

Introduction

Interviews were conducted with development professionals with expertise and experience planning, developing or financing affordable housing. A list of interviewees is provided in attachment A.

Prior to the interviews, each party received summary information that described site conditions, proposed uses, and the proposed conceptual plan. The information packet is provided in attachment B. In addition, the interviewees were provided with stipulations that confirmed that by participating in the interview they would not be advantaged or disadvantaged if they chose to participate in a future solicitation process associated with the property.

The interviewees were asked to comment on

- Market feasibility of the desired density and mix of uses
- Ability to obtain financing necessary to achieve desired levels of affordable housing, as well as market-rate affordable units
- Adequacy of site access
- Feasibility of a phased development approach
- Other observations or suggestions

Below is a list of key take-aways, followed by an expanded summary of comments by topic.

Key Take-aways

- Density of housing units is closely correlated with cost of development. Townhouses are approximately 30% more expensive to build than a three-story single loaded corridor building.
- Affordable rental units would need to be developed in phases of approximately 40-60 units over a period of years. It may not be possible to physically integrate rental and homeownership units as they are financed separately.
- There is no subsidy source for affordable homeownership units. It was suggested that the plan devote less land area to ownership units.
- The Town should expect to contribute Community Preservation Act and short-term rental tax receipts to underwrite development costs, in addition to a \$0 land lease. These contributions have ranged \$30,000-\$50,000 per unit in other towns.
- Many felt that the amount of community-oriented commercial space allotted in the concept plan was excessive. There is limited financing available for this use.
- Live work/trades storage spaces were received with skepticism as potentially a concern to tax credit investors and potentially incompatible with residential units and Zone II requirements.
- Outdoor gathering spaces help to create social connections. Some suggested making a green or community space a central feature around which development was designed.

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Density and Mix of Uses

Density

None of the interviews indicated that the proposed density was problematic.

Density of units is closely correlated with cost of development. Although the townhouse stacked flat units are a frequently developed housing type, they are approximately 30% more expensive to build than a three-story single loaded corridor building. This cost differential was recently highlighted for the proposed development at 95 Lawrence Road in Wellfleet, and was noted in multiple interviews. The other cost advantages of the three-story buildings include the ability to provide roof top solar and passive house features more cost effectively, which bring down long-term maintenance costs.

A three-story building with a single-loaded corridor and an elevator is also more conducive to seniors and people with limited mobility.

Overall Plan Layout

The plan doesn't show a lot of useable outdoor space, but there are opportunities. Outdoor spaces –playgrounds, dog park, green spaces--are important, and they help to create social connections. Some suggested making green space or community space a central feature around which development was designed. The benefit of central green space or community space was raised in multiple interviews. This would create an internal sense of community and also draw the larger community into the neighborhood.

The plan shows a lot of hardscape/road/parking areas. These all add to development costs.

It may be necessary or advisable to keep homeownership and rental units physically separate because they are financed differently (see financing discussion below).

It may be advisable to locate the community commercial space to be closer to the school, particularly if it is used for programs for families with school-age children such as day-care or afterschool program space.

Topography

Several comments suggested using site topography to achieve more vertical development. Three story buildings could be made to look like two-story buildings by using slope and front and rear entrances.

The topography of the site is difficult and will require a lot of earth moving and this will result in more vegetation clearing. There may be a need to move excavated material off site.

Commercial Space

The idea of community space was positively received, but many felt that the amount of space allotted in the concept plan was excessive. There is limited financing available for this type of

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space. The New Market Program is one example. This type of space is difficult to finance because it does not generate sufficient income. A market study would be needed to justify this amount of commercial space. Some questioned the rationale for devoting prime real estate up front for community oriented commercial use, and whether the Walsh property overall was the best location in Truro for a community facility.

Affordable housing developers often bring in a partner to manage this portion of a project because it is outside of their expertise.

Live work spaces received mixed comments. Some shared experience that artists like to live near but not adjacent to their work space. The idea of trades space raised questions about management of noise, nature of materials stored in the units (particularly since this is a Zone II for public water supply), and compatibility with residences. It was suggested that tax credit investors could be skeptical of integrating this use.

