

Minutes of the CICA Annual Meeting, Tuesday October 18, 2011 at 7:15 at the Parish House

Present: Donna Damon, Bob Earnest, Deb Hall, Beth Howe, Ruth Slagle, Erin Whetham, David Whiston.

Absent: John Wilson

1. Election of Board members

Deb moved, seconded by David to nominate Erin Whetham to be a member of the Board.

Approved unanimously. Deb moved, seconded by David that the officers remain the same as they have been. Approved unanimously.

2. Financial Report.

John was not at the meeting. Bob said that CICA is in the black for its operating funds. It is currently in the red in the expenses for School House Road, but John has submitted a number of bills to MSHA for reimbursement from the pre-development loan.

3. School House Road Duplex

Bob has developed the final budget for submission to MSHA for approval. The construction will cost \$402,000 and when the soft costs, operating reserve, rent up and other expenses are added the total cost will be \$430,000.

Donna asked whether the rent-up money is likely to really be spent. Bob said that it is in the same category as the construction contingency, which has been raised to \$15,000, but may well not be spent. MSHA will provide what was expected to be a \$350,000 grant, now increased to \$355,000. Bob anticipated that there will be 6 weeks between MSHA's approval of the project and the actual closing. Genesis will give us a \$5,000 bridge loan to cover expenses that we will have to incur in order to beat the frost, probably before the formal closing with MSHA.

Genesis will also provide us with a 20 year amortized/30 year mortgage for the project to make up the difference (about \$75,000 to \$80,000) between the total cost and the MSHA grant. The interest rate will be 6.5 percent. The monthly payment will take up about half the rent of one of the units. Genesis will charge a 1 percent origination fee on the bridge loan and mortgage.

Deb asked what MSHA is requiring us to do on the building that Keiser would not usually do. Bob said the green standards are higher, and MSHA encouraged us to have basements rather than a crawl space.

Deb also asked whether Bob has really hired people to do the things that need to be done before the building can be set. Bob said that he has bids on all the work for the project. Wayne has been hired to do the site work and the foundation excavation. Probably two additional island contractors will be hired for other parts of the job.

Donna said she is worried about the process of hiring these people. This is a public project. It must be transparent how the bids are handled. Bob said that MSHA sees all the prices and is involved in making the decisions. MSHA has been willing for us to hire island contractors, even if their bids were not the lowest, if there is a good reason for the choice.

Deb asked why any off-island contractors are being hired for parts of the job, given that island contractors should have lower prices since they do not have to include transportation and parking. Bob said that sometimes island contractors submitted the low bid, but not always. This is normal for island construction.

Bob went over the schedule for the work. The planning phase is ending now. Then site work and excavation which is to be done by November 3. The well trench finish date is November 7; the septic system is November 11 and the concrete foundation should be completed on November 21. This leaves some room for delays. The building will arrive December 12. The delivery is shaped by the tides. The crane will come out for 24 hours, longer than would be usual on the mainland. The building will be set and waterproofed. Then comes the finish carpentry where the sections come together, and the electrical, plumbing and heating work. He has designated the cleanup – which will not be as much as a stick-built house, as well as the painting – to be done by CICA volunteers. These tasks are scheduled for December and January. Rental will occur in February. Next spring volunteers will also do the seeding and landscaping.

Donna asked why, if banks are lending money for 3.5 percent, we need to pay 6.5 percent. Bob said that 3.5 percent is for individual home loans. This is a commercial project, not a residential loan.

Colors and finishes: Bob handed out a list of all the color and finish issues and said that his staff are making suggestions and the Board can accept or change them. He showed the various colors and finishes on his computer or in actual samples. They recommend the exterior of the building be covered with vinyl siding. Even though its production is very bad from an environmental/health standpoint, it is important for CICA to have a building that will not require constant exterior maintenance like painting. The recommended color is spruce green, with white window frames. The roof would have grey architectural shingles. The doors are recommended to be mustard yellow and deep red. There are recommended outdoor lights for the front and back doors. All doors in the units will be solid core because that is more soundproof. These suggestions were all acceptable to the Board.

Donna asked about access to the basements. Beth said it will be from the kitchen. Donna said she thinks the basements should have bulkhead doors. How else can the residents get in for things like lawnmowers? Bob said there will be sheds for those things. He did cost out having bulkheads but they are quite expensive because of the regrading that would be required to install them. Deb and Ruth both said that many houses don't have bulkheads, but just access through the house. Bob said he could look at bulkheads again. Donna said not to bother.

There is also a recommendation to have no shutters or grills on the windows. Several people said they thought that would look too plain and institutional. Several others said they thought fake shutters look fake. Beth suggested having traditional 6 over 6 grills in the windows. The group voted on (1) shutters, (2) shutters and grills and (3) grills only. The latter was accepted 5-3.

