

Town of Provincetown Housing Strategies

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Prepared for:

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About Camoin 310

Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Amazon, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 40 states and garnered attention from national media outlets including Marketplace (NPR), Forbes magazine, The New York Times and The Wall Street Journal. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. Camoin Associates merged with 310 Ltd. in early 2019 to become Camoin 310. Our clients now have a single source solution for gathering business information, attracting and retaining investment and jobs, and developing strategic initiatives. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](#).

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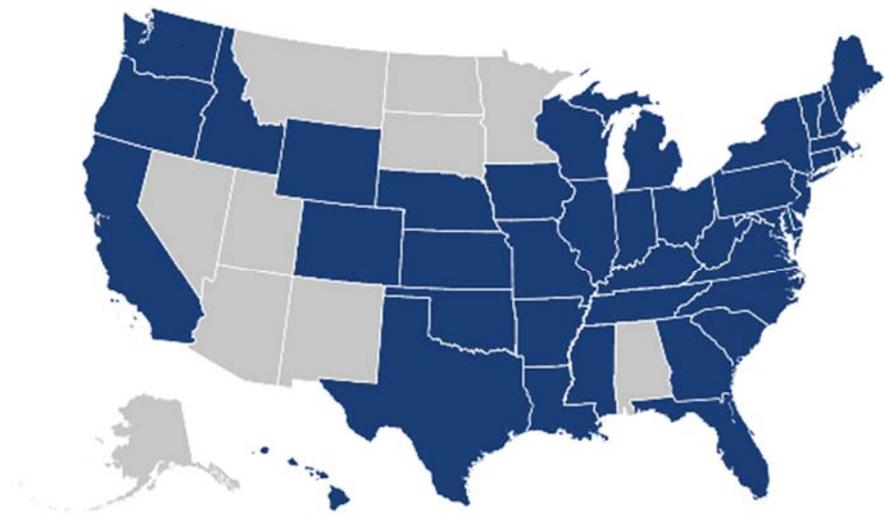


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Introduction

Provincetown faces an affordable housing crisis recognized by town residents and leaders, and is being addressed through numerous studies, initiatives, community and government groups, and advocates. Many in and around the area are working to create more attainable housing opportunities for both year-round residents and seasonal workers. While funding and community support for this pressing issue have existed over the last 20 years, there remains work to be done. In conjunction with an economic development strategic plan, Camoin Associates was commissioned to provide supplemental housing strategies.

Framing the Problem

Why Address Affordable Housing?

Affordable housing is important to the economic vitality of communities. Affordable homes support the local workforce so they can live close to their jobs. Shorter commutes allow workers to spend more time with their families while the community benefits from reduction in traffic congestion, air pollution, and expenditures on roads. In revitalizing communities, the construction of affordable homes can also help to stimulate economic growth. A healthy mix of housing options, including market-rate and affordable, for-sale and rental, single-family and multi-family, targeted to households across the age spectrum, ensures opportunities for all individuals to improve their economic situation and contribute to their communities.

Offering more affordable housing options in Provincetown would have numerous benefits; one of the most important benefits of affordable year-round housing is that it supports the vitality of the town's neighborhoods and business districts. Moreover, a housing stock that employees can afford supports businesses by making it easier to access and retain workers. It also benefits the community's seniors, allowing them to continue to live in the area as they age. Allowing people to live close to where they work supports community culture and volunteerism and encourages people to become invested in the community. It also ensures that a steady flow of younger residents will put down roots and enroll students in its schools, join volunteer organizations, and support community groups.

The Short-Term Rental Impact

A rise in short-term vacation rentals continues to constrict the supply of year-round rental housing, putting upward pressure on housing costs. Oftentimes a homeowner can obtain a higher profit from short-term vacation rentals than from renting to a local resident. This creates an incentive to rent to vacationers over year-round residents, thereby limiting the supply of year-round rental options. While Airbnb listings account for a small number of Provincetown's housing stock, sustained growth in Airbnb and other short-term vacation rentals are increasingly impacting housing affordability.

Short-term vacation rentals, such as those listed through platforms like Airbnb and VRBO, impact the local housing market in that they make it easy for homeowners to rent their homes to vacationers, who are typically willing to pay higher rents than local residents. A housing unit that once housed a year-round local resident may be converted to a seasonal short-term rental, removing that unit from the rental housing stock and thus constricting the supply of rental housing and putting upward pressure on housing costs. Short-term rental listings for an entire housing unit have the greatest impact on housing affordability, but even listings for a room within an owner-occupied home affects the housing supply. A homeowner that may have otherwise been inclined to rent out a room to a local resident can command a higher price from visitors. At the same time, short-term rentals provide an opportunity for locals to supplement their incomes by renting out their homes during peak season while they live elsewhere.

