Millinocket Housing Initiative

Improving living options to support community resurgence
Millinocket Housing Initiative

Initiative Goal: to support the community as it seeks to redevelop the former Great Northern Paper mill site to create jobs in the forest economy, and as it adapts to its new role in the Recreation Economy.

Ailish Keating, Project Manager, Millinocket Housing Initiative, Northern Forest Center
Who is the Northern Forest Center?

"The Center" founded in 1997 - three essential ingredients: thriving communities, healthy forests and innovative and resilient local economies.
The Town that Timber Built: 16% of the Nations News Print at Peak
Community Challenge – Millinocket - Housing built for 7,800 – 4,500 population
Challenging Housing Market – Low Median Sale Price and Low Volume
Surrounded by tremendous natural resources
Open Letter to the Town of Millinocket – Early 2015

• “I think Millinocket is pretty close to where you don’t have a critical mass of people capable of making trade-off decisions, capable of creating disappointment and living with it in order to serve a larger aim. If you don’t have that, you’re close to the point where the cost of running the town will outstrip any capacity to raise revenues to maintain it.” Charles Buki

• How Do You Respond?
  • Either you Dig Deep or
  • You give up and let nature take its course
Millinocket 2014 - 2017

2014
- Town Status Quo
- Founding of Our Katahdin

2015
- Open Letter to Town
- Library Shut Down
- Gary Allen read article – "I couldn’t Unread it"

2016
- 2016 - Friends of MML Reopened the Library on Volunteer time and Donations
- NFC – Millinocket Housing Initiative
- KWWNM Designation
- Matt Delaney New Library Director

2017
- Nothing had really changed
- OKI Struggle with Tax Lien
- Some real estate Benefit of KWWNM
- NFC Acquired & Renovated Homes
What Happened?

What Changed?

• 2014 Mothers pressured sons to start Our Katahdin
• 2015 (Fall) Gary Allen – Millinocket Marathon
• 2016 KWWNM Designation, some new foot traffic from improvement in perspective of real estate market
• 2017 Millinocket Housing Initiative Houses
• NFC Viewed the town real estate as not ready to bring in/attract/help retail new workers when opportunities eventually show up

• What had changed was the perception of the town and that some key partners believed in the town and in the area’s natural resources.
Millinocket Housing Initiative

Objective: Purchase and rehabilitate 10 homes in the downtown core in order to:

• Set a quality housing standard to encourage additional private investment in other downtown properties.

• Create housing opportunities to attract and retain young workers and families linked with other community revitalization.

• Leverage other Center programs – destination tourism, modern wood heat, wood products development.

• Increase the Center’s knowledge in this sector to inform other projects like this in other places.

• Re-sell upgraded properties in alignment with community revitalization objectives consistent with investment timeframes.
• **Entrepreneurial** – Respond to a market-based opportunity for the Center to test one of the core concepts outlined in our Community Revitalization strategy while delivering tangible benefits to the community.

• **Quality-focused** (versus affordability) – Address the need for quality housing – which is currently a more significant issue in Millinocket than affordability.

• **Flexible** – Retain freedom to develop properties strategically over time. If appropriate, we can transfer of property to a community or affordable housing trust as part of our exit strategy at a later date.

• **Clustered** – Acquire properties concentrated in neighborhoods directly adjacent to the downtown to provide walkability and create a critical mass of quality house to attract residents and encourage other property owners to invest in similar upgrades.

• **Risk Taking** – Acknowledge the risk and potentially significant publicity associated with this investment strategy, and mitigate negative exposure by learning from others’ experience and working through trusted local contacts and contractors.
MHI Operational Principles

• Focus on downtown core; walkability to Penobscot Ave
• Secure housing stock for local benefit using impact investing and other philanthropic support
• Improve energy efficiency and install wood heat systems where appropriate
• Provide quality rental options
• Utilize local contractors and job training programs for renovations
• Promote housing to future invested residents
What Happened Next?

- Picked six blighted homes in downtown highly visible assets for renovation and received a lot of publicity for that.
- Press validated the region, increase in second home sales.
- KWWNM designation highlighted potential for future growth in the region.
- Average sales prices increased, days on the market decreased.
26 Central Street
Before — After
Before — 175 Aroostook Ave — After
Before — 175 Aroostook Ave — After
56 Congress Street
Before — — After

56 Congress St
Before — 156 Congress — After
100 Katahdin Avenue
100 Katahdin Avenue – in process!
MHI Process – Business Model

**Capital In**
- Sustainable Forest Futures: organization subsidiary
- Subscription Agreement: terms, conditions
- Current status: $1 million secured – impact investment capital

**Capital Out**
- Purchase: 6 under ownership
- Renovations: 3 complete, 1 underway
- Exploring mixed use properties on Penobscot Ave.