Ability to Finance Desired Levels of Affordability

Affordable Rental Units

The affordable rental units (shown on the plan as townhouses and stacked flats) would be financeable using the Low-income housing tax credit program (LIHTC). More information on the program is available at <https://www.mass.gov/service-details/low-income-housing-tax-credit-lihtc>

All units receiving tax credit assistance must have 20% or more households earning no more than 50% of area median income or 40% or more households earning no more than 60% of the area median income. In addition, ten percent of the total units must be reserved for persons or families earning less than 30% of area median income. In addition, the project must be retained as low-income housing for at least 30 years.

LIHTC projects were reported to be in the range of 40-60 units per project. Because the subsidy is capped at 9%, the subsidy is greater the fewer number of units. Over all the LIHTC brings in the range of \$10M in equity to a project.

This information suggests that 160 units of rental housing would likely be built in three phases of 40-60 units per phase. Input on the likely timing of phases ranged from three years (assumes a LIHTC award each year) to six years (LIHTC award every other year) or longer. Other aspects of phasing are discussed below.

Outside of the LIHTC program, there are not a lot of ways to finance a 100% AMI rental unit. Lenders are very cautious about this type of product, so it is difficult to get the financing needed. It would take a local subsidy to get that level of affordability.

Affordable rental units require long-term management. Most of the developers interviewed provide long-term management services. All developers seek to include design and

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development features that minimize long-term maintenance and management costs, including energy efficiency, solar and high-quality materials.

It was observed that the Department of Housing and Community Development (recently renamed Executive Office of Housing and Livable Communities) which administers the LIHTC program is increasingly seeking justification for more expensive forms of development such as townhouse units versus three story single-loaded corridor buildings.

Affordable Homeownership Units

The Commonwealth Build Program (<file:///Users/caroleridley/Downloads/CommonWealth-Builder-Guidelines.pdf>) is the only state program available for affordable homeownership through development of single-family homes or condominiums. However, this program is geographically targeted to designated Gateway Cities. Hyannis is the only Gateway City on Cape Cod.

The lack of a financing source for affordable homeownership units makes the feasibility of this housing type a challenge. It was suggested to consider decreasing the amount of land area devoted to single family homes and increasing the land area and unit count of affordable rental units.

Alternately, the Town could make significant per unit cash contributions to write down the cost of homeownership units. This local contribution would be in addition to contributions to project costs that the Town may be advised to make.

Internal subsidy, whereby profits from one portion of a project are used to subsidize other portions of the project, could be employed. A 40B approach was discussed whereby a developer is allowed to build 75% market rate units and required to include 25% affordable units. Even if the required rate of affordable units were higher than 25%, some questioned the rationale of allowing a private developer to use public land to develop expensive market rate homes.

There were also comments that the project is overweighted with homeownership units, and questioning the value of devoting nearly one-third of the land area in Area A to forty single-family homes. Others asked about the potential absorption rate for single family homes with stipulated affordability criteria. It was suggested that a market study would be needed to inform the number of and affordability range of homeownership units.

Land Cost

Affordable housing developers anticipate zero land costs in the form of a zero cost 99-year land lease from the Town. The land lease model is not conducive to homeownership units because units do not have fee ownership of the underlying parcel. Condominium ownership may be a way to address this.

Site Access and Infrastructure

Single site access was cited as sub-optimal. Consultation with Emergency Services is needed to gauge their input. Also, under phased development, a single access will result in more construction truck traffic traveling through built portions of the site, assuming the site is developed front to back.

Developers will be looking to offload as many infrastructure costs as possible. The Town could contribute cash or agree to develop a certain number of linear feet of roadway, installation of water service, and even build or contribute to design and development of wastewater treatment. There may be other funding sources for energy efficiency, or wastewater treatment, especially if a public facility like the school is tied in.

The site could be developed back to front if the Town makes significant contributions to the cost of infrastructure so that full infrastructure or the core of it (i.e., road, water, wastewater treatment plant) is developed up front. Then future phases only need to cover costs of hooking into the utilities.

Sharing of costs of developing and operating wastewater treatment will need to be figured out if the site is developed by different developers and/or there is a mix of rental and homeownership units.

It would be helpful to show on the plan where wastewater treatment and leaching areas could be located on the site.

Phased Development

Phasing of affordable rental housing units will be necessary based on financing (see financing discussion above). Depending on if or how homeownership units are incorporated, they may need to be phased separately from rental units, and therefore may need to be physically separate from affordable rental units.

