Town OF WELLFLEET

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Maurice's Campground/80 State Hwy Purchasing Financing Plan

Objective: The proposed purchase of Maurice's Campground/80 State Hwy is a once-in-a-generation opportunity to address our critical housing needs. We are excited to bring a purchase and sale agreement for the property to the voters for $6.5M. We are proposing to use three additional sources to finance the purchase in addition to the tax levy to reduce the impact on the tax rate. We are in a full-blown housing crisis that this purchase will help us mitigate. To purchase the property, the Town will issue one General Obligation Bond subject to a Debt Exclusion for the entirety of the purchase. The responsibility for paying this bond will be divided among the sources identified. See charts on pages 5 & 6.

Impact of Interest Rates:
After years of relativity static and historically low-interest rates, we know that the rates will continue to change as the FED combats high inflation and will be a floating target until the bond is issued. For the sake of time, we have assumed an interest rate of 4.5%. Every ½ percent increase in the rate adds approximately $500,000 in cost incurred for the life of a 30-year loan if the Town were to finance the entirety of the purchase.

Bond Structure
A typical Muni bond's payments are the interest on the amount outstanding and the principal. This results in a debt service where the highest payments are at the start of the life of the loan and decrease each subsequent year. To illustrate, for a 30-year bond at 4.5%, the first payment would be $510,000, and the final payment would be $226,416.

Borrowing Term (Length):
A Municipal Bond can be for whatever length is desirable for a municipality. A shorter length increases the yearly payments, whereas a longer-term bond decreases the annual payments but increases the cost to service the loan. The impact of higher interest rates becomes more pronounced the greater the loan's term. For borrowing of this nature, a 30-year term is common, but the Town should be aware of the choice between a 30-year term and a 20-year term. Below are the costs associated with a $6.5 million loan for twenty and thirty years at two interest rates.

	30 Year Loan	20 Year Loan
APR	4.5%	4.5%
Total Cost of Loan	$11,033,750	$9,571,250
APR	5%	5%
Total Cost of Loan	$11,537,500	$9,571,250

Funding Sources:

Community Preservation Act Funds (CPA)
The CPC can approve requests for funding for housing initiatives. These must be accompanied by a deed restriction for housing serving 100% of AMI or less. We identified a three-acre section of the property where such a deed restriction could be applied without impacting the continued operations of the Campground or the Town's flexibility in developing the parcel. The CPA as a funding source for this purchase is unique as cash on hand can be committed to reducing the overall General Obligation Bond. Committing CPA funds on hand in addition to bonding that can be expended for housing will somewhat reduce the impact on CPA funds in the future.

Approved Request to the CPC: The appraised value of a 3-acre portion of the property that is vacant land to be deed-restricted to the development of affordable housing, subject to the approval of the purchase is $645,000.

Maurice's Campground Operations:
The Town has committed to running the Campground for six years. A third-party operator will assume the responsibility for running the Campground. The Campground operates with a healthy margin, and the ongoing operations of the campground can be reasonably expected to generate net revenue for the Town that can then be used to pay down the bond. The Seller estimates that the Town could receive $200,000 on a yearly basis if an operator runs the Campground. The Town will not know exactly how much it can expect to receive yearly for the campground operations until the Town goes out to bid, and as such, we are budgeting conservatively. As such the average yearly contribution towards the debt service has been budgeted for $96,000/yr over the life of the operations ($500,000 of the initial debt).

Mixed-Income Housing Stabilization Fund
At the 2022 Annual Town Meeting, the voters approved two community impact fees on certain types of short-term rentals at the maximum rate of 3%. The MA Department of Revenue is responsible for collecting these fees. These fees are effective October 1. 65% of the revenues received from these impact fees are deposited in the Mixed-Income Housing Stabilization Fund

and 35% in the Affordable Housing Stabilization Fund. Subject to the voters' approval at the 2023 Annual Town Meeting, we can commit two fiscal quarters of receipts covering from Oct 1, 2022, to March 2023. These two quarters account for approximately 60% of room tax receipts. This funding source will have the greatest variance until the Town has actuals, and revenues must be conservatively estimated. A conservative estimate of receipts of this fund is between $35,000 & $55,000/yr and between $21,000 and $35,000 for these two quarters.

Recommendation:
A conservative estimate of these revenues should be able to fund $350-600,000 of the total purchase price so we have assumed $400,000. This could be increased subsequently by approximately 80% once there is a full year of receipts on hand ($630,000-840,000). Due to the variable nature of short-term rentals, the fund should never be 100% appropriated. We have projected level funding from the Mixed Income Stabilization Fund.