Oftentimes a homeowner can obtain a higher profit from short-term vacation rentals than from renting to a local resident. For example, at a rate of \$1,200 per month for a 2-bedroom apartment, a landlord would earn \$14,400 annually in income from renting out an apartment year-round. Alternatively, the landlord could list the unit as a

vacation rental and charge \$225 per night during peak season. After just over 9 weeks (64 nights), the rental income generated would surpass the annual income from the year-round rental. This creates an incentive to rent to vacationers over year-round residents, thereby limiting the supply of year-round rental options.

In direct response to this issue, Massachusetts passed a short-term occupancy tax in late 2018 that will bring a new revenue stream to Provincetown. From the Town of Provincetown website:

The tax applies to all rental occupancies that commence on or after July 1, 2019 and for which contracts with occupants were entered into on or after January 1, 2019. The total tax is 14.45% (which includes 5.7% state tax, 6.0% local tax, and 2.75% Cape Cod and Islands Water Pollution Fund Tax) of the total amount of the rent.

Discussion of the specific uses of this new fund is ongoing, but given the severity of the housing problem a portion of this revenue should be funneled to the Town's existing affordable housing efforts and identify specific programmatic ways it can distribute the funds for maximum impact. Camoin Associates has reviewed the existing work of the Town, sought out case studies, and detailed how the Town of Provincetown can make progress towards their affordable housing goals. This strategic document intends to amplify the efforts of the Town and supporting organizations and align uses for this new budget line item. Opportunities and recommendations will focus primarily on year-round housing access, although seasonal worker housing is also constrained and will be considered.

Priorities for Success

To frame our recommendations, we provide four priority actions. These include:

- 1) **Organize for action & identify roles and responsibilities;**
- 2) **Understand the market;**
- 3) **Evaluate & modify regulations; and**
- 4) **Create sustainable finance mechanisms.**

With these four priority areas, we will provide case studies from other communities and detail specific action items. Further, we will touch on existing Town efforts through the Playbook, existing groups, etc.

Within each section there are specific actions for implementation, priority actions for the coming year include:

- ➔ Continue with aggressive community engagement efforts including for housing development at the VFW site & 26 Shank Painter, the current police station.
- ➔ Update the Housing Playbook to provide an accurate reflection of the housing priorities that have been implemented.
- ➔ Continue and expand on collaboration between existing housing and other groups both in town and the region.

Priority 1: Organize for Action

The Town of Provincetown and surrounding region is home to many organizations with programs to address the area's lack of affordable housing. However, when organizations do not strategize around goals and identify roles and responsibilities, efforts can often be duplicated and resources wasted. In order to most effectively use scarce funds and existing capacity, it is vital all organizations identify how they fit into the larger goal of increasing the affordable housing stock.

Priority 1A: Roles and Responsibilities of the Town

To increase available housing, the Town must take the lead. They have hired dedicated staff, created programs, and written and commissioned reports to address this pressing issue. Below is a list of current programs run through the Town or Town-sanctioned organizations:

- Accessory Dwelling Units: allows homeowners to provide an additional dwelling unit on their property for the purpose of providing year-round housing.
- Affordable Housing Residential Tax Exemption: Provides property tax exemption for owners of affordable year-round rental housing.
- Deed Restricted Housing Development and Rehabilitation: Places restrictions on deeds that preserve it as a more affordable unit.
- Down Payment & Closing Cost Program: Through the Community Preservation Fund, allows eligible buyers up to \$10,000 towards down payment and closing costs for an affordable unit.
- Inclusionary Zoning: In developments of six or more units, one unit must be designated affordable, the developer must pay into a housing fund, or make a land donation. For developments of two to five units, it requires a payment-in-lieu based on the “affordability gap” determined.
- Self-Sufficiency Housing Voucher Program: Also provided through the Community Preservation Fund, this provides rent relief and education to year-round residents, which aims to have these residents be self-sufficient within a three-year period.
- VFW Site Development: To be developed into community housing in the near future.
- Year-Round Rental Housing Trust: Develop and manage affordable and community housing.

Given these tasks and the potential new income stream, the Town needs to prioritize the effectiveness of each program above, and how they might expand or change these services. Might there be programs that could consolidate efforts? Are there programs that could benefit from additional outreach? Examining these and other organizational questions can help streamline programs and create program efficiencies.

