



# Town of Nantucket Finance Committee

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**Committee Members:** Denice Kronau (Chair), Stephen Maury (Vice-chair), Joseph T. Grause Jr., Peter McEachern, Joanna Roche, Peter Schaeffer, Chris Glowacki, Jill Vieth, George Harrington

## MINUTES

Thursday, March 4, 2021

*This meeting was held via remote participation using ZOOM and YouTube,  
Pursuant to Governor Baker's March 12, 2020 Order Regarding Open Meeting Law*

Called to order at 4:07 pm by Ms. Kronau

Staff in attendance: Libby Gibson, Town Manager; Brian Turbitt, Director of Finance; Rachel Day, Assistant Town Manager; Rick Sears, Deputy Director Finance; Ken Beaugrand, Real Estate Specialist; Roberto Santamaria, Director Health Department; Terry Norton, Town Minutes Taker

Attending Members: Kronau, Maury, Grause, Roche, Schaeffer, Vieth, Harrington

Absent Members: McEachern, Glowacki

Town counsel: John Giorgio, K&P Law, P.C.

Other Speakers: Tobias Glidden, co-sponsor Article 90; Julia Lindner, ACK\*Now & co-sponsor; Melissa Murphy, Select Board

Documents used: Warrant Articles for 2020 Annual Town Meeting; correspondence

Adoption of Agenda.

Motion **Motion to Adopt the Agenda.** (made by: Schaeffer) (seconded)

Roll-call Vote Carried 7-0//Maury, Harrington, Schaeffer, Roche, Vieth, Grause, and Kronau-aye

### I. ANNOUNCEMENTS

### II. PUBLIC COMMENT

1. None

### III. APPROVAL OF PRIOR MEETING MINUTES

1. None

### IV. COMMITTEE REPORTS

1. None

### V. REVIEW AND DISCUSSION OF WARRANT ARTICLES FOR 2020 ANNUAL TOWN MEETING (ATM) POTENTIAL ADOPTION OF MOTIONS

1. Article 90 (Bylaw Amendment: Licensing of Short-Term Rentals)

Discussion **Kronau** – FinCom put together questions; she will ask the questions of Mr. Glidden and Ms. Lindner and Ms. Gibson; she will then go to the committee members; after that, she will open discussion to the public

**Maury** – Stated he is recused.

**Glidden** – We heard a lot of feedback on how this will impact homeowners. The vast majority of people agree there should be reasonable restrictions on Short-term Rentals (STR), which is expected to double over the next 10 years. Over the past 10 years, we've lost 600 year-round homes.

**Kronau** – First Question: What financial impact would this have on Island economy?

**Lindner** – We think the article as written could impact the economy on tourism but doing nothing also impacts the Island's economy. We chose not to put in specific numbers because it could be seen a number of different ways and some impacts would not be palatable.

- Schaeffer** – If people can't rent their houses, they'll use it more; he believes that negates the comment about impact on infrastructure.
- Lindner** – We know that average STR has a capacity of over 8 people versus how many people are in a home on a normal basis; that increase puts more pressure on Island infrastructure.
- Vieth** – The money for Neighborhood First hasn't been used to purchase individual homes to be turned into affordable housing but to purchase and develop land with multiple homes.
- Glidden** – The intent was we would buy individual homes, but we were too late; due to increase in market value, the original plans was no longer feasible. Affordable housing as an aspect of this article, 600 homes have rolled over into STRs. Allowing STRs to eviscerate neighborhoods is not viable.
- Roche** – The metrics being used to define the financial impact on the Town don't seem to have a common language between the Town and people responding to this. Asked where the commonality/cross-over points are.
- Lindner** – Looking at the impact to the lodging tax, some is public and some private; it shows we do have a shoulder season. A source of information from the Health Department and their resources was pulled from the Town website.
- Roche** – This is a complicated issue and she wants three or four points to help people to come to an educated conclusion.
- Lindner** – The Census was used for data for the loss of housing.
- Kronau** – Next Question: on January 14<sup>th</sup>, we asked for modifications; have those been seriously considered; a month before the warrant is finalized is a little late to make modifications to the article.
- Glidden** – We heard significantly from the year-round community about the negative impact of the 90-day restriction. We are considering the 7 days in context to the shoulder season. We are reconsidering the 1-car rule.
- Vieth** – Asked the purpose of this meeting; are we helping them rewrite the article.
- Kronau** – We are here to get questions answered.
- Giorgio** – If any changes are proposed by the petitioners, they need to be mindful of the scope. It's up to the ATM moderator to determine if changes made, after the warrant is finalized, are within the scope with the public having had adequate time to review those changes.
- Schaeffer** – Asked if they considered applying this to all new construction going forward.
- Glidden** – Initially we talked about that; but we're cognizant about what happened with the article on new pool construction. He's aware of how permits create odd dynamics. We've had some good suggestions about grandfathering.
- Kronau** – Question 3: how many STR owners did they speak to.
- Lindner** – Over the past year, we've spoken to approximately 100 homeowners.
- Kronau** – Question 4: did you talk to the Lodging Association and realtors' associations.
- Lindner** – We did reach out to the Lodging Association and individuals on the Nantucket Association of Real Estate Brokers and individual renters.
- Kronau** – Asked if they know the total demand for seasonal rentals. She did a rough calculation: she estimates the supply of available nights to stay will drop. Asked how people will react to that.
- Lindner** – We don't know the total demand for rentals. Not everything is booked 100% of the time; they believe it will push demand towards inns and hotels during the shoulder season and the trend toward longer stays will increase.
- Kronau** – Part 2 of Question 4: asked if they considered the scenario of a year-round resident having to rent their home in order to remain here.
- Lindner** – STRs are rentals for less than one month; if someone needs more income, they can rent for month. The status quo is causing market prices to rise. If we have more homeowners using their properties as an STR and maximizing the price, they put in all the amenities that give them more revenue; that pushes the market value out of reach for locals.