Affordable Housing Stabilization Fund
Similar to the Mixed-income Housing Stabilization Fund. This is funded via 35% of the receipts for the two community impact fees on certain types of short-term rentals. This fund is subject to supporting housing with 80% of AMI. Where this fund is comprised of 35% of the community impact fees, it will be relatively modest. Utilizing the Affordable Housing Stabilization Fund to purchase Maurice's is infeasible due to its restrictions and the modest revenues expected for this fund.

Recommendation
Utilize the Affordable Housing Stabilization Fund to replace expenditures related to the due diligence work conducted on the property by the Affordable Housing Trust.

Residential Tax Exemption
Wellfleet has a residential tax exemption for primary residences. The tax exemption is for 25% of a median-priced home. This is revenue neutral and is offset by increased taxes on residences that are not primary residences. The net result is a 21.52% reduction in taxes on a primary residences and a 4.64% increase on seasonally occupied houses.

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Note: contributions are for the assumption of the initial bond the fund sources identified are also responsible for the interest in addition to the initial principle. (FY 2022 Median Home Value $629,000, total assessed value $2,558,224,589)

	30 Year Loan	20 Year Loan	% of Total
Total	$6,500,000		
CPC Contribution	$645,000		9.92%
Campground Operations	$500,000		7.69%
Mixed-Income Housing Stabilization Fund	$400,000		6.15%
Total Reduction on Levy	$1,950,000		
APR	4.50%	4.50%	
Est Total Cost of Loan	$11,033,750	$9,571,250	
EST Avg Median Valued Home W RE	**$54.79**	$73.51	
EST Avg Median Valued House WO RE	$ 73.06	$98.01	
APR	5%	5%	
Total Cost of Loan	$11,537,500	$9,912,500	
EST Avg Median Valued Home W RE	**$57.41**	$76.10	
EST Avg Median Valued House WO RE	$76.54	$101.46	

EST SCHEDULE OF PAYMENTS @ 4.5%APR 30 YR						
FISCAL YEAR	**CPC**	**Campground Operations**	**Mixed Income**	**Levy**	**Median Valued Home With RE**	**Median Valued House Without RE**
2023	0	$0.00	$0.00			
2024	$50,525.00	$105,833.33	$22,633.33	$330,175.00	$62.52	$83.36
2025	$49,557.50	$102,083.33	$22,633.33	$325,142.50	$61.57	$82.09
2026	$48,590.00	$98,333.33	$22,633.33	$320,110.00	$60.61	$80.82
2027	$47,622.50	$94,583.33	$22,633.33	$315,077.50	$59.66	$79.55
2028	$46,655.00	$90,833.33	$22,633.33	$310,045.00	$58.71	$78.28
2029	$45,687.50	$87,083.33	$22,633.33	$305,012.50	$57.76	$77.01
2030	$44,720.00		$22,633.33	$383,313.33	$72.58	$96.78
2031	$43,752.50		$22,633.33	$374,530.83	$70.92	$94.56
2032	$42,785.00		$22,633.33	$365,748.33	$69.26	$92.34
2033	$41,817.50		$22,633.33	$356,965.83	$67.59	$90.12
2034	$40,850.00		$22,633.33	$348,183.33	$65.93	$87.91
2035	$39,882.50		$22,633.33	$339,400.83	$64.27	$85.69
2036	$38,915.00		$22,633.33	$330,618.33	$62.60	$83.47
2037	$37,947.50		$22,633.33	$321,835.83	$60.94	$81.25
2038	$36,980.00		$22,633.33	$313,053.33	$59.28	$79.04
2039	$36,012.50		$22,633.33	$304,270.83	$57.61	$76.82
2040	$35,045.00		$22,633.33	$295,488.33	$55.95	$74.60
2041	$34,077.50		$22,633.33	$286,705.83	$54.29	$72.38
2042	$33,110.00		$22,633.33	$277,923.33	$52.63	$70.17
2043	$32,142.50		$22,633.33	$269,140.83	$50.96	$67.95
2044	$31,175.00		$22,633.33	$260,358.33	$49.30	$65.73
2045	$30,207.50		$22,633.33	$251,575.83	$47.64	$63.52
2046	$29,240.00		$22,633.33	$242,793.33	$45.97	$61.30
2047	$28,272.50		$22,633.33	$234,010.83	$44.31	$59.08
2048	$27,305.00		$22,633.33	$225,228.33	$42.65	$56.86
2049	$26,337.50		$22,633.33	$216,445.83	$40.98	$54.65
2050	$25,370.00		$22,633.33	$207,663.33	$39.32	$52.43
2051	$24,402.50		$22,633.33	$198,880.83	$37.66	$50.21
2052	$23,435.00		$22,633.33	$190,098.33	$36.00	$47.99
2053	$22,467.50		$22,633.33	$181,315.83	$34.33	$45.78
Total Cost	$1,094,887.50	$578,749.98	$679,000.00	$8,681,112.42	$1,643.80	$2,191.73
Average Cost YR					$54.79	$73.06