The rate of rental and homeownership absorption is a question. We heard that there is strong demand for studio and one-bedroom apartments affordable to 30% AMI. How many rental units can be absorbed in a phase? Funding sources will look for 50-60 units per phase. When considering the marketing and lease-up phase, it can be difficult to process that many people. There can be long wait lists, but in actuality not everyone can move at the same time.

The phasing of infrastructure is another question. A developer will develop infrastructure front to back. It is important to sort out how much the Town will do to design and put infrastructure in place.

Regulatory

Zoning Change v 40B

Some felt that pursuing the project as a “friendly” 40B development would allow higher density without requiring the Town to go through a lengthy process of changing local zoning regulations, which could be contentious. However, others felt that this was not the best strategy and that developers would look for regulatory assurance through zoning changes to ensure that they could proceed with desired development density. The Cloverleaf project was identified as an example of how a friendly 40B could be tied up with extensive legal challenges.

The Town will need to consider if it will advance regulatory discussions with other agencies, including Cape Cod Commission, Natural Heritage and Endangered Species Program, to address regulatory issues in advance of seeking developer proposals.

Other Observations and Suggestions

Partnership with Provincetown

Could Provincetown become a partner? They receive \$5M in annual short term rental tax revenue compared with around \$1M annually for Truro. Provincetown was able to contribute approximately \$53,000/unit for the 3 Jerome Smith Housing Project, compared to \$32,000 contributed by Wellfleet for 95 Lawrence Road. Funds come from CPC and Housing Trust. This does not include a \$0 land lease.

Town funding through Housing Trust or CPC

Some level of per unit subsidy from the Town will be needed. CPC or Housing Trust funds could be used to cover infrastructure, as mentioned above, or to cover some soft costs. Soft costs could run into millions of dollars for a project of this size.

Request for Proposals

It was uniformly agreed that a Request for Proposals (RFP) issued by the Town for development of the property should provide clear guidelines on uses, affordability and other desired features to enable apples-to-apples comparison of proposals, but that developers be allowed flexibility to respond with proposals that they think are feasible.

The RFP does not have to draw the road, but should specify what the Town will contribute, ie, how many linear feet of road, what percentage of wastewater costs, installation of water, etc.

Developers of affordable rental units typically do not develop single family homes, so either a developer of affordable rental units would find a partner to develop the homeownership units, or the two portions of the project could be bid out separately. The latter scenario raises questions about how infrastructure costs would be shared (see infrastructure), particularly if there was a single wastewater treatment facility.

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Market study

One interviewee indicated that they would want to see a market study to support all proposed uses. Market study would also help to identify the range of homeownership affordability desired, and the number of units that can be absorbed per year, and the desirability of physically integrating homeownership and rental units.

Local preference

Communities always ask for maximum 70% during lease up. Lottery becomes the wait list.

It is tough to rent the 3-bedroom apartments to local residents because it has to be a single family, usually a single parent. This type of unit usually ends up renting to an off-Cape family.

Attachment A: List of Development Professionals Interviewed (alphabetically)

Emily Achtenberg, (housing policy and development consultant affordable housing consultant)

Andrea Aldana, Chief Program Officer, Community Development Partnership (affordable housing advocacy, management, development)

Charlie Adams, Regional Vice President, Pennrose LLC (affordable housing developer)

Jay Coburn, CEO, Community Development Partnership (affordable housing advocacy, management, development)

Julie Creamer, Senior Vice President of Acquisitions, POAH (affordable housing developer)

Rachana Crowley, Director of Real Estate Development, The Community Builders (affordable housing developer)

Thomas Howes, Division Manager, Innova Services Group, (multi-family housing construction project management)

David Koven, Koven Associates, (affordable housing and financing consultant)

Ted Malone, President, Community Housing Resource, Inc. (affordable housing developer)

Carl Sussman, Sussman Associates, (community development consultant)

Introduction

In 2019, the Town of Truro purchased the 69-acres Walsh Property (property) located on Walsh Way off of US Route 6 in Truro. The Truro Select Board appointed the Walsh Property Community Planning Committee to engage Truro residents in developing a plan for the future use of the property that could include housing, recreation, commercial, and/or other municipal uses.