**Kronau** – Asked how many people might have to sell their homes if this article is passed.

**Lindner** – It's hard to evaluate personal scenarios. Island property values are not in a good place. The other side of the coin is how many year-round people are struggling with the high cost of housing. Other communities we looked at which adopted reasonable regulations are still thriving.

**Schaeffer** – You aren't addressing the person that comes for about 3 weeks and rents the rest of the time; if they can't do that, they lose their home.

**Glidden** – Currently it is disingenuous to say that many people on Island can't afford one home and yet we are expected to subsidize some people's second home.

**Vieth** – Asked: what are we subsidizing for seasonal residents. This as it is proposed penalizes seasonal residents.

**Glidden** – For us as a community, it is disingenuous to “kick” local people out so we can have more growth for people who rent seasonally.

**Vieth** – Some of the money from STRs that would go toward affordable housing would be gone and the people who take care of these rental homes might lose their jobs. It goes back to an impact study of this article.

**Roche** – What Mr. Glidden is saying about the issue of the gap isn't addressed in this article. There is an inequity in terms of second homeowners and people who live here year-round who rent. Without an economic impact study and real metrics on how this impacts the community and who the beneficiaries are, she doesn't see this as a well thought-out solution. Over this past year with COVID, people have stayed longer rather than rented their homes; that hasn't been factored in. This article needs to be dialed back.

**Kronau** – She has decided the remaining questions will be asked by the public. Last question: in the beginning of the article, it says it will ensure equity of the year-round stock. When those 600 homes went on sale, they were available for year-round resident to purchase. Asked how this will activity create equity.

**Glidden** – First piece, residents do have the option of buying property; however, it is more profitable for an owner to rent a home so there is a switch of year-round residences to rentals. The bottom of the market has greatly increased since investment STRs became popular.

**Kronau** – She wants to see the analysis that proves that point.

**Lindner** – We compared the assessor's data with the STR registry and found that 30% of STRs owned by off-Island investors were assessed at \$1.25m; that's over 450 properties.

**Kronau** – Assessed value is not market value on Nantucket. So far, we are missing information that would make the facts clear.

Opened the discussion to public comment.

**Maury** – As a member of the public, asked how we know STRs are squeezing out year-round homeowners; there is data more nuanced than the census track. There were 46 sales below \$890,000; it should be easy to tie those addresses to the STR registry. Of the 2215 registered STRs, asked if any are duplicates; he has clients who are registered twice, locally and with the State.

**Lindner** – We did work with local advocates for affordable housing looking at a structure for year-round inventory and up to 200%, who could afford a \$1.2m house. Of the 46 houses at \$890,000, she doesn't know how many became STRs.

**Glidden** – When we researched for the Neighborhood First article, of the 20 home we looked at, about 1/3 went to seasonal residents.

**Lindner** – To Mr. Maury's question, there are few duplicates on the registry.

**Kronau** – She thinks there are 50 to 100 duplicates.

**Michael Robison** – He rents his home. This should be all data driven. It seemed the most successful outcome for affordable housing stock was to build it rather than try to urge people to do it with individual properties. In other communities, misbehaving guests have been an issue. In his rentals, he has not had that problem.

**Silvia Hall** – She’s a representative for Insperato, which is a luxury destination club that includes 6 homes on Nantucket. We oppose Article 90; Nantucket survives off tourism. Suggested options to Article 90. The effect on employment would be huge on those who service rental homes.

**Cathy Baird** – We’ve agreed we want this data driven. Going back to the 600 homes, it says in the white paper those are vacant homes. Before the registry, how did we know how many STRs existed; part of the growth could be registration of STRs due to changes in tax requirements.

**Kronau** – There is a lack of clarity and we need insight.

**Rebecca Chapa** – The configuration of her home allows her to rent the upper level while she occupies the basement apartment during the Summer; it is the only way she can afford her home on Macy Lane.

