

Ferndale's Navy Housing Information about Measure S

Prepared by Ad Hoc Committee on Navy Housing
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Note: this is a more detailed version of a brochure that has been distributed in the community.

Background

The Coast Guard vacated the former Naval housing property in October 2008 and returned it to the US Navy, who in turn declared the property as surplus.

Our interest in the project started with looking at how to create the best options for the property for the City of Ferndale. City staff, with the help of a consultant with expertise in this specific field, has been assessing the feasibility and desirability of the City acquiring and controlling the destiny of this property while not spending any more City funds than necessary.

We have proceeded step-by-step with all due diligence and speed to determine the best options, keep those options available to the town, and to get the information to the council and the community. While making sure the community weighs in at every point, and ultimately on the final decision through the vote on Measure S, we also want to get the housing occupied as soon as possible. The longer the units sit empty, the more they will deteriorate.

Towards this end, we have secured the federal appropriation allowing the property to be conveyed to the City at no cost, done preliminary financial analysis and cash flow budgets, contracted for a thorough assessment of the condition of the property and detailed list of items to be replaced or repaired, worked with the US Navy Real Estate division on the transfer and had preliminary discussions with a local bank.

The Opportunity

The City of Ferndale has been presented with an opportunity to take ownership of the Navy housing for use as housing for low and moderate income individuals, families, and seniors. A preliminary study has been completed to assure financial feasibility. The property can be transferred, free of charge, from the Navy to the City of Ferndale if our community voters authorize the City Council to accept this offer.

What's Next?

Ferndale citizens vote on Measure S November 2, 2010. If Measure S passes, authorizing the City Council to accept the offer, the Council will move to determine whether the conditions of are favorable for the City. A market study will be conducted to determine final budgets and uses and confirm financial feasibility. The Council will then accept or reject the offer based upon results of study and transfer conditions.

The plan is for the City to form a Ferndale-based, non-profit company to oversee the housing complex. The project would thus remain unencumbered by state or federal regulations governing housing authorities or redevelopment agencies.

The City Council, with input from the public, would develop management policies, financial guidelines, tenant selection policies, and Codes, Covenants and Restrictions (CC&R's) that would govern the use of the land and its oversight by the non-profit and professional property-management company.

Concurrently, the list of items to rehabilitate on the housing units would be finalized and bank loan will be secured using the housing and property as collateral.

Q & A

Many questions have been raised by concerned community members. To assist you in making an informed decision on Measure S in the upcoming election, we have provided some of the most frequently asked questions and our answers.

Q. Do federal or state agencies have the authority to dictate how we designate the individual units?

- A.** No. It will be up to the community through the City Council to determine the designations for the units as long as we are meeting the purpose for which the complex would be given to the City. The federal appropriation funding the transfer is for use as housing affordable to low- and moderate-income individuals, families and seniors. The guidelines for low- and moderate-income are derived from publicly available and reported demographic statistics for the County of Humboldt, California.

Q. How will the housing be managed?

- A.** The housing complex would be managed by a local non-profit organization, which would be responsive to the City Council. This non-profit would contract with a local property management company. Rules and tenant guidelines, covering these and other issues, would be included in the lease/rental agreements. An onsite manager, required by California law, will monitor for compliance.

Q. How will the appearance and integrity of the property be controlled?

- A.** Rules, renter requirements, and occupancy guidelines would be included in the lease/rental agreements, and an onsite manager will monitor for compliance daily.

Q. Will local seniors be given priority over "out of town" seniors?

- A.** This has not yet been determined; it will be covered in the Tenant Selection Policy. Our preference would be for the units to be available to community members first.

Q. How will funds be obtained to refurbish the housing units?

- A.** A bank loan with the property as collateral. A local bank has reviewed the financials, assessment of the housing units, the rehabilitation estimates and cash flow projections and has given preliminary approval to a loan at either a 15- or 30-year term to be repaid out of annual projected income.

Q. What happens if the rental income does not meet expenses and loan payment?

- A.** Like any business, the property management company would have to find ways to increase revenues and/or lower costs. Several options are available. Most importantly, operating reserves will be funded for the start-up years and long-term reserves will be built up annually to offset market ups and downs. There will also be reserves for so-called capital items for repairs to or replacement of major items such as roofs, appliances and fences.

The City's General Fund will not be tapped or liable for costs related to the property and taxes can not be increased without the specific vote of the community.

Q. Has the City's consultants' cost/expenditure analysis been independently verified?

- A.** Not by a second outside contract consultant; however, it has been reviewed by several knowledgeable community members who concur with the report. A regional bank has also reviewed the financial documents and given preliminary approval for the rehabilitation loan.

Q. Can the City sell all or part of the housing after it takes title to the property?

- A. Yes, as long as sales are in line with purpose for which property was given to City. The Federal appropriation funding the transfer is for use as housing affordable to low and moderate income individuals, families and seniors.

Q. Will the City lose property tax?

- A. No. The property has been tax exempt under Navy ownership, and other non-profits that might obtain it would likely be exempt as well.

Q. Will the housing impact City services such as police, fire department, schools, and street maintenance?

- A. **Police:** No. The City's population will not increase from when the Navy and Coast Guard occupied the housing.

Fire Department: No. Each unit in the complex will pay the fire department assessment.

Schools: Yes, with a positive impact. Additional enrollment adds state revenue to our school district.

Street maintenance: Yes; however, the moderate increase in cost will be offset by the positive cash flow from the rentals. The streets in this part of Ferndale would now be maintained by the City's Public Works and added to the on-going list in order of priority. The cost to the City would be made up for by an annual contribution to the City's infrastructure fund from income from the rentals.

Q. Has a market study verified a need for the number of rental units?

- A. If Measure S passes, a market study will be conducted to finalize rent levels, operating budgets and occupancy standards.

Q. Will there be an impact on private rentals?

- A. The project may have an impact on private rentals.

Q. If the City does not accept the property, what will the Navy do?

- A. The Navy, by law, must prepare a Report of Excess and then offer the property to the following agencies, in order:

- 1) All Department of Defense and military agencies;
- 2) Public and private non-profits serving the homeless, as required by McKinney/Vento Act;
- 3) Other federal, state and county public agencies from the BLM, BIA, CCC's to US Fish and Wildlife.

Based on conversations with various parties, the most likely possibility seems to be that military agencies would not be interested while agencies serving the homeless would take advantage of the opportunity. If all of these agencies were to turn it down, however, the Navy would sell the property for market value. The property is a single lot with an R1 zoning designation.

More Questions?

Please attend one of the upcoming public meetings on the Navy Housing and Measure S.