Recommendations:

- ➔ PRIORITY ACTION: Continue with aggressive community engagement efforts including for housing development at the VFW site & 26 Shank Painter, the current police station.
- ➔ PRIORITY ACTION: Update the Housing Playbook to provide an accurate reflection of the housing priorities that have been implemented.
- ➔ Consider adopting model language provided by Future Cape Cod Coalition to reserve 50% of new revenue from the short-term rental tax for housing, wastewater, transportation, broadband, and tourism marketing.¹ (As Provincetown’s housing issue is so pressing, and as it has a new wastewater facility, consider reserving more for affordable housing efforts.)
- ➔ With expected revenue from the Massachusetts marijuana tax, consider appropriating these funds to the above programs.



Idea: Start a Covenant Program Nantucket, MA

A covenant program allows property owners to have two dwellings of separate ownership on the same lot, as seen on Nantucket Island. The primary dwelling is a market rate unit, while the secondary unit (the Covenant unit) abides by income, occupancy, and re-selling restrictions. While the local municipality’s housing authority signs the covenants, the affordable housing nonprofit, Housing Nantucket, can issue fines under circumstances of noncompliance. They, in addition, administer the program.¹

Priority 1B: Roles and Responsibilities of the Housing Trust

In November 2016 the Town won legislative approval to create the Provincetown Year-Round Market Rate Rental Housing Trust (also known as the Year-Round Rental Trust, or “YRRT”). The Trust will increase the availability of year-round market rate rentals by leasing or buying properties exclusively for year-round rentals. Units will be target to

¹ <https://provincetown.wickedlocal.com/news/20190306/cape-towns-asked-to-target-uses-of-new-rental-tax-revenue>

those earning between 80 and 200 percent of AMI (annual median income). While the program charges rent, additional funds are needed to be fully self-supporting.² One potential use of new short-term rental tax funds is to provide additional funding for the YRRT to expand their purchasing capabilities. However, this will need to come after the development and rental of the Harbor Hill property, as this project is currently requiring significant Trustee and staff resources.

Closely after inception, YRRT acquired the Harbor Hill property, and has managed renovations, established property management, and started the renting process for its 28 units with full occupancy expected fall of 2019.³ With the expectation of additional revenue and the completion of this project, YRRT can then look to a more expansive role in the community.

Housing Trusts Today

Housing trusts are leaders in creating innovative ways to increase the amount of affordable housing in their community. They manage apartments, create shared equity programs⁴, offer homebuyer education and financial counseling, offer loans for rehab and energy efficiency, provide home buying programs that keep housing affordable in perpetuity⁵, and more. By offering a suite of programs, housing trusts are able to spread risk, have profitable programs support those that need additional funding, and ultimately reach a higher number of those in need.

The town of Provincetown currently has two housing trusts, the Affordable Housing Trust Fund under the Community Housing Council, and the Year Round Market Rate Rental Trust (YRRT). The former is a more traditional trust working on many of the efforts listed above; and the latter has a much narrower focus and targets year-round market rate rentals.

Housing trusts across the county are working on innovative ways to increase the amount of affordable housing in their community. Several examples follow:

Build local support through a Workforce Housing Partnership (Martha's Vineyard, MA). The Island Housing Trust serving Martha's Vineyard created the Workforce Housing Partnership which solicits local businesses to support affordable housing through in-kind and financial support. Supporters know that by providing affordable housing options, it means more potential availability of future employees, and a reduced commute for current employees. Specifically, the Partnership created an advertising campaign to raise awareness of the affordable housing issue. Also called Employer Assisted Housing (EAH).⁶ While there is the ability for businesses to donate to the two housing trusts, additional outreach could be conducted to make this program more well-known and clarify the connection between business and housing issues.

Use a land-trust model to encourage home ownership (Wilmington, NC). Here a housing trust would purchase the underlying land, leaving the buyer responsible for purchasing the building structures and improvements made. This significantly reduces the cost to the homeowner. As the land holder, the trust would have the right to purchase any structures built on the property. These typically involve a 99-year lease on the underlying land. The housing trusts currently cannot do this so legislative language would need to be modified to accommodate.⁷ However, the Town has taken this approach in the past, and will most likely do so with the VFW lot to be developed in the near future, albeit for rental property.

² <https://www.capecodtimes.com/news/20170111/provincetown-launches-innovative-housing-solution>

³ <http://www.provincetown-ma.gov/ArchiveCenter/ViewFile/Item/21664>

⁴ <http://www.getahome.org/homes>

⁵ http://www.adkhousing.org/how_acht_works.asp

⁶ <http://www.ihtmv.org/donate/workforce-housing-partnership/> and <https://www.fels.upenn.edu/recap/posts/1570>

⁷ <https://www.darenc.com/home/showdocument?id=1237> and <https://www.foreverplaces.org/what-we-do/>

Recommendations:

- With current limited capacity, engage with the Housing Authority and other housing organizations engaged with increasing the year-round housing stock for various levels of income. Collaborate on projects to pool resources.
- Once the Harbor Hill project stabilizes, devote time to investigating additional properties or methods for increasing the year-round housing stock. Consider conducting a strategic planning session to identify priority projects and next steps.
- Communicate with the Massachusetts Housing Partnership for assistance on how other housing trusts are navigating the new short-term rental tax. To date, the Massachusetts Housing Partnership is not aware of any communities that have voted on a short-term rental tax and directed income to a housing trust fund.

