



# Proposed Housing Bank

## Impact on Assessed Values

Oak Bluffs Assessing Department  
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# Why I am presenting today?

- I have been asked to provide estimates on the impact deed restrictions from a the proposed Housing Bank would have on the tax rate in Oak Bluffs

# Before I start

- I will be making assumptions that are unlikely and I am aware of that
- I am looking at maximum potential impact in most cases
- I believe this is reasonable for risk analysis

# Tax Rate

- The tax rate is simply the amount you are raising in taxes divided by the value of all taxable property
- We multiply it by 1000 to get a “mill rate”
- $\text{Tax Levy} / \text{Tax Base} = \text{Tax Rate in percent}$
- $\text{Tax Rate in percent} \times 1000 = \text{mill rate}$

# FY22 Tax Rate in Oak Bluffs

- We will ignore the residential exemption here
- Tax Levy was \$28,447,910
- Tax Base was \$4,214,553,620
- Tax Rate was .00675 or \$6.75 per \$1000 in assessed value

# How could a Housing Bank impact the tax rate?

- Any increase in the tax levy will increase the tax rate
- Any reduction in the tax base will increase the tax rate

# Only considering the tax base today

- A housing bank would reduce the tax base because assessed values would fall on deed restricted properties - we can estimate that
- It is far more complicated to estimate the impact on the tax levy, if there is one - a change in spending on services

# Deed Restrictions

- Traditional type that limits resale price
- Discussions of a second type that allows market priced sale but only for year 'round occupancy
- Both reduce assessed values and so reduce the tax base, increasing the tax rate



# Direct Reduction In Assessed Value from Deed Restrictions

- FY22 tax rate 6.75
- Tax rate with 180 properties at 20% reduced value - 6.79
- Costs a median homeowner \$33.52

# Tax Base Reduction Table

## Housing Bank Estimated Impacts on Tax Base and Tax Rate

Oak Bluffs FY2022

Tax Base	\$ 4,214,553,620
Tax Levy	\$ 28,447,910
Tax Rate	<b>6.75</b>

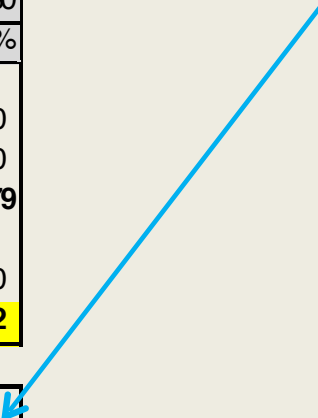
Deed Restriction Reductions	
Deed Restrictions	180
Average Value Reduction	20%
Total Reduction in Value	\$ 27,358,200
Adjusted Tax Base	\$ 4,187,195,420
Adjusted Tax Rate	<b>6.79</b>
Median Single Family Home Value	\$ 759,950
Median impact	<b>\$ 33.52</b>

# Indirect additional impact on assessed value of properties over \$1mm?

- Assuming a 2% reduction in value above \$1mm adds another 3 cents to the tax rate
- Combined median impact is \$52.40

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Reduction in High End Values	
2% reduction on value over \$1mm	\$15,255,740
Adjusted Tax Base	\$4,171,939,680
Adjusted Tax Rate	<b>6.82</b>
Combined Median Impact	<b>\$ 52.40</b>



# Why is it all about spending by the Housing Bank?

- Think of their work as purchasing (or building) at market value and selling at a discount
- That difference is lost from the tax base due to deed restrictions lowering assessed value
- They can do a large number of projects for small discounts (AMI 240%)
- Or a smaller number for lower income (150%, 80%) with larger discounts
- The discounts should total the same and are limited by their budget

# An example

- They buy for a million and sell for 800k?
- 200k loss in the tax base
- 800k left to spend and repeat four more times
- No different than spending a million, taking it off the tax base, and having nothing left to spend (Land Bank)
- Note this is a gross simplification of the various structures likely to be used

# Critical Assumption!

- I am making the assumption that every penny the housing bank spends bridging the gap between market value and affordable value is a dollar for dollar reduction in the tax base
- This greatly simplifies analysis...but it is a big leap

# How much annual revenue?

- 2020 would have generated \$10,258,009
- Oak Bluffs 2020 sales generated \$469,047
- Oak Bluffs 2021 sales generated \$1,196,080!

