

Millinocket Housing Initiative

Improving living options to support community resurgence



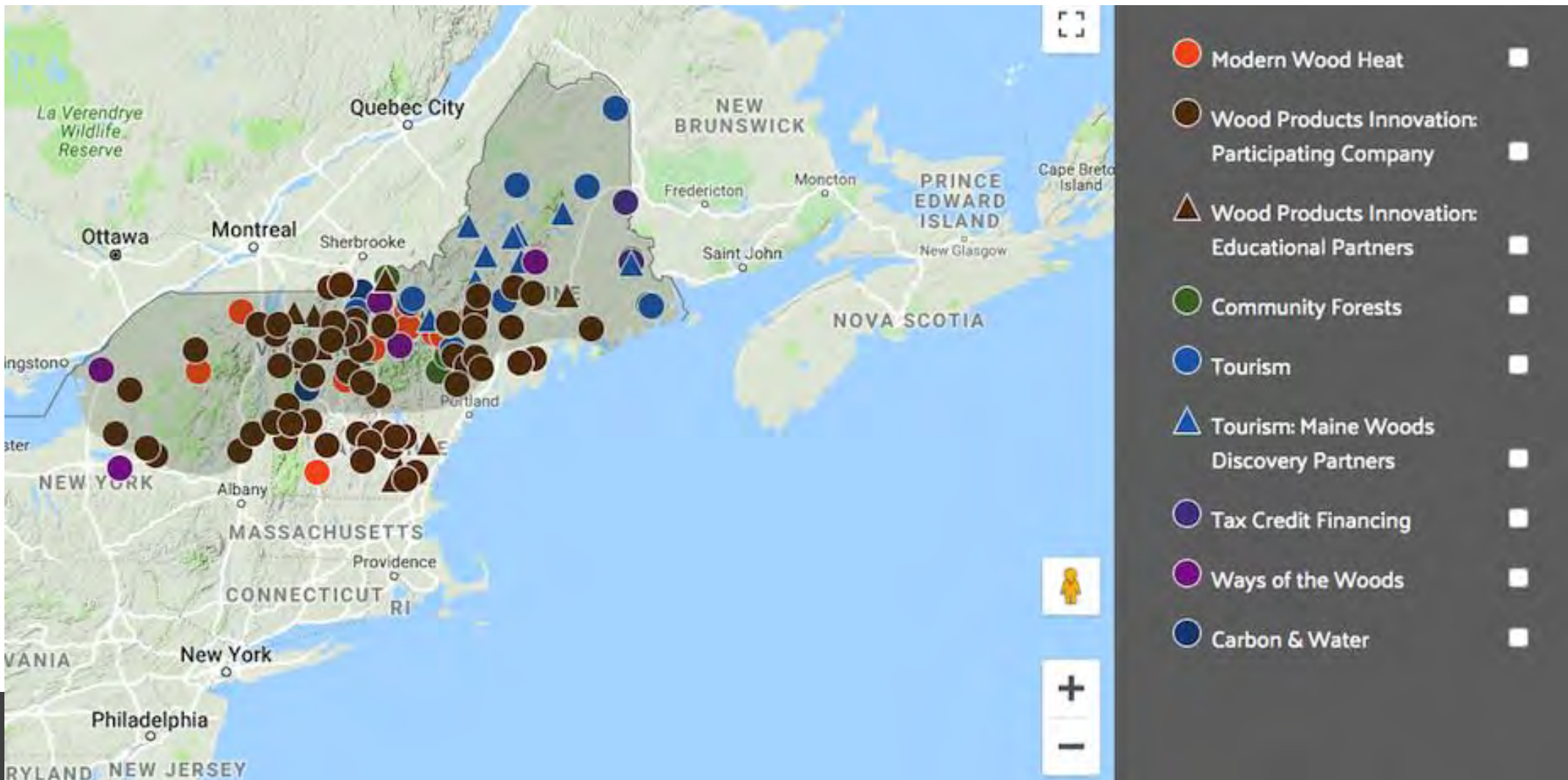
Millinocket Housing Initiative

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



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Who is the Northern Forest Center?