For the floors, the least expensive option is carpeting. Wood or simulated wood flooring is more expensive. The recommendation is to have carpeting in the living room, and to have sheet goods in the entry, the dining room and the kitchen. The sheet goods has a grayish pebbly finish. Donna said that a lot of people on the island have allergies and asthma, which could be a problem with carpeting. David said that carpeting has to be replaced often, perhaps as often as every two years and definitely every five, so more expense now would save money in the long run. Beth asked

whether it would be possible to have non-pile carpeting. Bob said this is expensive. It was agreed to have carpeting now and to see how it wears and whether we would have money to replace it with something else later.

The countertops in the kitchen would be similar to the floor color. The cabinets are dark wood. The bathroom will have a white counter-top. Beth suggested that in a small room adding another color may not work, and maybe the grey-toned counter top would be ok. Others agreed

4. 226 South Road

Bob laid out the issue: should we keep 226 as a rental property after next summer or sell it as (a) an affordable house or (b) or sell it for as much as we can get for it? Our loan from Genesis will be extended for 18 months after August 2011 (that is to February 2013 [I think]) at 5.75 percent interest. The interest rate up until this time has been 3 percent. Both are subsidized by Genesis. If we plan to keep the house after that time, we will need to get a regular commercial mortgage which is likely to have a 6.5 percent interest rate. However, if we think we want to sell the house, we need to decide before the application period closes for School House Road so that the current tenant can apply for that housing.

It would be possible to continue to hold 226 as a rental property with a subsidy out of the rents from School House Road. However, we will now have a mortgage on that property also which will use half the income from one of the units.

However, through Bob, suggested, and Bob agreed, that we should sell the house. We still owe about \$182,000 on the mortgage with Genesis. John and Bob suggest selling the house as an affordable house, which would be in line with our commitment to providing affordable housing. May might be given a "right of first refusal" as the existing tenant. She might be able to get a first-time homebuyer loan from MSHA. And some creative work might be done on a downpayment [MSHA does have a program that gives \$2,000 grants toward downpayments.] We should have this discussion with May soon. In any case, Bob urged the group to decide at this meeting to sell the house.

David said that if we have an on-going interest in keeping the house affordable it would be useful to put some kind of deed restriction on it to control the resale price. Donna said this can easily be done with a silent second mortgage. This is what Cumberland did at Small's Brook. The Town held these second mortgages. But the mortgages were not large enough and it was worth it for people to sell their houses at the market price and pay off the silent second.

Bob suggested that the restriction be that the increase in value realized at the sale of the house could not be more than the average increase in median income in Cumberland County. We use Cumberland County for setting our income eligibility limits. Deb said that if the buyer got a first-time homebuyer loan from the State that program has some kind of restriction in the profit that can be realized on sale. Donna said we can find out what has worked on other islands. Beth said she had been to a meeting put on by Genesis, done by a lawyer Maurice Selinger, about these kinds of restrictions. He had talked about what works and what does not.

Bob said he thought that now, offering the house at \$182,000 might be a bargain. But it might not be worth that much in the open market, given what has happened to house prices. But if we sell it

for less than \$182,000 to make it more affordable, we have to find additional money to pay off the full mortgage.

Deb suggested that maybe it would make sense to sell it for what we can get for it -- \$182,000 or more if someone is willing to pay that. Bob said he thought we should not try to get more than we owe Genesis. Beth said she thinks that as an affordable housing group, we have an obligation not just to make what we can out of it but to keep it as an affordable house and not remove it from+-our small affordable housing supply.

Bob said one of the problems we have is that we don't really know what the values of houses are now, or what would be considered "affordable" now – whether that is \$180,000 or \$160,000. Deb suggested getting an appraisal. Bob said he thought real estate appraisals were pretty worthless. Deb said she had meant to ask a realtor to put a price on it, to offer it for sale.

Beth said that she is uneasy about making the decision about a sale tonight. We need to have more specific information from John about the costs of running 226. And she does not have enough information to have a helpful discussion with May about her options. Also she would prefer to talk with May before the decision is made. Bob said he will ask John for a detailed analysis of the costs of 226. Everyone agreed that we also need more information about the MSHA First-Time Homebuyer program. And we need to do more research on deed restrictions or other mechanisms to preserve affordability.

Bob said he just wants to make sure that the application deadline for School House Road does not come before May has a chance to decide whether she wants to apply for one of those units. He suggested that the application process be open through November 4. Then the applications can be reviewed during December, with notification by Christmas. The move-in time would be in February. This schedule would give people time to plan and give notice.

Bob said that we have to answer the questions raised this evening by the next meeting on November 17. He asked for volunteers for a committee to do this work. Beth, Deb and David volunteered.

5. Lone Goat Farm

Erin said she was hoping to do more fundraising over the winter. Having an intern to help her was critical and she hopes that the Island Institute may fund that for another year. She is looking to create a CSA in the future, but she does not want to expand this part of her operation too fast, since she also has the landscaping business.

Respectfully submitted,

Beth Howe