Priority 1C: Roles and Responsibilities of Other Housing Organizations

In addition to the two housing trusts, the following organizations touch on affordable housing and those most impacted by the lack of accessible and stable housing options in Provincetown and the surrounding area:

- 1) **Community Housing Council** oversees Provincetown Housing Office and manages the Affordable Housing Trust Fund.
- 2) **Community Housing Resource, Inc.** is a private company formed in 1996 whose mission is to provide affordable housing opportunities for year-round residents. They develop and manage both rental and ownership properties throughout Provincetown and maintain a notification list for their properties.
- 3) **CPA (Community Preservation Act)** overall has approximately \$600,000 in new funds each year with about \$360,000 for traditional affordable housing, after paying debt service.
- 4) **Housing Assistance Corporation** offers rental subsidies; housing consumer education, training and assistance; emergency and ongoing shelter for individuals and families; homelessness prevention; weatherization and energy rehab; and affordable housing development. This is some distance from Provincetown but is listed on the Town's website of assistance providers.
- 5) **Homeless Prevention Council** works to prevent homelessness before it happens in the eight towns of the Lower and Outer Cape (Chatham, Harwich, Brewster, Orleans, Eastham, Wellfleet, Truro, and Provincetown). They provide professional case management, which includes counseling, advocacy and referral services to appropriate resources.
- 6) **Lower Cape Community Development Partnership** is a community based non-profit organization created in 1992 by community leaders and activists who believed the eight towns of the Lower Cape needed an organization focused on affordable housing and economic development issues unique to the area.
- 7) **Provincetown Housing Authority's** primary mission is to develop and manage decent, safe, affordable rental housing for low income households, in accordance with the needs of the Town. They manage low-income and public housing programs.

The number of housing organizations within the Provincetown area give rise to potential burnout and capacity issues among the volunteers and staff who make these organizations run. In addition, there is a need to stay abreast of housing programs regionally and state-wide. We suggest representatives from these organizations attend regional meetings to both 1) understand housing efforts other regional communities, and 2) network with more local organization to potentially assist with projects.

Recommendations:

- **PRIORITY ACTION:** Continue and expand on collaboration between existing housing and other groups both in town and the region.

- ➔ Capacity is a real issue among these organizations, with many of the same people staffing volunteer positions. Find ways to increase the number of volunteers or otherwise reduce the administrative overhead of these programs.
- ➔ Attend programming established by the Cape Housing Institute and others to get the latest information and case studies from peer communities around housing issues.
- ➔ Attend Barnstable County HOME Consortium quarterly meetings to focus priorities, share resources, and discuss critical issues.

Priority 1D: Attempt Collaboration with Nearby Towns

Continue discussions with neighboring communities who have well below the required 10% Subsidized Housing Inventory (see text box) and get clear on what type of housing is most needed. Aim for consensus on:

- Dormitories for seasonal workers;
- Community housing for year-round residents; and
- Affordable housing for low-moderate income.

The State of Massachusetts requires 10% Subsidized Housing Inventory (SHI). While Provincetown is very close to the 10%, surrounding communities have a very low SHI:

- Outer Cape- 4.4%
- Eastham- 2.1%
- Truro- 2.6%
- Wellfleet- 1.9%

Collaboration on how to increase the affordable housing stock in these nearby towns will indirectly help Provincetown. Cape Cod Commission has facilitated these discussions in the past.

Recommendations

- ➔ Begin discussions to work collectively on these issues, engaging the Barnstable County HOME Consortium and Cape Housing Institute. Use the regional scale to fund unique projects or ideas through the issuance of RFPs for different groups or developers to establish specific housing programs or pilot projects and award funds to those that will have the greatest impact on the region and has the greatest potential to scale.
- ➔ While discussions with Truro and the National Park Services about redevelopment of the Truro Highlands

Redevelopment in Laconia, NH

Camoin worked with the State of New Hampshire to identify private redevelopment opportunities of a 250-acre parcel in Laconia, NH that was the site of a former state school and prison. The process to do this included establishing the Lakeshore Facility Redevelopment Commission, hiring consultants to identify market potential and environmental constraints, conducting a community planning process, and identifying recommended reuse scenarios. The idea of this process is to create community consensus and clear the way for the issuance of an attractive and financially viable developer RFP.

have fallen flat, continue to consider this as a potential redevelopment option. Recognize the potential environmental and infrastructure constraints but also the opportunities that may exist on the property to create a hub of housing and services. When feasible, conduct a market analysis, community planning process, and financial analysis to identify highest and best use (including community benefit as an indicator and not just financial return).