The Town hired Tighe & Bond/Ridley & Associates to assist the Committee in developing a plan for the property. The following summary information describes a draft plan that is emerging from the Committee's work. It is intended to inform discussions with parties experienced with similar types of development projects to provide feedback on the draft plan and inform further development of the plan. The Committee is seeking feedback on the following:

- 1) Market feasibility of the desired density and mix of uses
- 2) Ability to obtain financing necessary to achieve desired levels of affordable housing, as well as market-rate affordable units
- 3) Adequacy of site access
- 4) Feasibility of a phased development approach
- 5) Other observations or suggestions

Site Conditions

The property is adjacent to residential neighborhoods to the north and south, Cape Cod National Seashore to the east, and the Truro Central School (elementary) and US Route 6 to the west. The property is primarily wooded and undeveloped. A small number of prewar cottages located in the southwestern portion of the site will be removed.

The following factors influence the development potential of the property:

- Variable topography (see Figure 1) – A steep ravine runs in a NW/SE direction across the property, separating two broad plateaus on the NE and SW of the site, respectively. Nearly 27 acres of the site has grades 10%-15%, 30.7 acres of the site has grades 15%-25%, and 11.5 acres of the site has grades greater than 25%.
- Rare species habitat – Almost all of the property is mapped by the MA Natural Heritage and Endangered Species program as priority habitat for rare species. This requires onsite/offsite mitigation of 2:1 for any portion of mapped habitat that is disturbed by development.
- Public water supply – The Walsh property is entirely within a Zone II water supply protection area and is adjacent to a Zone I public water supply protection area. The Town is proposing to site a new water tower on the eastern edge of the property.

Development Areas

In light of site conditions, the Committee agreed to focus initial planning on the 28-acre SW plateau located closest to Route 6, known as Area A (see Figure 2). Planning for the 5-acre NE plateau, known as Area B, is on hold pending the location of a future water supply well.
(10/26/22 meeting).

Preferred Community Uses

Following extensive community outreach, including a town-wide survey and multiple public meetings, the Committee identified priority uses for Area A, as described below:

- Housing for Truro residents at different income levels and life stages is the priority use of the site. The Committee decided on a target of 252 units in Area A, consisting of 152 affordable housing units affordable to residents of less than 50% to up to 120% of area median income (approximately 60% of the need identified in the draft Truro Housing Production Plan) plus 100 market rate affordable units. This will require buildings with higher density than is typically found in Truro (2/1/23 meeting).
- Up to 30,000 - 40,000 sf of commercial uses in Area A (3/29/23 meeting), provided this does not displace desired housing units. Commercial uses could include space for community-oriented businesses (e.g. day care, youth center, food pantry kitchen); small scale retail, and live work spaces for trades, artists, or other businesses.
- A multi-use athletic field/community outdoor event space, provided this does not displace desired housing units. Walking trails that are accessible to the public, and other. other recreation opportunities interspersed Area A are also desired. (2/1/23 meeting)
- Truro Central School is in need of an additional 7-acres to make it eligible for state building funds. The 7acres shown on the plan could also be the location of the large athletic field/community outdoor event space.

Site Access

The only established site access is via Walsh Way. The entrance to the Truro Central School is a potential secondary access that could be explored. The Town is also exploring the potential for secondary or emergency access via Andrew Way/Leeward Passage and/or Quail Ridge Road. The Cape Cod Commission is developing initial transportation safety assessment based on proposed uses of the site.

Water and Wastewater

Denitrifying wastewater treatment will be needed to accommodate the desired density of uses and meet Zone II requirements. Public water supply is available to the site. The proposed new water tower to be located adjacent to the site is intended to ensure necessary water pressure.

Draft Plan

Figure 3 is a draft plan that shows how desired uses could be positioned on Area A, given site constraints and established site access.

SITE SLOPES



POTENTIAL DEVELOPMENT AREA





Plan Data

	Commercial/Stacked Flats	52
	<ul style="list-style-type: none"> - 3-Story - 32,000 SF Commercial - 52 - 900 SF Flats 	
	Stacked Flats	84
	<ul style="list-style-type: none"> - 2-Story - 950 SF 	
	Townhouses	84
	<ul style="list-style-type: none"> - 2-Story - 1,250 SF 	
	Single Family	40
	<ul style="list-style-type: none"> - 1 1/2 Story - 1,600 SF + 1 Car Garage 	
	Total	260

Notes:

1. Topography shown is from MassGIS.
2. Secondary egress/access may be required depending on the rights of the town.

Conceptual Master Plan

Walsh Property

May 8, 2023

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