"What If" Housing Bank Revenues	2020	2021
Oak Bluffs	\$ 469,047	\$1,196,080
Edgartown	\$ 6,415,266	?
Tisbury	\$ 1,026,035	?
Chilmark	\$ 1,103,933	?
West Tisbury	\$ 993,990	?
Aquinnah	\$ 275,739	?
Total	\$10,284,009	?

Adjusted for Exempt and Multi Parcel Sales

# How much can they borrow?

- 10% debt service ratio means their annual principal and interest payments can not be more than 10% of the 3 year trailing average of annual revenues
- \$10mm, \$11mm, \$12mm is \$11mm not \$33mm
- Debt service at 10% of \$10mm is \$1mm
- At 2% interest over 20 years they can borrow about \$17mm



# Bond Amortization

Bond Amortization Table					
Face Value	\$	17,000,000			
Annual Interest		0.02			
Periods		20			
Period	Starting Balance	Principal	Interest	Service Cost	Ending Balance
1	17000000	(\$699,664.21)	(\$340,000.00)	(\$1,039,664.21)	\$16,300,335.79
2	16300335.79	(\$713,657.49)	(\$326,006.72)	(\$1,039,664.21)	\$15,586,678.30
3	15586678.3	(\$727,930.64)	(\$311,733.57)	(\$1,039,664.21)	\$14,858,747.66
4	14858747.66	(\$742,489.25)	(\$297,174.95)	(\$1,039,664.21)	\$14,116,258.40
5	14116258.4	(\$757,339.04)	(\$282,325.17)	(\$1,039,664.21)	\$13,358,919.36
6	13358919.36	(\$772,485.82)	(\$267,178.39)	(\$1,039,664.21)	\$12,586,433.54
7	12586433.54	(\$787,935.54)	(\$251,728.67)	(\$1,039,664.21)	\$11,798,498.00
8	11798498	(\$803,694.25)	(\$235,969.96)	(\$1,039,664.21)	\$10,994,803.76
9	10994803.76	(\$819,768.13)	(\$219,896.08)	(\$1,039,664.21)	\$10,175,035.62
10	10175035.62	(\$836,163.50)	(\$203,500.71)	(\$1,039,664.21)	\$9,338,872.13
11	9338872.127	(\$852,886.77)	(\$186,777.44)	(\$1,039,664.21)	\$8,485,985.36
12	8485985.362	(\$869,944.50)	(\$169,719.71)	(\$1,039,664.21)	\$7,616,040.86
13	7616040.861	(\$887,343.39)	(\$152,320.82)	(\$1,039,664.21)	\$6,728,697.47
14	6728697.47	(\$905,090.26)	(\$134,573.95)	(\$1,039,664.21)	\$5,823,607.21
15	5823607.211	(\$923,192.06)	(\$116,472.14)	(\$1,039,664.21)	\$4,900,415.15
16	4900415.147	(\$941,655.91)	(\$98,008.30)	(\$1,039,664.21)	\$3,958,759.24
17	3958759.242	(\$960,489.02)	(\$79,175.18)	(\$1,039,664.21)	\$2,998,270.22
18	2998270.219	(\$979,698.80)	(\$59,965.40)	(\$1,039,664.21)	\$2,018,571.42
19	2018571.415	(\$999,292.78)	(\$40,371.43)	(\$1,039,664.21)	\$1,019,278.64
20	1019278.635	(\$1,019,278.64)	(\$20,385.57)	(\$1,039,664.21)	(\$0.00)
Required Revenues	\$10,396,642.08				