Priority 2: Understand the Market

Clearly understanding the market will create affordable housing strategies that meet the needs of the target populations in question. For Provincetown, the main housing struggle comes with two market segments 1) year-round residents and, 2) seasonal workers. However, Provincetown's year-round residents have twice voted against

condo conversion bylaws (in 2015 and 2016) and may do so with other legislative-based strategies.⁸ The below strategies outline ways Provincetown can increase the number of units given these market segments.

Priority 2A: Attack the Market Segments

Recommendations

- ➔ Year-Round Residents & Workers:
 - 54.8% of housing is used as seasonal housing – continue to provide tax relief for year-round residents and make it financially attractive to stay in Provincetown.
- ➔ Seniors: The high proportion of older people living in the Provincetown will eventually mean a high demand for low maintenance residences. Catering to the needs and preferences of an older population is imperative for the success of Provincetown’s economy.
 - Expand a senior volunteer tax relief program similar to other communities in Massachusetts.⁹
 - Look to the Housing Authority to expand their role with the senior population.
- ➔ Seasonal Workers: with a largely seasonal and tourist-based economy, Provincetown relies heavily on temporary workers during the warmer months. However, with so much of the housing stock tied up in short term rentals for tourists, and because home owners can capture a high short-term rate from these rentals, there is little incentive to create housing for seasonal workers.
 - If you are a current business, and provide some level of housing for your staff, you should get a tax credit beyond what already exists. Ensure all codes and standards are followed and provide incentives and assistance for business owners who are working to house their staff and maintain safe units.¹⁰
 - The passing of Article 36 in the April 1, 2019 town meeting warrant removes the 6-month restriction on Recreational Vehicles (RVs) staying at campgrounds. This will give campers the option to stay at the town’s two campgrounds year-round.¹¹ Make sure outreach regarding this is targeted to seasonal workers.

Priority 2B: Educational Focus

An additional market segment to consider is the year-round residents, whom have twice voted against condo conversion bylaws in 2015 and 2016. Condominiums comprise 55% of all housing, with 71.2% owned by non-residents. The Town must be wary of NIMBY (Not In My Backyard) issues. The Dartmouth report indicates larger-scaled multi-unit structures were not favored among the voting constituency in Provincetown. Unfortunately, this is contrary to what is needed. Residents want to maintain the character of the town and place high value on aesthetics of new developments, but density will be required to ensure an adequate supply of affordable and community housing is available.

Recommendations

- ➔ Establish or designate an organization to take on the role of advocacy about the challenges of housing and how lack of housing options is having a direct impact on economic activity and quality of life for all residents and visitors.

⁸ This not only has been voted against but has created a perception of future restrictions, causing an increase in condo conversions. Condominiums now comprise 55% of all housing, with 71.2% owned by non-residents.

⁹ One example is the Town of Milford. Seniors over 60 years of age can receive up to a \$1,000 property tax abatement. More information can be found here: https://www.milfordma.gov/sites/milfordma/files/uploads/town_of_milford_senior_volunteer_tax_relief_program.pdf

¹⁰ While research conducted did not yield specific programs to emulate, there are variations on this theme. For instance, the State of Florida has a Community Contribution Tax Credit Program which provides up to a 50% tax credit or sales tax refund to encourage businesses to make donations towards housing and community development projects. http://www.floridajobs.org/docs/default-source/business-growth-and-partnerships/community-contribution-tax-credit-program/cctcp_programoverview.pdf?sfvrsn=2

¹¹ <https://provincetown.wickedlocal.com/news/20190314/bylaw-change-aims-to-expand-tiny-home-use>

Priority 3: Evaluate and Modify Regulations

With an understanding of the market needs, regulations can be changed to increase impact.

Priority 3A: New Housing Units

The Dartmouth report stated 232 new housing units can be expected to be built between 2018-2025. Some, if not most of these will need to be affordable. However, with just 66 vacant lots left to develop, there will need to be emphasis on higher density. In addition, 324 properties exist (788 units) that are multi-unit and have not been converted to condominiums. It is important these properties stay in year-round rentals, versus being converted to condominiums, sold to out-of-town residents, and rented on a short-term basis. Continue to utilize zoning and land use regulations to encourage affordable housing development, such as subsidized development of priority unit types and inclusionary zoning bylaws.

