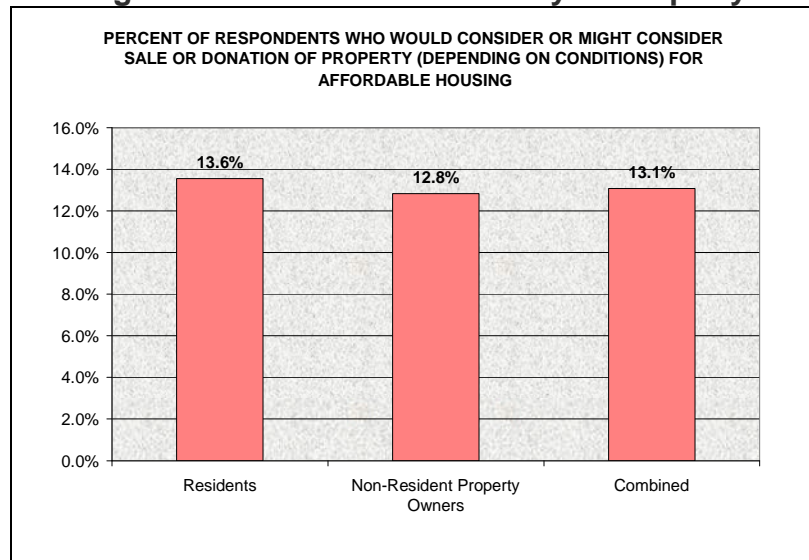
The housing surveys distributed to residents and other Chebeague property owners asked about what Chebeague or the Town of Cumberland could do to help attract and retain younger families on the Island as year-round residents. Both groups expressed a need to support diverse year-round family residency on Chebeague to avoid becoming purely a retirement community or an exclusive summer retreat. The principal ideas suggested by both year round and seasonal residents centered on similar themes, most of which are described by the following general actions:

- Assuring the continuity of the elementary school on the Island
- Finding ways to limit property tax increases
- Developing some lower cost, modest scale, affordable housing
- Reducing/subsidizing ferry transportation costs (fares, parking)
- Encouraging accessory apartments in existing homes
- Buying existing non-waterfront homes for affordable housing
- Creating on-island job opportunities and retaining the boatyard to support lobstermen
- Reducing utility costs, such as cooperative purchase of fuel

***l. Potential for Acquisition of Property through Sale or Donation***

The surveys asked whether the respondent would consider selling or donating property for affordable housing. In both the resident and non-resident surveys, about 13% of the households indicated that they would consider such selling or donating property, or might consider it depending on conditions.

**Figure 14: Potential Availability of Property**



Though these percentages may seem small, the survey returns represent at least 23 households responding positively to the question. This indicates that a significant number of properties might be acquired for preservation of existing housing, or for construction of new housing on vacant land, as part of an affordable housing initiative.

## **PART III: AFFORDABLE HOUSING DEVELOPMENT ON MAINE'S ISLANDS**

This section of the study explores a range of approaches to affordable housing development on Maine's Islands that may have potential for application on Chebeague Island. The report describes how various island affordable housing initiatives got started, what funding mechanisms were used, who the beneficiaries are and what lessons were learned. As part of this research, the consultant met with the island housing subcommittee of the Island Institute and with the staff of the Genesis Fund. State Representative Hannah Pingree of North Haven was also interviewed along with ten developers or managers of affordable island housing developments. Six developments were visited and photographed.

### **Issues:**

Developing affordable housing on islands is not like developing housing elsewhere. On the mainland, one can expect to draw families from within a broad "market area." The market area for year-round island housing comprises current year round residents and households from "off-island" who have the financial means and willingness to pay not only for housing, but also for the higher associated costs of island living. The limitations and costs imposed by a fixed ferry schedule, higher costs for transportation, fuel and essential services, as well as winter cold and isolation are limiting factors for many would-be residents.

The cost of housing development on islands appears to be about 50% greater than building similar housing on the mainland, and the selling prices of properties on Maine islands are increasing rapidly. It is difficult to find suitably priced sites on Maine islands on which to develop affordable housing. The conventional notion of what is defined as "affordable" may not fit the reality of the islands. When fishing and lobstering are profitable, there may not be many working island households with incomes below the 50% and 80% of area median income maximums that are typical of government-supported affordable housing programs. There are also some inter-generational households and other "doubled-up" households, whose housing needs are difficult to measure and serve with traditional approaches to affordable housing.

### **A. Types of affordable housing units created on the islands**

The chart below lists 112 units in completed housing developments on Maine islands. Of these developments, two were opened in 1978, two more in the decade of the 1980's, four were built around 1993, four between 2001-2003, and two more opened in 2005. Several island communities such as Frenchboro and Monhegan also have developed homes for their schoolteachers. The teachers' units are not counted in the inventory of affordable housing below.

The number of units created for families (generally to buy homes or lots) is about equal to the number of units created for elderly persons (in rental housing or assisted living) on Maine Islands. The two developments which opened in 2005 were both elderly housing: the Volunteers of America Senior Housing on Peaks Island and the Beacon Project's assisted living on Islesboro.



**Affordable Housing Developed on Maine Islands**

Type of Development	Percent of Units	Number of Units
Sale of lots to families	18.8%	21
Sale of new homes to families	19.6%	22
Rental homes for families	3.6%	4
Sale of small condos	1.8%	2
Elderly rental units	39.3%	44
Assisted living units	17.0%	19
<b>Total units</b>	<b>100.0%</b>	<b>112</b>

Many islands are in the process of developing new housing initiatives, almost all for families. These are listed roughly in order of “readiness to proceed.”

