

For your perusal I offer 3 sections:

(Note that **red letters indicate question** on the PAC document, black letters indicate the answer provided on the document/ black also used to provide the referendum, *Blue different type style is my comment.*

- I The actual wording of the referendums as taken from the sample ballot*
- II "Vote Yes for Worker Housing ", Q & A , (a PAC document)
 Distributed at District IV Meeting, February 16, 2016*
- III "The Worker Housing Referenda: Get The Facts" (a PAC document)
 Distributed at District IV Meeting, February 16, 2016*

I The Referendums – as taken from the sample ballot

REFERENDUM – AUTHORIZATION TO PURCHASE PEARY COURT FOR USE AS WORKFORCE HOUSING
"Should the city acquire for workforce housing that portion of the real property located at 541 White St, containing 157 existing dwelling units, for a purchase price not to exceed \$55,000,000, the mortgage balance repayable solely from the rents derived from the property, and with the condition that the seller execute a deed restriction which restricts the use of remaining real property at Peary Court to workforce housing in perpetuity?"

Note that the purchase is for a portion of the property at 541 White St - not all of the property. It is still unspecified exactly what the current owners will retain - unknown is if the owners will keep play areas, open space, "common areas", parking spaces, stormwater retainment ponds, etc. Also not specified is what party (City or current owner) will own and/or maintain streets. The referendum does not specify that the City will be able to build the 3 units that were destroyed, although it is often mentioned.

REFERENDUM - REVENUE BONDS TO FINANCE ACQUIRING, IMPROVING, AND EQUIPPING PEARY COURT AFFORDABLE WORKFORCE HOUSING PROJECT

"Shall City of Key West issue not exceeding \$55,000,000 revenue bonds, in one or more series, maturing in thirty years or less, bearing interest not exceeding the maximum legal rate, secured by and payable solely from a mortgage lien with right of foreclosure and lien on certain revenues from the Peary Court housing complex to finance the cost of acquiring, improving, and equipping of such complex to benefit local economy by providing affordable workforce housing?"

If there are one or more series of revenue bonds, does that infer that the total years of "financing" could exceed 30 years. If certain revenues can be liened, what might any other revenues be that could be associated with the property? What if the rental income would not cover the improving or equipping of such complex in a defined or timely manner. Could other City monies be used for repairs, maintenance, and equipping (from where would those monies come?) Are the rental monies used only for the payment of the mortgage / bonds. In what specific way would the local economy benefit if the City were to purchase the specified units? Why is the term "workforce housing" used at times, versus "affordable workforce housing", versus "affordable housing". There is a difference between affordable housing and workforce housing.

1. How was the price for Peary Court established?

- a. Two independent appraisals. Values continue to rise.

It is my understanding that the owner was offered the \$55 Million price prior to the appraisals being completed and delivered to the City. I do not know how that amount was determined prior to the appraisals being received.

The fact that values continue to rise has nothing to do with how the price was determined. My perception is that the comment on rising values is nothing more than an emotional appeal to suggest that a quick buy decision be made.

2. What will the city need to immediately spend to make Peary Court fully maintained

- a. A favorable engineering study has been completed 2 years ago and the property has been maintained since then

The producers of the document did not answer their own question.

Since a complete inspection of the units and grounds has yet to be accomplished, one cannot determine what needs to be spent immediately, short, or long term to rectify what will need to be addressed.

The engineering study was presented to the current owners in July 2013. It should be noted that the current owners appeared to be primarily interested in bulldozing the total project and building all new. Such a preliminary strategy for the property could have determined the parameters on which the engineering study was commissioned. Perhaps it might have been different parameters if the original design was to keep and refurbish the units.

Yes, the property has been maintained - yet one can question to what standard the maintenance was performed - very high, very low, or somewhere in between. Again, this could have been influenced by what the owners final plans were for the property.

3. Who will be served by this purchase ?

- a. Units targeted for median and moderate income workers as defined in code, rents will initially be set from \$2,000 to \$2,400 a month. Should stabilized cash flow from the project meet the purchase proforma the city will have excess funds to lower future rents or invest in more workforce housing.

The current median and moderate income levels as set by code are shown below as examples.

It should be noted that the sentence indicates "initial" rent rates. It is possible that the rent levels might be increased / decreased based on AMI variations in future years. This might affect the rental amount and income limits.

Also note that in some "answers" it is intimated that other income levels of income might be added, rents might be lowered, and others indicate that excess funds might be used to invest in the nebulous "more workforce housing" neither specifying if City owned, private-public ventures, or anything else.

Note there are no guarantees that the provided proformas will be achieved. If the proformas are not achieved - it appears that foreclosure is a great possibility with the loss of down payment monies and payments of principle.