Priority 3B: Higher Density and Accessory Units

Provincetown's existing housing program includes an Accessory Dwelling Unit (ADU) permitting process. ADUs are additional units build on a lot with an existing structure (typically a single-family home). In Provincetown, ADUs are limited to 600 square feet, are allowed in all residential and commercial zoning districts, and can be constructed as a new structure, or as part of an existing structure (basement or attic). Provincetown's current program does not require ADUs be affordable but does require they be used for year-round rentals.¹²

Priority 3C: Incentives for Additional Units

Anecdotally, Camoin 310 learned of a business owner creating housing for his seasonal workforce. This process should be encouraged through outreach of the Affordable Housing Residential Tax Exemption, which provides property tax exemption for owners of affordable year-round rental housing. Incentives can also be used for those single-family homeowners renting rooms to seasonal workers or year-round employees, or those choosing to add additional affordable units to their existing structure (through an ADU). Additional research will be required to understand how to make this work within current legislation.

Priority 3D: Investigate Performance or Form-Based Zoning

Aligning developments with (some) potentially outdated and unnecessary zoning codes may create a longer process on the path to creating more accessible housing for year-round residents. While sewer and water capacity are a real issue and limit the amount of infill potential, an alternative zoning method could be considered to allow for easier development of year-round housing units. Performance based zoning is less concerned with the use that goes on inside buildings and more concerned with their appearance and the way buildings relate to each other in the context of a neighborhood. Town officials would create goals for a parcel or area, and developers would be required to meet those goals without structured regulation. It does not tell you how to achieve it, just that it needs to be achieved.

Form-based zoning is similar in that it addresses not only development but the relationship between public and private spaces such as the interaction between streets, blocks, and buildings in terms of form, scale and massing, and the use of frontage areas. There is a current house bill in Massachusetts being developed that "...will be aimed at creating more housing choices for families, encouraging cities and towns to update zoning more often, establishing more predictable permitting, reducing time and money spent on legal battles, and improving local

¹² <http://www.provincetown-ma.gov/DocumentCenter/View/10280>

coordination around development.”¹³ The progression of this bill should be watched to see how it may impact zoning in Provincetown.

Priority 4: Create Sustainable Financing

After developing an understanding of who does what and what the best market strategies are, the next step is to finance such approaches and strategies.

Priority 4A: Raise and Spend Money Sustainably

Focus on ways to raise money continuously versus episodically. Options include:

- ➔ The Town estimates that as much as \$1 million in additional revenue will be generated from the short-term rental tax. Funnel these funds into current programs that fund housing assistance.
- ➔ Consider raising property taxes on second and/or out-of-area home or condo owners.
- ➔ Increase permitting fees for market rate housing, in combination with the current policy to waive fees for affordable housing.
- ➔ With an estimated revenue of \$120-250k annually¹⁴, consider diverting revenue from the marijuana tax to go towards housing efforts.

Priority 4B: DIF and TIF Programs

DIF (District Improvement Financing¹⁵) enables the capture of tax revenues generated by new private investment in a designated geographic area into a fund for identified public and economic development projects. While in theory this can be used to support affordable housing development, in practice that has not happened in the State of Massachusetts. Since DIF depends on an *increase* in available tax revenues to fund projects, and many affordable housing support programs rely on the provision of tax *reductions*, DIF can be overlooked as a tool. In contrast, TIF (Tax Increment Financing) can be used to reduce tax payments in a district and explained further in the box below.¹⁶

DIF and TIF may be used on the same parcels – although they do not need to be - and each can contribute to housing goals, but they must be separately authorized. DIF is enacted through local legislation, while TIF requires state-level approval.

¹³ https://www.newburyportnews.com/news/regional_news/house-leaders-outline-potential-path-for-housing-land-use-bill/article_ca056d8b-dbb9-5959-804e-bacc1686b006.html

¹⁴ <https://provincetown.wickedlocal.com/news/20190307/save-rental-tax-windfall-for-housing>

¹⁵ DIF is authorized by Mass. Gen. Laws Ch. 40Q

¹⁶ TIF is authorized by Mass. Gen. Laws Ch. 40 §59

DIF can allow the town to offset a deficit it may incur through selling or leasing property at below cost when the transaction furthers the goal of a development program, including supporting affordable housing. A municipality may also use DIF funds to pay the capital costs of housing that it will own and operate. It can allow the Town to capture property tax revenues from a new private investment – say on the waterfront – and direct them to the housing trust to pursue affordable housing initiatives. Up to 25% of the geographic area within a municipality can be within a DIF district. As properties do not have to be contiguous to be part of the same DIF district, one district could make up both properties destined for waterfront development, and those devoted to affordable housing.