- **Islesboro:** Islesboro Affordable Properties has three projects for families in the planning stages. One of these projects will involve bringing in three manufactured homes onto a 5 acre parcel owned by IAP and selling these homes to families. IAP also owns two other undeveloped properties and has begun making plans for development. One is 22 acres and one is 5 acres.
- **Vinalhaven:** Vinalhaven Development Corp, an existing non-profit loaning capital to businesses, has plans for developing town owned land for either: construction of 8 units for existing year round island families (4 for sale and 4 for rent) OR developing the infrastructure and selling 6 to 8 affordable lots.
- **Vinalhaven:** The Ivan Calderwood Homestead for assisted living which opened in 2001 is beginning a capital campaign to expand.
- **Cranberry and Islesford:** The Cranberry Realty Trust has \$100,000 from a recent sale of land and owns land and may plan additional housing. Recruiting families to these islands is the number one goal.
- **Monhegan:** The Monhegan Island Sustainable Community Association is planning family housing for existing year round residents.
- **Chebeague Island:** A consultant preparing an affordable housing study to assess the market for affordable housing initiatives. This report is part of that study.
- **North Haven:** North Haven Development Corporation is planning for development of housing with a focus on home ownership.
- **Long Island:** The town has formed a housing committee and has an intern from the Island Institute, and is interested in addressing the issue of affordable housing.
- **Cliff Island:** The island is down to 5 students in the school and island residents are revisiting the issue of recruiting families to the island. Reportedly, at least two landowners have committed to making land available for affordable housing should it become necessary.

## B. Affordable housing for Families on Maine Islands

### 1. Sale of lots

*(Frenchboro, Swan's Island and Isle Au Haut)*

Each of these communities used major funding from CDBG<sup>3</sup> to develop roads and infrastructure in order to sell lots at affordable prices to year round households. The Frenchboro and Swan's Island initiatives were planned with the specific purpose to attract new families to year round island living in order to combat decreasing population and decreasing school enrollment. The CDBG requirement is that the housing benefit low and moderate income persons, defined as with incomes under 80% of the County median income. The Swan's Island project was unique in that the town played the role of the developer. This development of buildable lots met the goal of providing year round residents a place to own affordable homes.

A perceived problem on Swan's Island continues to be that there are not sufficient resale controls in place. Some people built summer cottages on the lots. Some people brought in older style mobile homes which may not meet minimum housing quality standards today. Other island residents see some of the homes as eyesores. The lack of sufficient re-sale controls may prevent these properties from remaining affordable over time.

The 5 lots developed for sale on Frenchboro were designed to bring families to the islands. As with the Swan's island homes, the controls on resales were weak. As a result, 2 year round homes were built and 3 were added to the seasonal housing stock. These properties can be resold without restriction and no funds go back to the non-profit at the time of the re-sale.

### 2. Sale of new homes to families

*(Islesboro, Frenchboro, and Isle Au Haut)*

Island	Description of homes built by developer	Major funding
Frenchboro	7 cape houses (incl. teacher's home) built in clustered subdivision. Households rent for 3 years with an option to purchase.	CDBG, and land from the Rockefellers.
Isle Au Haut	8 homes built. Some sold, some rented, and some are rented with an option to purchase arrangement.	CDBG (2 separate awards.)
Islesboro	8 energy efficient homes in a clustered subdivision all sold to year round families: 4 with incomes below 50%, 4 below 80%.	CDBG, MSHA, FHLB (*)

\* FHLB is Federal Home Loan Bank of Boston, which offers loan and grant programs

All three of these island housing developments received CDBG funding. Frenchboro and Isle Au Haut had lots for sale and homes for sale in the same project. Frenchboro received land donated by the Rockefeller estate. The Isle Au Haut family housing is unique in the number of options it supports. Isle Au Haut offers homes for sale, lots for sale, rental homes, and rent with an option to purchase.

<sup>3</sup> Community Development Block Grants (CDBG) are federal funds administered in Maine by the Maine Department of Economic and Community Development.

The Frenchboro project attracted national media attention with articles in newspapers such as the New York Times and features on programs such as "Good Morning America". Even though the internet was not available at the time, Frenchboro was inundated with 4,000 applicants from all over the U.S. and beyond. Most applicants had not anticipated how to make a living on the island. A local committee interviewed 12 families for 6 houses. All of the selected households were fishermen with families. Most of them migrated from Massachusetts at a time when fishing was on the decline there.

None of the original families stayed as long as three years. Between 1992 and 1994, there were vacancies and property maintenance issues. A second round of recruiting was undertaken. All of those who next moved in were lobstermen from Maine, including 2 families who were grandchildren of an island elder. As of 2003, all of the homes were sold and occupied. The lesson learned was that the best way to attract families seemed to be word of mouth rather than widespread recruiting. The families most likely to stay on the island were people who already lived on the island, had island connections, or were fishing families who hailed from other isolated Maine communities such as Lubec.

Islesboro Affordable Properties was successful in getting a Federal Home Loan Bank grant for its project. The owners on Islesboro built their own homes according to plans purchased by the non-profit and supervised by a qualified construction supervisor. This self-help housing helped to keep the homes affordable and seems to be in keeping with the culture of self-reliance prevalent on Maine Islands. Frenchboro and Islesboro both developed clustered subdivisions with shared infrastructure. It seems that the shared septic and wells were problematic, as they presented problems for banks and would-be purchasers.