**Miki Picinich** – The only way she can afford her house is to rent it 7 to 8 weeks a year. We need to build housing rather than taking someone’s second home; this is a land-use issue.

**Jamie Howarth** – He’s been a rental/sales agent on Nantucket for close to 20 years. In all those years, no vacation rental client has asked to rent in the mid-Island area. Land use is the issue. He’d like to see a metric on demand for rentals in areas like Essex Lane and Somerset Lane.

**Cathey Westbury** – Asked to consider some of the outlying areas. The only way she can pay her mortgage is to rent her home for the month of August; that pays for half the mortgage; from September to June, she rents to a school employee.

**Steven Cohen** – He finds everything the sponsors said was highly offensive; they are saying that people who work here use up services to support the rich people. There is no connection between STRs and whether or not people are for affordable housing. It is purported to be a bylaw but is clearly a zoning article since it creates a new land use. It is treating on and off-Islanders differently. This also sets up the situation where people who have more money can be in the STR business and people with less money can’t. When you limit the number of weeks, you drive up the value and premium on those weeks; and when you limit it to no less than 7 days, you’re killing your shoulder and wedding seasons.

**Susan O’Leary** – Asked if there was consideration to using the rental tax for building affordable housing.

**Kronau** – That’s Monday’s meeting.

**Lark Jacob** – Mr. Cohen hit many of her points. We help pay our mortgage by doing rentals. Homes are sold off to the mega rich who don’t have to rent, which creates a ghost community. People want to have some place to go for a longer time.

**Rich Atherton** – Hopes this leads to a continued dialogue and getting the necessary data. Thinks we should look into the allegations of loss of housing.

**Zack Porrini** – If these rental restrictions go into place, the sponsors should consider that the people they want to help will in fact be hurt by reducing the amount of people who come to the Island.

**Ron KoKot** – Many comments he would make were already made. It seems to him that ACK\*Now’s original goal, of preventing the pure 100% off-Island investor from buying houses, is frustrated when you lump in people like himself. The goal should be rethought through segmenting investors from people who rent their homes in order to afford it.

**Ryan Castle** – He’s with Cape and Island realtors. The bylaw should be clarified to be a zoning article since it regulates use of land and parking.

**Paul Flannigan** – The problem isn’t unique to Nantucket or Massachusetts. This attacks STR without sufficient data. Thinks this needs an independent study.

**Michael Barry** – Cited how much he spends on property care. Proposed a 1% increase to the rental tax to pay for affordable housing.

**Henry Sanford** – The Town has thoughtfully conceived an affordable housing plan; they need money, and this doesn’t help that. Agrees this isn’t a housing article. From a real estate sales

perspective, when someone can no longer afford their most valuable asset, they won't slide into affordable housing but will sell their home at the highest price. The sponsors aren't considering that. Feels ACK\*Now has not engaged the community. An independent study does need to be done.

**Kronau** – Asked if there is anything we should consider regarding this being a zoning bylaw.

**Giorgio** – We reviewed this bylaw proposal and we had extensive comments and concerns about the way it was originally drafted; that letter was provided to the FinCom and Select Board. We did not raise the zoning concern; we can provide an opinion on that if you wish.

**Kronau** – Closed the public comment portion at 5:50 p.m.

**Schaeffer** – He'd like to hear what the sponsors have to say after hearing the public opinions.

**Glidden** – We want this to be successful. He's heard a number of concerns they weren't aware of and looks forward to flushing all that out. The community is not reaching a consensus and it might be nice to step back.

Discussion on the motion not to adopt:

**Glidden** – Asked the FinCom's objective to not adopting without the sponsors having an opportunity to make changes.

**Kronau** – This is our second and very extensive hearing on this article. Also, FinCom members feel ready to make a motion without further information.

**Giorgio** – If FinCom votes not to adopt now, that doesn't preclude the petitioners from working on the bylaw and bringing it back to the FinCom. FinCom has to complete its votes by the end of March but could present a technical amendment at ATM. Voting not to adopt sends a message about this article.

**Roche** – It is her understanding that if we vote unfavorably, any one of us can reopen the discussion. Also, as it is written, she can't support it due to the number of failings in it. It needs to come from a place of neutrality; it too severely penalizes year-round residents working to keep their homes.

Motion **Motion Not to Adopt.** (made by: Grause) (seconded)

Roll-call Vote Carried 6-0//Grause, Vieth, Roche, Schaeffer, Harrington, and Kronau-aye

## **VI. NEXT MEETING DATE/ADJOURNMENT**

Date: Monday, March 8, 2021; 4:00 p.m.: affordable housing articles

Adjournment:

Motion **Motion to adjourn at 6:04 p.m.** (made by: Roche) (seconded)

Roll-call Vote Carried 7-0//Schaeffer, Harrington, Grause, Vieth, Roche, Maury, and Kronau-aye

Submitted by:

Terry L. Norton