**Decision Factors**
- Location and visibility – Community impact
- Quality and condition – Deferred maintenance
- Financial viability and exit strategy – Return on investment
Desired Outcome

Attract and retain motivated, entrepreneurial and civic-minded young people, families, entrepreneurs and others to Millinocket through a series of pilot initiatives that build on the forest economy and appeal to those seeking quality of life, community, and connection to the natural world.
Outcomes

Locations, overview of renovations, costs challenges and learnings

Impact of Renovations, New Tenants Attracted, Benefits to Town and Support from Media on Positive Story
### Millinocket & Penobscot County Data

#### The FY 2019 FMRs for All Bedroom Sizes

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency</th>
<th>One-Bedroom</th>
<th>Two-Bedroom</th>
<th>Three-Bedroom</th>
<th>Four-Bedroom</th>
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</thead>
<tbody>
<tr>
<td>FY 2019 FMR</td>
<td>$659</td>
<td>$662</td>
<td>$876</td>
<td>$1,098</td>
<td>$1,184</td>
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<tr>
<td>FY 2018 FMR</td>
<td>$630</td>
<td>$634</td>
<td>$825</td>
<td>$1,034</td>
<td>$1,124</td>
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</table>

#### MHI Stats
- 2-bedroom heat included $700
- 3-Bedroom – tenant pays wood pellet heat $790
- 1 Bedroom – heat included $460
- 3-bedroom house $575 – tenant pays utilities
- 2-bedroom house $750 – tenant pays utilities
- 4-bedroom house $900 tenant pays wood pellet heat

#### 6 Properties
1. 3-Family – 2 local, 1 New
2. 2-br house – Retired Military working
3. 2-Family – 2 New – 1 entrepreneur Family and 1 Fellow at MML
4. 3-br House – New relocated
5. 4-br House – Non-Profit that works with youth and outdoor sports in community
6. 3-Family (under Renovation)

#### Renovations
- Different Contractors for each job
- 3-9+ Months
  - $20,000-$250,000
- 3 Wood Pellet Boiler
- 1 Wood Pellet Stove
- 1 Mold Remediation
- 3 New Roofs
- Lots of TV Interviews –8-10?
- Hold Time 5-7 years to recoup investment
2017-2019
Updates, more positive news,

Our Katahdin $5.3m EDA Grant Award. Awarded reduced Tax Lien

Lots of Groups and Collaboration – OKI, NFC, Katahdin Collaborative, Chamber, KTP, KAT

2019 – current observations on the ground, second homes, Airbnb properties, still lack of fluid rental properties to attract new tenants, all NFC units occupied, other people starting to purchase and renovate homes.
## Millinocket Housing Market

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<tbody>
<tr>
<td><strong>Median Sold Price</strong></td>
<td>$25,000</td>
<td>$31,000</td>
<td>$36,298</td>
<td>$46,000</td>
<td>$55,000</td>
<td>$50,500</td>
<td>$51,250</td>
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<tr>
<td>Year over Year % Inc</td>
<td>24%</td>
<td>17%</td>
<td>27%</td>
<td>20%</td>
<td></td>
<td></td>
<td>1%</td>
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<tr>
<td><strong>Median Days On Mkt</strong></td>
<td>144</td>
<td>95</td>
<td>79</td>
<td>77</td>
<td>57</td>
<td>56</td>
<td>67</td>
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<tr>
<td><strong>Sold Volume $M</strong></td>
<td>$1.1m</td>
<td>$1.8m</td>
<td>$2.6m</td>
<td>$3.7m</td>
<td>$3.8m</td>
<td>$2.20</td>
<td>$1.80</td>
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<td><strong>Number Of Units</strong></td>
<td>33</td>
<td>44</td>
<td>54</td>
<td>63</td>
<td>58</td>
<td>34</td>
<td>32</td>
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Sept 2019 – Ripple effect

Other Contractors and People buying and renovating homes for renters

NFC Focus is on the now on the downtown commercial corridor

Theory was correct – did attract entrepreneurial tenants into town and have opened business.

CIRD Grant Received

Lots of Good Press

RTP trails grant underway with one tenant, grants for school improvement underway other tenant.

2 Tenants are retired military – back to work in area

1 tenant has three businesses underway and starting other
Opportunities

- Lots of options
- Low competition
- Town has Hospital, 2 schools
- Lots of natural resources
- Low barriers to entry
- Rents and rental market improving
- Still demand for good quality units
<table>
<thead>
<tr>
<th>Challenges</th>
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<tbody>
<tr>
<td>Contractors &amp; Trade People</td>
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<tr>
<td>Some not insured, not official</td>
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<tr>
<td>Cost estimates under - actual costs over,</td>
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<tr>
<td>Timing underestimated, actual time longer</td>
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<tr>
<td>Unforeseen issues – mold, new roofs</td>
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<tr>
<td>Renovation costs $20,000-250,000 per building</td>
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<td>Market still upside down on Multifamily properties</td>
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<tr>
<td>Extend exit strategy</td>
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Northern Forest Center

5,300 Jobs - The Center’s programs have benefited 5,300 jobs in wood products manufacturing, tourism and wood heat through direct business assistance and skills training initiatives.

255,562 Acres - The Center’s programs have helped conserve 255,562 acres of forestland for community benefit through the Community Forest program and forestland purchases financed through New Markets Tax Credits.

$204 Million Investment - The Center’s programs have helped to secure and leverage $204 million for projects that benefit the region’s communities, the economy and forest stewardship since 2005.