### **3. Rental homes for families** *(Islesboro and Cranberry Islands)*

Cranberry Isles Realty Trust is the only island developer to only develop family rental housing. In 2002, three single family homes were constructed and rented to families willing to live in them year round: two homes on Big Cranberry and one on Islesford. Because the Realty Trust accepted CDBG funds for this project, to be eligible, households have to meet CDBG low income guidelines. The Trust also stipulated that families agree to live year round on the island. Since Big Cranberry has had to close its school, it is not surprising that the households renting now actually do not have school age children. There have been some issues with some tenants not paying rent or maintaining the property.

Islesboro Affordable Properties acquired one home in 2003 in a different part of the island than their 8 unit subdivision and made the decision to rent this one home to provide a mix of affordable housing options. A mother with three children lives there now.

Vinalhaven is considering adding four rental homes along with four owner-occupied homes, and their housing market study does show a need for affordable rental housing for families. According to the 2000 Census, Vinalhaven has 12 single parent families living in poverty. The Vinalhaven committee is also considering just selling developable lots to low and moderate income households.

#### **4. Sale of small condos** *(Monhegan)*

The only project involving condos within the same building is on Monhegan. The Monhegan Sustainable Community Association was developed in response to a doubling of real estate values between 2000 and 2003, making it nearly impossible for anyone with a typical island income to buy property. When the island's only store came up for sale, in the fall of 2002, the group acted quickly to buy it to preserve the store and the rest of the building. The result was the development of two condominium housing units (a one bedroom and a two bedroom) as well as space for the store, a laundry, a town office and the US Post Office. Each of these benefits year round residents.

**Monhegan's Post Office, store, laundry and 2 condos**



(Photo by Mary Brookings)

In this case, the idea of the housing was not to attract year round residents but to assist year round working residents who were doubled up or living precariously in off-season rental properties. There was a secondary benefit when the two condo owners bought their condos, in that two rental units on the island became available for other year round residents.

The financing of this condo and commercial project was complex. The total development cost was \$500,000. The store with housing above was purchased at a high price. (\$400,000 for a parcel valued at \$500,000, with the seller receiving a \$100,000 tax exempt donation.) Legal costs to form a condo association were incurred, with total soft costs of \$40,000 and renovation costs of \$60,000.

Camden National Bank provided an interest only loan for the project. The purchase prices paid by the condo buyers allowed the land trust to recoup the cost of initial renovations. The Trust received a \$5,000 gift from Monhegan's community land trust for land preservation. It is expected that the building will soon need an additional \$25,000 in renovation for a new roof and to prevent septic discharge from leaching into the ocean.

The Monhegan Sustainable Community Association is also supported by:

- Membership fees of \$25 to join the Association.

- Hotels on island contribute \$1 per night towards the Association.
- Town votes in \$10,000 per year to the Association.

## 5. Issues to consider in attracting families

Frenchboro’s ambitious project of building 7 houses (including 1 for the teacher) and developing 5 other lots was quite a bold initiative in 1986 for an Island which had just 17 households (at the time of the 1990 Census.) Despite some initial setbacks, about as many households live in homes built on these properties as live on private lots. There are 10 students at the school, up from just 2 students in the 1980’s. On Vinalhaven, a smaller slower paced development effort which has time to gain support among the island residents may be an approach more in keeping with their goals.

Generally, home ownership and rent to own opportunities seem to encourage people to make a longer commitment to island living and may be a better tool than rental housing if the purpose is to encourage families to move to an island. In discussions with developers, the rent to own idea seemed to be gaining as a method to attract new year round residents who will stay. It also affords new residents an opportunity to experience island living before committing to homeownership. For both new and old island residents, rent-to-own presents a way to help families clear their credit and stabilize their incomes to be eligible for a mortgage. The issue of resale controls is also important in order to assure long term affordability and prevent someone from selling to someone who won’t live year round on the island.

## C. Affordable Housing for Seniors on Maine Islands

### 1. Rental units for the elderly (Peaks, Swan’s and Vinalhaven)

All of the rental housing units for the elderly were developed using major federal funding. Three were built from 1978 to 1982 by private developers using government funds, two on Vinalhaven, and one on Swan’s Island.

**Rental Housing for the Elderly (Except Assisted Living)**

Island	Project Name or Developer	Year Opened	Description	Major funding
Swan's Island	Atlantic Apartments	1978	8 units; two 2BR and six 1 BR for elderly.	Section 8 for the units and MSHA guaranteed loan
Peaks Island	Volunteers of America (non-profit)	2005	11 1BR units Also has health center. Elderly only.	HUD 202, MSHA, Land from city, donations, Section 8 for the units.
Vinalhaven	John Carver Homes	1978	10 units for elderly and disabled	USDA Rural Development
Vinalhaven	Harborside Homes	1982	15 units for elderly and disabled	USDA Rural Development; also has Section 8 subsidy.

While all of these elderly rental units are supported by the island residents, they were developed privately, rather than by island-based non-profit corporations. Three of these four developments rely on Section 8, which requires that the tenants have very low incomes. On Peaks Island, for example, a tenant's income may not exceed \$22,550 for individuals or \$25,750 for two people.

