

Town of Rockport

Minutes of Finance Committee Meeting September 16, 2013 - A

The committee convened at 9:00 am in Town Hall, Room A and recessed at 11:30 am. Chairman Wally Hess presided; Frank Hassler, Michael Hughes, Michael Lamoureux, June Michaels and Laurene Wessel attended. Selectmen Erin Battistelli and Eliza Lucas, former Selectman Sandy Jacques and 17 members of the public also attended.

The meeting was reconvened at 6:30 pm in the Community House and adjourned at 6:50 pm. Chairman Wally Hess presided. Carl Engel, Frank Hassler, Michael Lamoureux, June Michaels and Laurene Wessel attended.

Reserve Request

DPW requested \$20,000 for Engineering Services for a coastal wave analysis to develop an appeal (which must be done in 90 days) regarding FEMA's proposed new velocity zones and flood zones increasing the elevation from 17 to 34 feet, which covers all of Bearskin Neck and other shoreline areas. Michael Hughes moved, June Michaels seconded, and the committee voted to transfer from the FinCom reserve.

Recommendations to Board of Selectmen on Long Beach

Zenas Seppala requested and was granted permission to record the meeting.

Frank Hassler has prepared a power point presentation for the Board. It will start by saying the documents prepared by the Town Administration cover the issues. The purposes of our presentation are to provide information to the Board of Selectmen to assist them in determining the rental rates and terms of the new leases. The consensus of the committee is to suggest that more information is necessary before leases can be extended beyond one or two years, and before any decisions can be made regarding whether to lease the land in the long term or sell it.

1. We recommend "The Town should establish a policy goal of achieving a "Fair Market Value" return from future leases and move toward that goal at a judicious pace." A great deal of the discussion centered on how to determine the FMV of rents. Some suggested criteria were:

- the maximum revenue to the Town
- the maximum return on investment
- the maximum revenue which will not depress assessed values and tax revenue
- consideration of externalities such as long-term public use of the beach
- consideration of the high cost of insurance mandated by FEMA
- fair for the Town, fair for the owners, fair for the beachgoers

2. We recommend the Board of Selectmen obtain a professional estimate of fair and reasonable rental fees. The committee was of the opinion that the KRT appraisal showing a total value of \$7.7 million was not adequate to determine fair market value. The committee does not intend to recommend any specific rental rate, but to rely on a professional estimate.

- what we need is an expert opinion on the **rents** not just the total property values.
- the current assessments, totaling \$63.75 million are good estimates of current market value for the land parcels as a whole, as they are based on recent sales
- the committee felt that the KRT appraisal of \$75.7 million total value was not as firm an appraisal as is needed to determine FMV.
- the rent estimates should take into consideration comparable properties in other communities.
- subletting the cottages for one week or more at summer-rental rates also impacts what is a fair rental value. Frank said sublet rental rates for the front row are as high as \$3,000/week during the high season and around \$1,500 off-season. Wally pointed out these rents are for fully furnished houses, not just for the land.
- the committee is not recommending any specific rental rate.

3. We recommend leases with systematic annual increases in rents to approach fair market value of rents. Laurene Wessel does not concur.

4. We recommend periodic adjustment of the rents, not based on CPI (which does not adequately include changes in real estate values) but through professional appraisals and assessments.

5. We discussed extending leases no more than ten years, as the economic situation on LN is too volatile, but may revisit this after the short-term lease period is over. Laurene Wessel said that Fannie Mae and Freddie Mac are willing to cover 25 year mortgages on properties leased for 30 years. She said at present no bank will lend on LB (because the leases are ending). While no banks are lending at present, Wally said that maximum terms local banks have been willing to lend in the past are for only 15 years, at 2% above market rate, and only with 50% down payments. Several LB owners said that uncertainty of lease terms and the 90-day lease cancellation policy make the properties harder to sell and mortgage. The consensus of the committee was that sale prices could be lower but properties would not be abandoned if rents were substantially higher.

6. We recommend for 2013 that short-term leases be issued, due to the many uncertainties of the financial and environmental situation and because we require a professional opinion to determine fair rentals. Laurene Wessel did not concur.

7. We recommend not linking the seawall issues with the rental rates.

8. We recommend moving ahead with planning for the seawall but deferring action until more of the uncertainties have been resolved.

9. We will point out to the Selectmen that they have the option to move ahead with investigating the legal requirements for selling the properties - surveying, obtaining any state approval, obtaining Town Meeting authorization to sell, etc.

Several members of the public audience spoke.

Steve Sheehan, 20 Long Beach, member of LB Association, said the Town should consider not only the rate of return but the benefits of maintaining the character and community of the beach. 30 year leases would improve mortgageability. He cited a report of the Association which said that 30-year

leases would increase property values, bringing in \$6.3 million more in tax revenues, a figure which Wally Hess said was highly speculative.

Selectman Erin Battistelli said the Board of Selectmen may have a firm in mind to do a professional appraisal/rent analysis.

Daniel Heferdon, 124 Long Beach, said the 90-day cancellation policy is what makes it most difficult to obtain mortgages as it causes insecurity in the cottage owners' hold on the property. Leases may be revoked for a number of violations of the rules and regulations, as well as for non-payment. He also said that these properties are not eligible for Fannie Mae or Freddie Mac financing because of their location.

Sandy Jacques, Granite Street, said that the Board of Assessors already include distance from ocean in their scale of values. Current assessments based on recent sales are the best measure of value.

The meeting was reconvened at 6:30 pm to review the final version of Frank's power point slides.