# Total Potential Spending Snapshot

- \$10mm in gross annual revenue
- Less expenses for staff, legal, banking etc.
- We don't have expense estimates yet
- \$17mm in one time borrowing
- We will assume \$27mm but know it will be less due to expenses

# We are assuming every dollar is spent in Oak Bluffs

- We don't expect all or even the majority of the money to be spent in Oak Bluffs
- This is a maximum impact analysis not a prediction of what will be spent in OB

# Remember the tables from before?

## Housing Bank Estimated Impacts on Tax Base and Tax Rate

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# Impact over time

- Cumulative effect because of perpetual restrictions and ongoing revenue
- We have examined a snapshot but the Housing Bank will continue to own a larger and larger proportion of property
- This will likely happen slowly since they are a small part of the market

# 20 year impact in today's dollars if every dollar were spent in Oak Bluffs

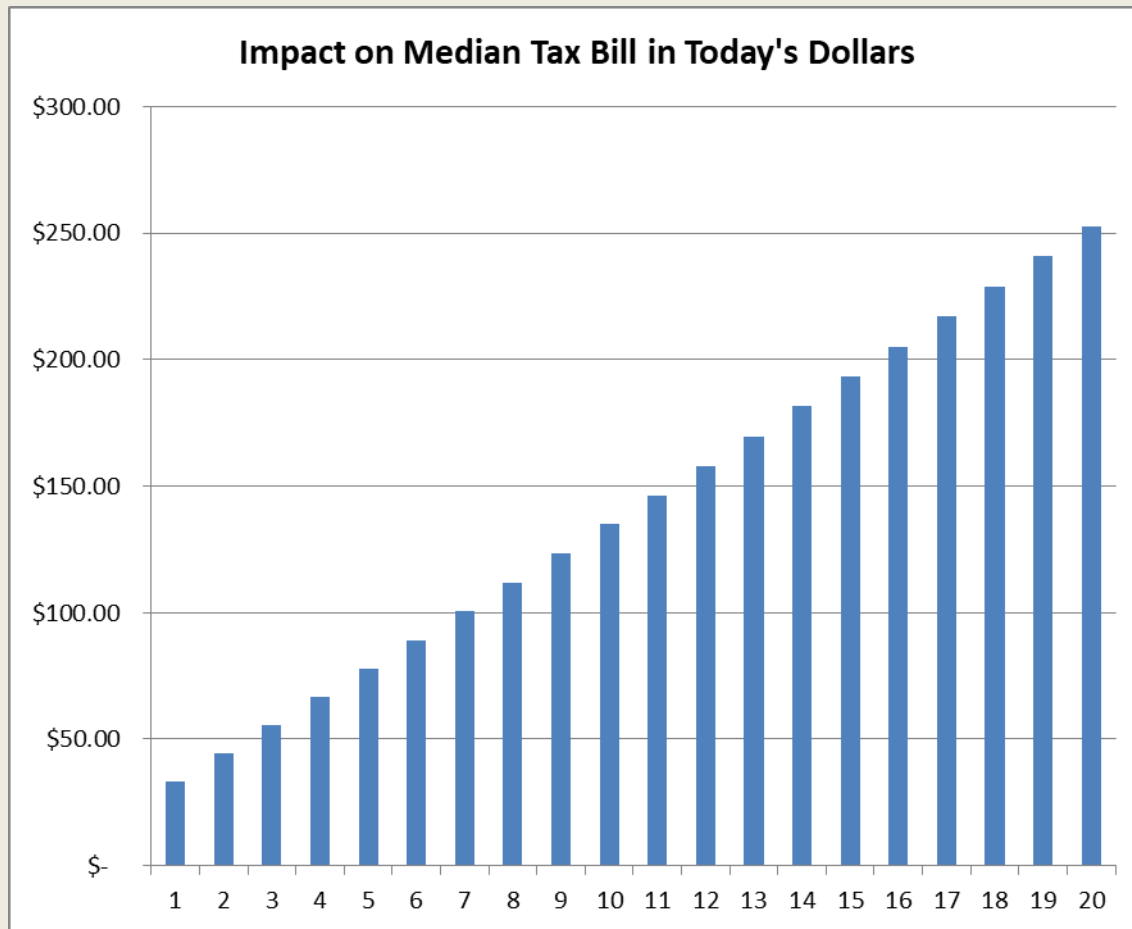
- Assumes full borrowing done at the beginning
- Assumes no expenses other than debt service from ongoing revenues
- Assumes no growth in values, revenues, borrowing capacity...maybe not as bad as it sounds
- Assumes no retirement of debt and new borrowing