Atlantic Apartments was built in 1978 on Swan's Island and contains 8 units: 6 one bedroom, 2 two bedroom apartments. It is fully subsidized by Section 8 contracts. The building has a community room. The owner reports that initially (1978) it took awhile for people to get used to the development, but the residents like having the company of other seniors. Most but not all tenants have been from Swan's Island.



**Atlantic Apartments on Swan's Island**



(Photos by Bruce Mayberry)

The owner views the Atlantic Apartments as an asset to the Island, because it allows seniors to stay where they have lived for many years, and opens up housing on the island that is vacated by the resident. Often, that house becomes a home to the grandchildren. Typically, new move-ins are prompted by a medical event or sickness, and the resident moves in "temporarily". Later they find that they like it and stay, realizing they can't keep up their old home.

### Harborside Homes, Vinalhaven



(Photo by Helen Hemminger)

The Vinalhaven units both have stunning water views. When there were rumors that one of the developments was for sale, an island property owner offered to turn the development into luxury condos but withdrew his offer when community residents indicated that they wanted it to stay as affordable housing.

Although the Vinalhaven units were built both with funds from United States Department of Agriculture's Rural Development (RD) program, Harborside Homes has a more solid operating income than the John Carver Homes. Harborside Homes have Section 8's attached to the units, meaning most of the rent is covered through government subsidy. The other development has RD funds to construct and receives some operating support from RD on a yearly basis, but if a household does not have a Section 8 voucher, the sliding scale rent does not cover the costs of maintaining the building.

### John Carver Apartments, Vinalhaven



(Photo by Helen Hemminger)

The RD 515 program creates housing for elderly as well as for persons with disabilities.<sup>4</sup> On Vinalhaven, the Harborside units are all rented to the elderly, while about half of the John Carver units are rented to households where the head of household has a disability, so several units are rented to families with children. The Peaks Island units, developed with HUD 202 funding are all restricted to persons over age 62. The units need not be rented to residents of Peaks Island. In fact, VOA has another development in Portland and applicants may apply for both developments. It is reported that two of the seven current residents were living on Peaks and one on Cliff Island before moving into these units. Opened in May 2005, as of late September there are still three vacant units on Peaks Island.

It may not be obvious, but constructing elderly housing benefits year round family households, too. If an elderly person moves out of a house on the island, that housing is now available for relatives or other year round families to live in. Others point out that building one attractive multi-unit for elderly can preserve open space better than adding single detached homes for families.

**Peaks Island: Volunteers of America's Senior Housing & Health Center**



(Photo by Helen Hemminger)

The effort to develop the elderly housing on Peaks Island began in 1996. In 2000, the City of Portland donated land. The City of Portland and some representatives from Peaks Island invited VOA to become the developer of the housing and new health center. In November 2001, the HUD 202 grant was obtained. It took 2 ½ more years to obtain all approvals and secure additional funding before construction could begin in July 2004. The first tenants moved in during May 2005. Some Peaks Island residents do not think that the new building is in keeping architecturally with the existing housing on Peaks Island. The amount of parking seems excessive when most visitors walk from the ferry. Other islanders like the fact that VOA purchased art from island residents when furnishing the common areas.

The development took a long time to come to fruition in part because the construction bids came in over HUD construction guidelines and the need to meet the development approval criteria of the City of Portland.

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<sup>4</sup> The Rural Development multifamily housing program is not available in all areas.



**Funding:**

HUD 202	\$1,000,000
City of Portland CDBG	\$150,000
Portland Housing Authority	\$41,000
MSHA	\$82,000
VOA capital campaign	\$600,000
Weinberg Foundation	\$250,000
<b>Total</b>	<b>\$2,123,000</b>

Island housing takes longer and costs more to develop than similar housing on the mainland. VOA's senior housing on Peaks Island cost \$3.2 million for 32 units or \$100,000 per unit while the housing (without the health center) cost \$1.9 million for 11 units or \$173,000 per unit.

The maintenance of elderly rental housing on islands requires that there be someone available for repairs and emergencies. Vinalhaven and Peak's projects both have an island resident involved in the day to day overseeing of the development.

**2. Assisted living**

*Chebeague, Islesboro and Vinalhaven*

Island	Project Name or Developer	Yr. opened	Units	Description
Chebeague Island	Island Commons	1998	7	Assisted living for elderly First adult boarding home in the state. Unique in that it is debt free and has an endowment.
Islesboro	Beacon Project; Boardman Cottage	2005	6	Unique in that it was constructed with no government money or even private grants. Also has Senior Center.
Vinalhaven	Calderwood Homestead	2001	6	Assisted living for elderly

Chebeague Island was the first island to develop assisted living on a Maine island. The Island Commons was developed in 1998. Chebeague residents formed a 501c3 non-profit in 1996 to promote improved health care services because of concerns that caregivers were not coming to visit clients and island residents were not getting needed health services. The Town of Cumberland helped the new non-profit hire a consultant to establish needs. A survey and focus groups indicated that the most compelling need was to provide on island help for elders, so that they did not have to relocate to the mainland in the last stages of their lives.



From [www.chebeague.org](http://www.chebeague.org) . (Used with permission)

The non-profit investigated establishing a daycare facility for elders, a nursing home, or a retirement village but were most intrigued by the new idea suggested by the then DHS commissioner Kevin Concannon of opening an adult family care home. Establishing a small, safe and comfortable home to care for elders fit the vision of island residents. The concept was for a live-in caregiver to provide a home-like environment for up to six seniors needing such care. An existing single family home was donated to the non-profit. Within 18 months, the organization raised more than the \$550,000 needed to renovate and furnish the facility. Three or four island property owners had private family foundations which contributed.