"The Center" founded in 1997 - three essential ingredients: thriving communities, healthy forests and innovative and resilient local economies.

Town History - Millinocket



**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**



**Sole Employer – Great
Northern Paper Mill
shut Millinocket Mill in
2008 and East
Millinocket in 2014**



**Surrounded by
tremendous natural
resources**

“It Takes a Village” First Identify the Problem

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

2016

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

2015

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

2017

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



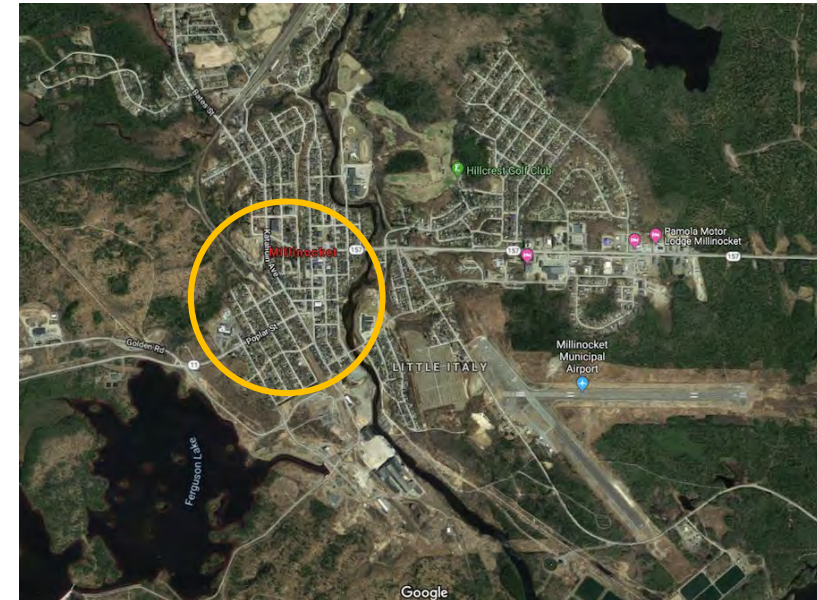
What Happened? What Changed?

- 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.



MHI Guiding Principles - Internal

- **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

To Baxter State Park

Millinocket, Maine

To Katahdin Woods & Water Nat'l Monument



#4 104 Oxford Street



#5 100 Katahdin Avenue







#2 9 Penobscot Avenue



#3 175 Aroostook Avenue



#1 26 Central Street

-  Millinocket Public Library
-  Granite Street Elementary School
-  Great Northern Paper Mill Site
-  Millinocket Regional Hospital



#6 56 Congress Street



26 Central
Street

Before — — After





Before —

— ***After***

175 Aroostook Avenue





Before —

— ***After***

175 Aroostook Ave



Before —

— ***After***

175 Aroostook Ave

56 Congress Street



Before — — After

56 Congress St





Before —

— ***After***

156 Congress

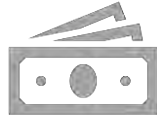
100
Katahdin
Avenue





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

Final FY 2019 FMRs By Unit Bedrooms					
Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2019 FMR	\$659	\$662	\$876	\$1,098	\$1,184
FY 2018 FMR	\$630	\$634	\$825	\$1,034	\$1,124