# Cumulative Impact

Tax Base	\$ 4,214,553,620	Base Tax Rate
Tax Levy	\$ 28,447,910	6.75
Median Single Family Hc	\$ 759,950	
Beginning Expenditure	\$ 27,000,000	
Annual revenues	\$ 10,000,000	
Annual Service	\$ 1,000,000	
Net annual revenues	\$ 9,000,000	

Year	Impact	Cumulative Impact	Tax Rate	Rate Impact	Median Dollar Impact
1	\$ 27,000,000	\$ 27,000,000	6.79	0.04	\$ 33.07
2	\$ 9,000,000	\$ 36,000,000	6.81	0.06	\$ 44.19
3	\$ 9,000,000	\$ 45,000,000	6.82	0.07	\$ 55.36
4	\$ 9,000,000	\$ 54,000,000	6.84	0.09	\$ 66.58
5	\$ 9,000,000	\$ 63,000,000	6.85	0.10	\$ 77.84
6	\$ 9,000,000	\$ 72,000,000	6.87	0.12	\$ 89.16
7	\$ 9,000,000	\$ 81,000,000	6.88	0.13	\$ 100.52
8	\$ 9,000,000	\$ 90,000,000	6.90	0.15	\$ 111.93
9	\$ 9,000,000	\$ 99,000,000	6.91	0.16	\$ 123.39
10	\$ 9,000,000	\$ 108,000,000	6.93	0.18	\$ 134.91
11	\$ 9,000,000	\$ 117,000,000	6.94	0.19	\$ 146.47
12	\$ 9,000,000	\$ 126,000,000	6.96	0.21	\$ 158.08
13	\$ 9,000,000	\$ 135,000,000	6.97	0.22	\$ 169.75
14	\$ 9,000,000	\$ 144,000,000	6.99	0.24	\$ 181.46
15	\$ 9,000,000	\$ 153,000,000	7.00	0.25	\$ 193.23
16	\$ 9,000,000	\$ 162,000,000	7.02	0.27	\$ 205.05
17	\$ 9,000,000	\$ 171,000,000	7.04	0.29	\$ 216.93
18	\$ 9,000,000	\$ 180,000,000	7.05	0.30	\$ 228.86
19	\$ 9,000,000	\$ 189,000,000	7.07	0.32	\$ 240.84
20	\$ 9,000,000	\$ 198,000,000	7.08	0.33	\$ 252.87

# Assuming every dollar is spent in Oak Bluffs





# Other impacts?

- Impact of new large buyer at lower end of market
- Impact of conservation easements from joint plans with Land Bank or others
- Donations and discounted sales
- There may be more I haven't considered!

# Summary

- All of this analysis is based on a significant simplification - a dollar spent is a dollar from the tax base
- We have only considered the tax base impact not the levy
- The impact of Housing Bank deed restrictions on assessed values will be modest (relative to overall tax bills) at the start even with full borrowing
- Those impacts will accumulate over time

# Disclaimer

- I put this together in a short time and it has not been reviewed ahead of the presentation
- I did get excellent support from Laura Silber and Philippe Jordi among others
- I am very open to criticism, collaboration and input