**Development Funding for Island Commons Included these sources:**

Source	Type	Purpose/use	Amounts (where known)
HUD CDBG	Federal	Developing a business	\$80,000
USDA - RD	Federal	Community facilities	
USDA - RD	Federal	Septic system	\$25,000
USDA - RD	Federal	Housing renovation	
MSHA	State	Supportive Housing for Special Needs	\$125,000
Cumberland	Town	Establish need for services	\$10,000
Donations	Private	Unrestricted	\$350,000

In January 1998, the Island Commons became the first adult family care home to open in the state, and is unique in its debt-free development. It took approximately 18 months to be completely full. Island Commons now operates under the assisted living IV license. It does not have a live-in caregiver but has overnight attendants on-duty and round the clock care. The capacity was increased from 6 residents to 7 residents and the home now has a waiting list of 2 island residents. Conditions imposed by the federal funding sources continue to require that the majority of those served have low incomes. Daycare continues to be available, but there is currently only one senior utilizing the daycare program. MaineCare and private insurance does not cover all of the cost of operating the facility, so money from the facility's endowment makes up the difference.

Island Commons has recently launched a \$1 million capital campaign to build its endowment to cover operating and capital renovations which may be needed in the future. People interested in developing similar homes on islands in Rhode Island, Massachusetts and Vermont have looked to Chebeague's model.

### **Ivan Calderwood Homestead Assisted Living on Vinalhaven**



(Photo by Helen Hemminger)

Following Chebeague Island's lead, island residents and property owners from Vinalhaven and Islesboro have formed non-profit corporations and raised funds, largely through donations from island property owners to develop assisted living for elderly island residents. The Ivan Calderwood home on Vinalhaven was a renovation of a home donated by Ivan Calderwood for this purpose. The recently completed Beacon Project on Islesboro was constructed by an off-island contractor. The cost to develop these six units of assisted living was \$950,000 including the purchase of the land, or \$158,333 per unit (1 room and 1 bath per unit).

Both the Calderwood Homestead and the Beacon Project were developed almost exclusively with private donations and a bank mortgage. Island residents are very pleased to have tangible evidence of their communities working together to help frail elders. Because the money was raised privately (rather than using federal funds), the board of directors is able to set priorities for tenant selection, currently a 5 tier priority system for tenant selection:

1. Year round residents
2. Family members of year round residents
3. Property owners on Islesboro
4. Demonstrated connections to the island and its residents.
5. Others

The Calderwood Homestead has been so successful that they are now planning to expand, demonstrating that if supportive care facilities are available, the frail elderly will not be forced to move to the mainland.

## **D. Type of development organization or sponsor**

### **1. For-profit developer**

The oldest three developments, the Atlantic Apartments for elderly on Swan's Island owned by William Banks, and the two developments consisting of apartments for elderly and disabled persons on Vinalhaven developed by Harry Hopewell, were constructed by private individuals using public funding. Though each project now has community support, at the time they were being developed the community was involved only peripherally in the approval process of applying for federal and state government funding.

While the types of government programs that the private developers can access have changed, private developers can continue to play a role creating affordable housing on Maine Islands. Those who are concerned about the lack of housing options for year round island residents might want to look at the idea of attracting investors to own affordable rental property. For example, a private landowner could develop small semi-detached units which require very low maintenance. The developer could participate in sustaining the year round community by prioritizing rentals to year round residents.

## **2. Town**

It is unusual for a Town to take on the risks associated with being a developer, except through a local housing authority. However, the Town of Swan's Island has done this several times. The Town of Swan's Island applied for state CDBG funds around 1993 to build a road and develop sewer and septic systems for 11 lots to be sold to year round residents. The Town sold these ready to develop lots to island residents. The Town also built a fish processing plant without using a non-profit intermediary.

## **3. Non-profit Corporation**

The Frenchboro project, begun in 1986, broke new ground for island housing development by using a non-profit corporation. Since that time, every island except Swan's Island has had a non-profit as the developer. It has been suggested that forming an economic development corporation which could do more than just housing was the best option, since non-profits with a sole purpose of developing housing are carefully scrutinized by the IRS and the Town takes on risk when they develop on their own. The Cranberry Isles Realty Trust and the Islesboro Affordable Properties appear to be non-profits with the sole purpose of affordable housing, while the communities of Frenchboro, Isle Au Haut, Monhegan and Vinalhaven have formed community development corporations with a broader purpose. Island Commons was formed by an existing island-based non-profit whose mission was to advocate for the health services needed by elderly island residents.

Local vs. regional or national non-profits. Island living promotes close communities. This means initiatives spearheaded by island residents can be effective. Island residents who form local grass-roots non-profit corporations have potential to raise significant private contributions from their summer residents. Year round islanders can make a compelling case to non-resident property owners that preserving affordable housing for year round residents is critical because without it the island will lose year round residents, lose their school and eventually lose the island way of life altogether.

Other experience suggests that using an existing regional non-profit entity, such as a group of Casco Bay islands forming a non-profit together, may be another option. The Genesis Fund and the Island Institute are engaged in helping island communities share ideas and perhaps spawn partnerships.