About Tax Increment Financing (TIF)

Tax Increment Financing (“TIF”), which enables a municipality to enter into an agreement to reduce taxes on Real Property, creates incentives for investment in a targeted area. TIF requires approval by the state’s Economic Assistance Coordinating Council (EACC). Municipalities may apply for permission to enter into TIF Agreements through the Economic Development Incentive Program.

Under TIF, landowners may be granted property tax exemptions of up to 100% of the incremental increase in assessed value that comes from new development. A municipality may enter into a TIF Agreement with a landowner for a maximum term of 20 years. A TIF must be in an area approved by the EACC as an Economic Opportunity Area (EOA) or found to be an area “presenting exceptional opportunities for economic development” by the Director of Economic Development.

Some communities have TIF guidelines on their website that lay out the TIF application process for a potential development. Provincetown could consider assembling its own set of guidelines, if it determines TIF is an appropriate course of action.

- <https://www.mma.org/shelburne-develops-tif-guidelines-0>
- <http://www.town.barnstable.ma.us/economicdevelopment/TIF%20Application%20Checklist.pdf>
- <http://southhadley.ma.gov/258/Tax-Increment-Finance-Plan>
- <https://www.northamptonma.gov/DocumentCenter/View/878>

Priority 4C: Leverage Partnerships

While Provincetown has done this in the past, partnering with affordable housing developers can be a good strategy to move projects forward. This can be accomplished through issuance of a request for qualifications or proposals in which the Town provides clarity on objectives and policies it is willing to use to achieve them and then solicits development plans through an open process. Resulting partnerships, if proposals are brought to fruition, would likely include a combination of tools to create affordability including land-use policies to allow density, land contributions, or tax increment financing. This can include non-profit development entities such as Habitat for Humanity. The current VFW site may be a good option for this.

Priority 4D: Utilize State Funding

Affordable housing is an issue throughout the state. The Citizens’ Housing and Planning Association outlined the following funding sources passed in a housing bond bill by the Massachusetts state senate on March 28, 2018.¹⁷ While some of these funds may not be applicable to Provincetown, they are listed here as a potential funding source for some of the area’s other affordable housing organizations and developers with whom the Town can partner.

■ AFFORDABLE HOUSING TRUST FUND (AHTF) – \$400,000,000

The AHTF is a flexible tool administered by MassHousing to create and preserve affordable housing. It has been used to support of a variety of projects, including permanent and transitional housing for the homeless and for the rehabilitation of public housing and 1 to 4 units in gateway cities. It can serve

¹⁷ <https://www.chapa.org/housing-news/ma-senate-passes-housing-bond-bill>

moderate-income households, up to 110% of the area median income (AMI), though the majority of AHTF projects serve households at 60% AMI. It also supports first time homebuyers through the ONE Mortgage program.

- **CAPITAL IMPROVEMENT AND PRESERVATION FUND (CIPF) – \$125,000,000**

CIPF assists in the preservation and improvement of existing privately owned, state or federally assisted affordable rental developments that are at risk of losing their affordability restrictions. The Housing Bond Bill includes clarifying language to make the program work better with other housing preservation resources.

- **COMMERCIAL AREA TRANSIT NODE HOUSING PROGRAM – \$50,000,000**

This program encourages smart growth by producing homeownership and rental housing in mixed-use, commercial areas served by public transit.

- **COMMUNITY BASED HOUSING (CBH) – \$55,000,000**

CBH extends the Commonwealth’s goal of providing assistance to persons with disabilities in the least restrictive settings possible. The program provides funding for the development of integrated housing for people with disabilities, including elders, with priority for individuals who are in institutions or nursing facilities or at risk of institutionalization.

- **FACILITIES CONSOLIDATION FUND (FCF) – \$65,000,000**

FCF produces community-based housing for clients of the Department of Developmental Services (DDS) and the Department of Mental Health (DMH). Through the fund, DHCD works closely with DDS and DMH to provide housing for people with a wide range of disabilities.

- **HOME MODIFICATION LOAN PROGRAM (HMLP) – \$60,000,000**

The HMLP helps persons with disabilities and the elderly make renovations to their homes through deferred payment or zero interest loans to ensure they can continue to live at home and avoid placement into more costly institutional settings, such as nursing homes. Program Changes: The Housing Bond Bill includes clarifying changes that better aligns the program language with its actual use; clarifying language to explicitly allow the HMLP to be used by families to construct accessory dwelling units for persons with disabilities; and authorizing a grant program to allow landlords to access the HMLP to make renovations to apartments in order to accommodate the needs of disabled tenants.