Income limits

Based on current guidelines

Median 100% of AMI - 1 person household 61,200 2 person 69,900

Moderate 120% of AMI - 1 person household 73,440 2 person 83,880

Median - married or domestic partners 2 person 93,200

Moderate - married or domestic partners 2 person 111,840

Rental Amounts

Median - 1 bedroom \$1,748

Moderate - 1 bedroom \$2,097

Median - 2 bedroom \$1,965

Moderate - 2 bedroom \$2,358

4. What will the developer do if the city does not buy the project

- a. They or their replacements will charge market rents in perpetuity or sell the units at market rate prices

One can only speculate what the current owners might do if the City does not buy the units. It should only be the current owners who say what might become of the parcel - not those who are marketing for the referendum.

5. What are the advantages to the community if the city purchases Peary Court

- a. Restricted to workforce housing forever – all units, including 48 new construction by current owners

There is no guarantee that the current owners will build the "new" 48 units or if they will sell to others or what they will do. Nor is there a designated time frame for the units to be built. I have seen nothing to obligate the current owners to build the 48 units - only discussion they have the ability to build them on property that they would retain.

- b. No use of the city's ROGO's supply (permits)
- c. The project pays for itself

There is no guarantee that the project will pay for itself- there is merely a proforma with one person's assumptions. Others in the community have put together proformas, using different assumptions and those preforms indicate that the project will lose money if the City proceeds with the acquisition.

- d. As the bonds are paid, the excess cash flow will be available for additional workforce housing down the road

There is nothing to guarantee that if there is an excess cash flow that it will be used for additional workforce housing down the road --- there have also been

comments that such monies would go toward lowering rents in the project --- who knows where else it might go..... And what if the rents don't cover all the expenses? Then what?

6. It has been rumored that the Developer themselves would “deed restrict” Peary Court as affordable for a 10M. payment

- a. The developer has written a letter absolutely stating they will not do this and also that they have other suitors. Their goal is to sell.

If their goal is to sell - would it also be their goal to sell the property which they will retain and the right to build the 48 units?

7. Could this money be put to better use elsewhere?

- a. No we are buying these 157 units and land for \$275.00/sq ft cost. No developer could build these units at this cost today. No developer has put forth a credible proposal to do so. This is a very good deal.

To state that no developer can build units today for \$275 / sq ft is not accurate. A group has approach me indicating that they can build units for \$175/sq ft.

The proponents of this referendum are welcome to their opinion that this is a very good deal. I do not support their opinion nor do many others.

Remember that this is money that will have to be borrowed - it is not money that is sitting in an account just waiting to be spent.

8. If the city does not buy Peary Court and it evolves to marketplace price where will the current tenants go?

- a. We do not know.

9. It has been said that the city is a bad landlord.

- a. The city manages Garrison Bight, the Historic Seaport, and many other properties. The properties are well maintained and they make money.

Not all properties managed by the City make money - there are some that are still way below market and including those at \$1 /yr. The City of Key West Housing Authority manages 1200 city housing units The units are not owned by the City. (1700 county) The Monroe County Housing Authority, a totally separate entity owns/manages another set of housing units. I do not have that number readily available but believe it to be near 500 units. The KWHHA and the MCHA should be contacted to identify which board members might sit on both boards, if the executive director is the same person, and what is any staff and management are shared between the two entities. at no cost to the taxpayers and has a superior 75 year management record. Of these units over half are low income. The Housing Authority is Monroe County's largest landlord. The Key West Housing Authority is a stand-alone entity over which the City of Key West has no control or authority. Here again - there needs to be specificity of the KWHHA and the MCHA as to what is really what.

The City merely approves / names the members to the KWAH board. The employees are not employees of the City and the management of that function is in no way controlled or monitored by the City. They have their own financials and auditors.

Similarly, the City does not name the board members for the MCHA.

It would appear that the answer provided in the marketing piece is mixing apples with oranges.

10. Are the owners of Peary Court getting too much money?

- a. The developers originally invested more than \$35,000,000 over two years ago in Peary Court. Prices in Key West have gone up over 50% in the past two years. Two independent appraisals say the price currently is fair. Yes, they will make a profit however they invested their money, at the right time, when no one else would or could. *The question should not be whether or not the current owners of Peary Court are making too much of profit from the proposed sale to the City or even who the actual people are that have some ownership of the property. The real questions is: Is it a good deal for the City and its people. I remained convinced that it is not.*

11. Can the owners increase the price after the referendum?

- a. The owners and the city will have a purchase contract prior to the referendum. *As of the time of my composing this note, I have not seen any purchase contract. My hope would have been that if a document were to be produced that it would have been made available to all, public and elected officials, prior to the beginning of absentee voting.*

I am not sure if the answer provided was assumptive of a purchase contract for review or if the parties involved were hopeful of a signed agreement "provisional" only on the two referendums being passed.