The committee on Peaks Island took the unique path of hiring a nationally respected developer of affordable housing. Volunteers of America raised \$1.3 million through HUD's Section 202 program, Maine State Housing, City of Portland and Portland Housing Authority and contributed \$600,000 from the VOA's national capital campaign and VOA's own private foundation to support the construction of the health center and elderly housing units on Peaks. VOA brought

to bear its experience in developing other Section 202 elderly housing units in the last ten years in Portland, Saco, Augusta, Belfast and Thomaston.

The Greater Portland Habitat for Humanity, like VOA, is part of a national organization and the local chapter may have the ability to tap into funds from the national organization or help with fundraising initiatives.

#### **4. Land Trusts**

Both Monhegan's condos and Cranberry Realty Trust rental homes were developed using a mechanism known as a land trust. Land trusts were formed in the 1970s with a vision of divorcing ownership from its function as an investment vehicle. Land trusts keep home ownership affordable by maintaining the ownership of the land in a non-profit land trust while selling the houses on the land to qualified buyers. A key feature of land trusts is the use of a ground lease restricting both the future sale and the income of the homebuyer. A land trust preserves and creates affordable homeownership and insures affordability for future as well as current homeowners by a legal ground lease and covenant. The land trust model has allowed people with incomes as low as 40% of AMFI to become homeowners. The one feature that land trusts have in common is perpetual affordability. For rentals, this is accomplished by setting restrictions on the income levels of the occupants and the sale price of the property. Homeownership projects most typically feature ground leases.

In terms of the specifics of land trust versus outright sale of land to home-buyers, or the type of resale restrictions to use, there are a variety of perspectives that fit the character of different islands. On Monhegan, the 75 residents have a long tradition of working together. Most of the land on Monhegan is preserved in a conservation land trust. For this island community, developing housing using a land trust model where the non-profit retains ownership of the land was a comfortable fit. Developing an affordable land trust was a way of codifying informal ways that fit with the culture of the island. Another aspect of this culture of co-operation is that it was important for the Monhegan Association to have a consensus process. A solution coming in from "off-island" may not have been as well-received.

#### **5. Affordable Housing Trusts**

A housing trust is simply a way of pooling funds for housing initiatives. An affordable housing trust fund raises funds from both public and private sources and restricts the use of funds to meet specified housing objectives. The idea of establishing an affordable housing trust may have particular merit on Maine's islands. This is because the summer residents are usually quite wealthy and have a very personal stake in seeing Maine's year round islands preserved

An affordable housing trust may itself be a developer and owner of housing, or may allocate funds to developers to leverage other subsidies and loans to build new units or renovate existing units. Funds may also be used to make first time home-ownership more affordable. Almost all housing trust funds restrict the beneficiaries to those below 80% of area median income.

There are administrative costs in managing a housing trust, which implies that efficient use may require a large enough market to attract enough capital to support a reasonable volume of housing development. An affordable housing trust could be local, but might benefit from pooling the efforts of groups of Maine islands. The Genesis Fund's Island Challenge Fund operates like an affordable housing trust.

## 6. Resale Controls and Income Limits in Programs

The consultant's interviews with Maine housing developers indicates the opinion that deed restrictions, recapture provisions, and affordability covenants can accomplish the same purpose as land trusts, without the necessity of a non-profit remaining involved in directly managing affordable ownership property. If the homeowner owns the land, there are no administrative and insurance expenses incurred by another entity. A land trust can be problematic because the independent nature of people on most of Maine's islands will probably favor ownership of the land.

The resale controls on the two condos the Monhegan non-profit developed are such that the profit is limited to the increase in median income for the county and it must be sold to someone who meets the criteria set by the non-profit. Present owners may sell for the original price plus the percentage of increase in Lincoln County since original purchase plus a negotiated price to recapture cost of renovations done by the owner. Resale is restricted to eligible households able to live year round on the island with incomes below 80% of area median income.

In other communities like Swan's Island and Frenchboro, deed restrictions and resale covenants are not well liked. There, independence and owning one's own "piece of the rock" seems to be more valued. The sense is that as long as the property is sold to another year round resident, the fact that the owner makes money when he/she sells is not important.

Income limits on occupancy are generally placed on initial occupants and can be reflected in resale controls, often stated as a percent of area median family income. On Maine islands, a case might be made that, because it costs more to live on an island than on the mainland, income limits for island programs should have higher or more flexible ceilings. Unless federal or state funds are used that require specific income limits, a local or island housing program could utilize higher or more flexible income limits.

Helping a household gain access to the traditional benefits of wealth creation involved in home ownership must be balanced with maintaining long term affordability of the house over time. It is suggested that at minimum, if there are public funds involved, the resale controls be stringent enough to recapture the amount of the public subsidy at the time of resale. If a household may sell to anyone, however, with no controls on the sale price, the affordability benefits may be lost after the first generation owners sells the property.

## E. Funding mechanisms

### 1. Government sources

**a. Community Development Block Grants (CDBG).** Many island housing developments in the past used CDBG funds. CDBG is awarded to non-entitlement cities and towns in a competitive application process from the Maine Office of Economic and Community Development. These grants can be combined with other funds to support the creation of housing units, or can be used for related community needs such as encouraging home ownership, developing infrastructure, building community facilities, rehabilitating rental housing, and other uses that have a primary benefit to households earning less than 80% of AMFI. Most of the islands accessed CDBG funds for infrastructure or construction of affordable housing.