- **HOUSING INNOVATIONS FUND (HIF) – \$100,000,000**

HIF supports the production of innovative and alternative forms of rental housing, including single person occupancy (SPO) units, transitional and permanent housing for the homeless, shelters for survivors of domestic violence, supportive housing for seniors and veterans, and housing for substance abuse recovery. HIF projects almost always feature affordable housing units combined with support services for residents.

- **HOUSING STABILIZATION FUND (HSF) – \$150,000,000**

HSF provides funding for the acquisition, preservation, and rehabilitation of affordable housing, including foreclosed and distressed properties. HSF has helped finance family rental, elderly housing, single room occupancies (SROs), special needs housing, and a mix of homeownership and rental housing. The Housing Bond Bill changes the weak markets provision within the program to allow it to be used for single family homes as well as multifamily housing.

- **PUBLIC HOUSING – \$600,000,000**

This program helps modernize and rehabilitate our state’s public housing stock. It allows local housing authorities to plan for capital improvements, renovations, abatement of hazardous materials, or to remodel homes for persons with disabilities.

- **PUBLIC HOUSING DEMONSTRATION PROGRAM – \$50,000,000**

This demonstration program allows public housing authorities to use innovative public housing finance tools to leverage new funds and partners to rehabilitate public housing and reduce ongoing capital costs.

- **WORKFORCE HOUSING INITIATIVE - \$100,000,000**

The Workforce Housing Initiative by MassHousing supports the creation of rental housing that is affordable for working families with incomes of 61% to 120% of Area Median Income (AMI). The Initiative provides up to \$100,000 of subsidy per workforce housing unit to create 1,000 new units of workforce housing statewide with deed restrictions that ensure 30 years of affordability.

- **EARLY EDUCATION AND OUT OF SCHOOL TIME (EEOST) – \$45,000,000**

EEOST offers grants to non-profits to help build early education and out of school time program facilities that serve low-income children. It provides flexibility to build or renovate buildings in order to provide children and teachers with safe, healthy environments that support other quality improvement efforts. The program is administered through the Children’s Investment Fund at CEDAC and works closely with the Department of Early Education and Care. The Housing Bond Bill –

- Increases the percentage of slots for low-income children served by early education programs supported by the program from 25% to 50%; and
- Changes eligibility requirements for the program to allow only those organizations who are currently providing early education and care to low-income children.

- **MASSACHUSETTS LOW INCOME HOUSING TAX CREDIT (LIHTC)**

The Massachusetts LIHTC awards tax credits to investors in affordable multifamily rental projects. It encourages private investment in affordable housing and allows developers to finance part of the cost of the development with equity invested by local corporations and individuals to help keep rents low. The Housing Bond Bill extends the program until 2025 and expands the annual allocation to \$25 million. The additional \$5 million tax credits will be used for the preservation and improvement of existing affordable housing.

- **COMMUNITY INVESTMENT TAX CREDIT (CITC)**

CITC enables local residents and stakeholders to work with and invest in community development corporations (CDCs) to improve economic opportunities for low and moderate income households in communities across the Commonwealth. Over the past three years, this program has generated nearly \$24 million for CDCs across the state, enabling them to deepen their community engagement, create more housing opportunities, and increase their impact. The Housing Bond Bill extends the CITC through 2025 and gradually raises the annual cap from \$6 million to \$12 million.

- **MASSACHUSETTS HISTORIC REHABILITATION TAX CREDITS**

The Housing Bond Bill increases the annual authorization for the state Historic Tax Credit from \$50 million to \$55 million. The state Historic Tax Credit attracts developers to invest in once vacant, deteriorated, and underutilized structures, such as old mills, schools, and hospitals, and transforms them into much needed housing and commercial space. The Massachusetts Historic Tax Credit has been used to revitalize many of the Commonwealth’s communities, including Gateway Cities.

- **BROWNFIELDS TAX CREDIT**

The Brownfields Tax Credit helps clean up polluted sites in Massachusetts and transform them into places where people can live and work, creating housing and economic development opportunities. The Housing Bond Bill extends the Brownfields Tax Credit for five years.

- **HOUSING DEVELOPMENT INCENTIVE PROGRAM (HDIP)**

HDIP provides Gateway Cities with a redevelopment tool to help create affordable and market rate housing, promote neighborhood stabilization, and support economic development through tax credits. The Housing Bond Bill extends the annual \$10 million authorization for HDIP until 2024.

- **MASSHOUSING AUTHORIZATION**

The Housing Bond Bill authorizes MassHousing to provide services outside of Massachusetts in three ways: (1) contract administration services in connection with any HUD multifamily rental subsidy program; (2) loan servicing for one to four family residential mortgage loans, provided the majority of loans serviced are secure by mortgages on property located in Massachusetts; and (3) loan servicing related to residential mortgage loans in partnership with governmental or quasi-governmental agencies.

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