12. How will the units be allocated?

- a. Application will be open to all local workers, however preference will be given to those who live there now. In the future any tenant will have to meet the city income guidelines.

The Q & A FOR the referendum asked how will the units be allocated. That Q & A did not answer that question. The answer they provided indicated that the "application will be open to all local workers, however preference will be given to those who live there now. In the future any tenant will have to meet the city income guidelines".

The Q & A did not stipulate what percentage of the of the workers income had to be earned in the city, if only local income would be counted or total income, and what would happen if the person was no longer working in the city (how soon would they need to vacate the unit).

There was no mention of allocation - for example - how many units would be allocated to very low, low, median, moderate, and middle income categories.

III "The Worker Housing Referenda: Get The Facts" (a PAC document)
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What do these two referenda do?

Authorize (but do not obligate) the City of Key West to buy 157 homes at Peary Court for use as worker housing. Like all real estate transactions, closing will be subject to satisfactory inspection. The ballot language eliminates taxpayer risk by requiring the project to pay for itself.

Authorize ? - is this like a prior referendum that authorized the City to negotiate for the elementary school on White St saying it would save money? Buy 157 homes at Peary Court - note there are no specifics of how much land and what land specifically on the parcel the City will get. Satisfactory inspection? - how broad is the definition of satisfactory inspection? What constitutes satisfactory inspection?

Who does this benefit?

As a taxpayer, resident and voter of Key West, the worker housing referenda will benefit YOU. Worker housing benefits the entire community. The homes of Peary Court are targeted for median and moderate income workers as defined in our city code.

Note that there is no explanation of what the benefits are for YOU- it is just a generic statement. Does it infer that the beneficiaries are the median and moderate income workers? Does anyone else benefit?

What will happen if the referenda do not pass?

If the referenda do not pass, all 157 families who now call Peary Court home may be subject to eviction or big rent increases.

Notice the operative word MAY. This is only speculation on the part of the PAC. I have not seen anything from the current owners making a statement to that effect.

Are these homes fully maintained?

Yes, a favorable engineering study was completed 2 years ago and the property has been maintained since then. The engineering report is available on-line at www.workerhousingkw.org/document-center. Please note there is \$500,000 budgeted for the initial funding to make any necessary repairs.

Again, the question posed was not answered. Were the homes fully maintained and to what level? To cite an engineering study that was completed July 2013, in my opinion, does not answer the question posed by the PAC. It is still unknown what specific repairs are need and in what time frame - as well as what the anticipated costs will be initially, if the properties are purchased, and over the long term of ownership.

How was the purchase price established?

The purchase price is below the value set in two recent independent appraisals.

Again, the PAC did not answer their own question. How was the purchase price established. Indications are that the \$55 million price was negotiated prior to the availability of the completed appraisals.

Could this money be put to better use elsewhere?

No. We are buying these 157 homes WITH the land for \$275.00/sq.ft. Even with free land, no developer could build these homes at this cost today. No one has put forth a credible proposal to do so. This is a very good deal.

Does this infer that the City is only getting the land on which the units are located? If not, what specific land areas is the City getting and what specifically is being retained by the current owners.

Who can live at Peary Court? How will future vacancies be filled?

All current leases will be honored. Application will be open to local workers, with preference to those who already live there now. In the future any tenant will have to meet the city income guidelines. *For how long will the current leases be honored - until they expire - or will they be extended for any particular time and under what conditions?*

How does this referendum benefit the community?

- ALL units, including 48 proposed new construction are deed restricted as worker housing forever *and how does this benefit the entire community ? not the few that will live there.*
- Does not use any ROGOS (BPAS permits). Any proposed new public or private construction must compete for limited allotment of ROGOS.
- Zero taxpayer risk. The purchase pays for itself, the development is cash flow positive and the city's exposure is limited to the property itself. *This is an assumption based on the proforma provided by the PAC. Porformas compiled by other individuals indicate that the city will lose money and not be able to meet the mortgage payments, repairs, and other expenses associated with managing such a project based solely on the rental income.*
Should the City not be able to make the payments and the property fall into foreclosure - the city would not only lose the property, but the monies used for down payments and any monies paid on the principle.
- As the bonds are paid, rents can be lowered and free cash flow will be available to fund additional worker housing.
There is no guarantee that as bonds are paid that rents will be lowered - merely a statement that they can be lowered --- lowered on what conditions, will other components of the acquisition have their rents raised?
Does this speculate that rents can be lowered AND free cash will be available to fund additional workforce housing? Does that mean that rents will be lowered elsewhere, properties will be bought, properties will be built ????