The Island Commons on Chebeague, however, was awarded CDBG funds to develop a business which would employ lower income workers. The funds paid for start-up costs such as equipment, furnishings, even oil for the first year of operation because 12 part time jobs were created to care for the elder residents needing round the clock care. This last requirement is growing harder for many islands to fulfill. As lobstermen have prospered in the last five years or so, especially compared to Maine's rural counties, there are fewer income eligible families on the islands. For this reason, applying for CDBG funds for a new project may be problematic.

**Maximum Income for CDBG Benefits for a Typical Family of Three**

Island	County or MSA of Island	80% of Area Median Family Income for Three Person Household in 2005
Chebeague	Portland MSA	\$46,350
Islesboro	Waldo Co.	\$35,050
North Haven	Knox Co.	\$36,950
Swan's Island	Hancock Co.	\$36,300

**b. Town donation of land.** (Islesboro, Isle Au Haut, Swan's and Peaks.) Having the municipality donate land for affordable housing is beneficial for several reasons. Obviously, it lowers overall development costs. Development which requires public funds or a private capital campaign often takes several years to begin. A donation of land from a town shows a tangible commitment from the municipality to affordable housing and the land donation can be used to leverage other funds.

The Swan's Island project went one step further than the donation of land, since the Town took on the role of the developer. There are other models of housing development such as in Camden and Cumberland where the Town used a municipal bond to fund affordable housing.

**c. Maine State Housing Authority (MSHA).** MSHA has a variety of funding sources including for affordable housing from federal programs and from its own unrestricted funds. These funds are distributed through both loan and grant programs. These include the: rental loan program, revolving loan fund for acquisitions, subsequent loan program, continuum of care homeless assistance program, and the pre-development loan program. Developers also apply for federal low income housing tax credits (LIHTC) through the MSHA.

The supportive housing program which funded three island projects had no funds to disburse in 2004 or 2005. Unlike Chebeague Island Commons, the new assisted living on Islesboro did not receive MSHA funding. The current rental loan program for developers of 5 or more rental units does not appear to be as accessible to small private developers as the guaranteed loan program available to private developers twenty years ago.

MSHA continues to have several programs which help eligible households directly become home-owners. For example, MSHA has a below market interest rate, as well as a program to help pay closing costs for 1<sup>st</sup> time homebuyers, and a program to lower the mortgages in an affordable sub-division by \$12,500 per affordable unit.

**Use of MSHA Funding for Island Housing Developments**

Project Name	Island	MSHA Program
Island Commons Assisted Living	Chebeague Island	Supportive Housing
Peaks Island Senior Housing	Peaks Island	Supportive Housing, Section 8
Elderly Housing	Swans Island	Guaranteed loan, Section 8
Calderwood Homestead	Vinalhaven	Supportive Housing
Harborside Apartments	Vinalhaven	Guaranteed loan, Section 8
John Carver Apartments	Vinalhaven	Guaranteed loan

The MSHA has established a set of Green Building Standards to promote energy efficient (green) building design in order to contribute to long-term affordability by reducing energy use. There is also an affirmative action program proposed, which is designed to provide equal access for women, minorities and persons with disabilities to construction contracts and other MSHA contracts. Some developers are concerned that these new standards will make developing affordable housing even more expensive. Small island contractors might find these new requirements particularly difficult.

**d. HUD Section 202 and 811** are federal housing and urban development programs providing funds to create housing for very low income persons. Section 202 provides capital to experienced non-profit developers of housing to finance the construction of supportive housing for very low-income elderly persons and provides rent subsidies for the projects to help make them affordable. Volunteers of America used this resource to build and meet operating costs of its new senior housing on Peak’s Island. HUD has a similar program to fund the construction and offer rent subsidies specifically to very low income persons with disabilities, called Section 811. Section 811 could be used for group homes, independent living of 5 or more apartments or reserved units in a multi-family rental complex for persons who are physically disabled, developmentally disabled or chronically mentally ill. The developer must ensure that there is a means to pay for appropriate services.

**e. USDA Rural Development (RD)**

**RD 515 Housing Loans** were used to create the two housing developments on Vinalhaven, but this resource is not likely to be used to develop housing on islands now, since in Maine, RD has a memorandum of understanding with MSHA giving priority to projects that are also funded with low income housing tax credits (LITC). This requirement would probably preclude a small rental project from accessing RD 515 funds.

**RD 523 Self-Help Housing** has not been used on Maine Islands before, but it is conceivable that this source could be used. Applications for this program are accepted at any time, but are quite complex involving among other things, developing an approved cost allocation plan, performing a market study and identifying lots and eligible families ahead of time. RD suggests this process typically takes 18 months to 2 years. The funds awarded to the non-profit are then used to pay for a construction supervisor, a loan processor and to cover overhead costs so that participating families can construct their homes together with the help of volunteers. The minimum participant level is 8 households over a 2 year timeframe. The homeowners must meet eligibility guidelines for an RD 502 loan. A very low income household, at a level less than 50% of AMI receives a 1% loan with an agreement to pay RD for the difference between their



loan and a market rate loan if the home is ever sold to anyone other than a family member. A low income household at 80% of AML is eligible for a 5% mortgage.

**f. Low Income Housing Tax Credits (LIHTC)** allocated through the Maine State Housing Authority are used to fund the development of (typically) projects of 20 to 40 apartment units in designated high need communities. The units are then rented as “workforce housing” specifically to persons earning between 30% and 60% of area median income. LITC does not seem to be a good fit to address the need of affordable housing on islands. It is possible that a developer could propose scattered site development of LIHTC units including Chebeague Island, Cumberland, Falmouth and Yarmouth but it is doubtful that the developer would want to build units on an island where the costs to build are so much higher.

