

Islesboro Housing Committee
Regular Meeting
Tuesday, October 24, 2023
In-Person Meeting at 5:00 PM, Town Office

APPROVED

12/19/23

MINUTES

1. Call to Order

Chair Mike Nelson called the meeting to order at 5:10 PM.

2. Establishment of a Quorum

Quorum was established with 4 members present

Members Present: Mike Nelson, Ginnie Hess, and Tom Tutor. Michael Hutcherson (via Zoom)

Members Absent: Dave Dyer, John Kauer, and Melissa Burns, Ex Officio.

Others Present: Carter Jerman (via Zoom)

3. Approval of minutes of August 29, 2023

**Motion: To approve Minutes of August 29, 2023, as written, T. Tutor, seconded by G. Hess.
Roll Call. Motion passed, 4 yes, 0 no, Unanimous.**

4. Update on Island Institute Housing Meeting

- Melissa was absent. Mike will forward her report.

5. Presentation and discussion on alternative housing financing options (Carter Jerman)

- Carter Jerman gave a presentation on Real Estate Investment Trusts (REITs) and how they work. They could be a possible way to finance housing on the island.
- REITs are an investment device. They bundle a number of properties. They'll evaluate the risk for the long-term buy and hold situation. These are usually publicly traded, and they're also available as private entities.
- The publicly traded REITs might apportion 30% to multi-family, 30% to single family, and the balance to some other things, maybe even commercial real estate. That diversification provides some safety and some hedge against major fluctuations.
- Instead of having a bundle of properties, a private REIT would at least have one to start and others to follow.
- A private REIT is no more difficult to set up than any legal entity. The value is, instead of finding angel investors or high-net-worth individuals to finance housing, it speaks to the community. If someone has only \$50 and wants to invest, they can do that. Essentially, folks are buying shares in the investment.
- The return for investors comes in the form of a dividend. Investors can waive dividends in the setup. It could be said that no dividends are going to be paid out for four years, if it was decided that that's how long it would take to get to critical mass. Earnings from rentals would then be capitalized.
- This committee is probably not going into the development business. It's better suited to an NGO or community committee. The value that this committee brings is to create a

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business environment that appeals to investment. You can get community buy-in. It's accessible to everyone in the community.

- Managing a REIT is straightforward, similar to running a small business.
- Many people on the island are already building ADUs, especially for their staff.
- This could be successful, but it requires a commitment to go down that road.
- Mike stated he is not familiar with private REITs. What's the biggest difference? Carter explained that publicly traded REITs have qualified buyers, and they are governed by the SEC. Private REITs can be governed by the SECs; there are certain limitations on number of owners and amount of investment. However, we would not reach any of those. A private REIT is perfectly suited for our needs because we have control over it. We can market it to the people in our community that matter. There are not as many regulatory issues. The bigger issue is assembling the management team. Once you create an NGO and operating agreement, it becomes its own entity. It has lots of flexibility. If the REIT does not ever conduct any business, within a certain period of time, you are obligated to return those monies. Risk is secured with real estate. It can be done on a short string to start with.
- Tom asked if such an entity would need to have a particular property first, either owning it or targeting it, and then solicit buy-ins. Carter answered that you could do it that way. The REIT is the fiduciary in the relationship. We would be the investors. The REIT is responsible for utilizing resources to make purchases, and for managing the investment. Most of the people who are the target cannot afford payments.
- Carter asked Ginnie what the mean housing price is on the island. Ginnie answered that her graphs don't make much sense because of the extreme price differences. However, she stated the average house price is about \$400,000. A lot of subcontractors are asking for a lot of money these days. Hourly wages are going up for a lot of trades.
- Carter stated that even if we had \$500,000 in the coffers, we're still competing with everyone else in the market. One of the steps that this committee can do is to create the business environment that incentivizes these things and for people to participate. Unless we're going to be developers and leveraging value, and we've got a builder.
- Mike stated the affordability issue that we keep coming up against. Discussion about IAP. A lot of their investment is at no cost. We're looking at something much more commercial. How do we compete for investors? People who invest in REITs are looking for a higher return. A lot of REITs tend to be developers. We need to learn more.
- Carter stated that this is different in the sense that this would be sold as a community-based project, not sold under the guise of any return initially.
- Tom agreed that this would be sold as something to promote workforce housing and would make Islesboro more resilient and vibrant. The investor would be comfortable with no return, but still having ownership in something valuable. It's not like a donation. We would be differentiating from IAP, trying to build a comfortable, efficient, modern house for \$500,000 to an audience of someone who is making \$80,000 a year and could afford \$20,000/year, \$1500/month rent. There's a market for that.

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- Ginnie agreed that if there are two bedrooms, and two people, that's two incomes contributing to one rent.
- Mike stated it's worth fleshing out. How do we market it? It is an asset to someone.
- Tom stated that the only way to get this off the ground is to have some of the nuts and bolts in place—having a piece of property and a builder on the hook who says they can build a house for within the budget.
- Carter suggested finding a sample property to run the numbers on and putting together a prospectus, going to people in the community asking for hypothetical commitment to see how much money can be raised to begin with.
- Tom stated that this committee would support the idea of all this and utilize our contacts to help someone make this work. This is begging for some person to stand up and try this. We can all jump on board and be helpful.
- Carter clarified that this does not need to be viewed through the lens of a REIT only. The exercise of getting a sample property and fleshing the numbers out would be beneficial for any kind of investment.
- Mike asked Carter if they could sit down and work out some of the nuts and bolts of the steps needed for a tool to raise money.

6. Other Business.

- Tom asked about the online presence Melissa was going to develop. Mike answered that she had taken that to the Island Institute meeting. They are looking at some of the same ideas for everyone. That will be part of her report.
- Mike stated that if we continue to use Zoom, that might be a way for members to attend more easily. We are also looking for new members.
- Durkee's Store is going live on the market very soon. Tom stated that we should reach out to the potential buyer about the conversation we've been having about housing on the property.

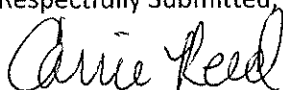
7. Set next meeting date

- Next meeting Tuesday, December 19, 5:00 PM

8. Adjourn

Motion by T. Tutor, seconded by G. Hess, to adjourn at 5:56 PM. Roll Call. Motion passed, 4 yes, 0 no, Unanimous.

Respectfully Submitted,



Carrie Reed, Secretary