## **2. Private sources**

**a. Genesis Fund.** The Genesis Fund of Damariscotta Maine has helped four island housing developments come to fruition and was involved in two other attempts on Vinalhaven and North Haven to develop housing. The Genesis Fund produced a video in 2004 called, “Against the Tide: Halting the Erosion of Year-Round Island Communities.” The video documents with first hand accounts the lack of affordable housing and other issues which threaten year round island communities. The Genesis Fund was recently awarded \$220,000 from Jane’s Trust (and Genesis has pledged to raise \$200,000 more) to support affordable housing initiatives on Maine Islands. With these funds, the Genesis Fund recently launched the Islands Challenge Fund providing grants and matching funds from \$5,000 - \$25,000 to support housing and community facility projects on these Islands. In addition, the Genesis Fund can provide technical assistance in planning the project. The Genesis Fund can work with an island to also apply for technical assistance funds from the Maine Housing Technical Assistance Consortium. The technical assistance consortium funds consulting assistance, sometimes through the Genesis Fund, in a typical amount of about \$2,500 per project.

**b. Land/property donations from individuals.** The Rockefeller family donated land for the Frenchboro affordable housing. Going forward, the Town of Frenchboro will probably accept a donation of land from the Maine Coast Heritage Trust. Recently, Islesboro Affordable Properties has had land donated to it by private individuals. The Cranberry Realty Trust accepted a private donation of land and just sold it. The money from this sale will be seed money for a new housing initiative. On Vinalhaven and Chebeague Island, homes were donated and then renovated to create assisted living for island elders. If Chebeague has an existing non-profit able to receive donations for the good of the community, a land donation, even if it is not land suitable for affordable housing is an excellent way to begin the pre-construction process. There may also be potential for donations of existing homes to a community based organization to hold, develop, or re-sell with covenants for affordable housing.

**c. Financial contributions from individuals.** Since the percent of seasonal units on Maine’s islands varies between 49% on Vinalhaven to 80% on Big Cranberry, it is reasonable to surmise that most of these seasonal units are second homes for wealthy households. The property owners of seasonal units are likely to be supportive of efforts to keep year round islands alive. Many island projects have raised almost all the necessary funds for their affordable housing initiatives through capital gifts from this group. Year round residents are very concerned about the rising real estate prices and the dwindling school populations. So, when an opportunity is presented to construct affordable housing for working people or for elderly island residents,

these projects are also able to raise funds from a high percentage of year round residents. Examples of projects where private donations were major: assisted living on Vinalhaven and Chebeague and Islesboro, and Monhegan's condos.

**d. Foundations and corporations.** Foundations such as the Maine Association of Realtors Foundation, the Maine Community Foundation, the Stephen King Foundation, the Agnes Lindsay Trust Foundation, the Libra Foundation, and the Carlisle Foundation are just some of the foundations which have supported the development of small affordable housing developments in Maine. Small projects serving a small population base may have difficulty securing private foundation funding. One of the housing developments on a Maine island applied for twenty private grants but received no grant funds at all. On the other hand, many private foundations may be interested in providing financial support to preserve waterfronts, maintain year round islands, address the speculative real estate market and support a unique cause.

While none of the housing initiatives on Maine Islands were a result of a corporate benefactor, elsewhere in the state, there have been employers such as MBNA who built housing for its workforce. On a smaller scale, Miles Hospital in Damariscotta worked with the Genesis Fund to develop workforce housing so that lower income employees of the hospital and other health care workers could have affordable rental housing close to the hospital. Without employers of this size on Maine's islands this sort of corporate partnership seems unlikely.

**e. Banks.** Regional Banks such as Camden National Bank, the Bangor Savings Bank and the former People's Heritage Bank have helped non-profit corporations gain the financing they need to move island projects forward. A rental project must be able to afford the interest payments through its operating revenue. In the case of the sale of homes, the bank can provide construction financing along with Maine State Housing. Banks have a legal obligation, known as the Community Reinvestment Act, to promote the development of affordable housing. Executives of small regional banks are often eager to serve on boards or to offer technical assistance to non-profits who are attempting to put together the finances necessary to construct affordable housing. TD BankNorth, Bank of America, Gardiner Savings Bank, Bangor Savings Bank and other banks award grants in the \$2,500 - \$20,000 range, along with offering below market loans and other financial products.

**f. Federal Home Loan Bank of Boston (FHLBB) Affordable Housing Program Grant.** This program assisted in the funding of Islesboro Affordable Properties for the construction of an 8 unit subdivision. Federal Home Loan Bank of Boston accepts applications two times a year from member bank institutions who apply on behalf of local housing organizations to create affordable housing that serves very low- to moderate-income households in their communities. This is a very competitive program. In general, AHP for ownership programs must benefit households earning under 80% of AMFI; use for rental developments is limited to projects having at least 20% occupancy by households at or below 50% of AMFI. In 2004, five of the twenty-eight projects in New England which received AHP funding were in Maine. Two of these five were for 8 units or less, while the remaining three were for 28 units or more. The Federal Home Loan Bank loan (or advance) is often accompanied by an AHP grant.

Other funding sources from FHLBB include the New England Fund, which supports ownership and rental opportunities for households up to 140% of AMFI, and an Equity Builder Fund that helps low to moderate income households with down payment, closing costs, rehabilitation expenses, and counseling.