40th Percentile

FAIR MARKET RENTS FOR EXISTING HOUSING

October 1, 2018

Manuf

SRO Home Spaces DBR 1BR 2BR 3BR 4BR 5BR 6BR 7BR

METROPOLITAN FMR AREAS

Bangor HMFA	518	398	690	784	996	1248	1749	2011	2274	2536
Cumberland HMFA	590	428	786	826	1069	1416	1445	1662	1879	2095
Lewiston-Auburn MSA	494	366	659	712	915	1150	1460	1679	1898	2117
Penobscot HMFA	494	350	659	662	876	1098	1184	1362	1539	1717
Portland HMFA	742	555	989	1071	1387	1829	2198	2528	2857	3187
Sagadahoc HMFA	539	391	719	832	978	1295	1322	1520	1719	1917
York HMFA	613	433	817	874	1082	1365	1538	1769	1999	2230
York-Kittery-South Berwick HMFA	758	550	1011	1039	1374	1721	2413	2775	3137	3499

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

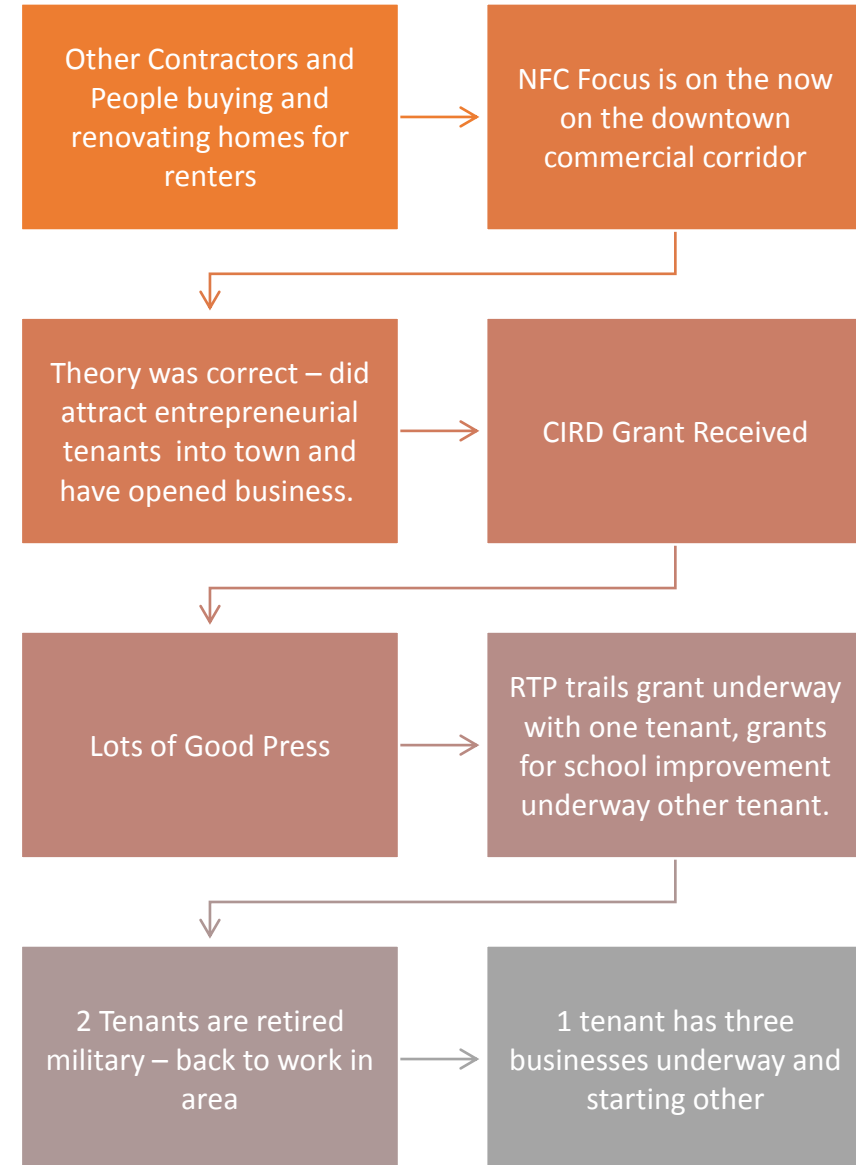
Lots of Groups and Collaboration – OKI, NFC, Katahdin Collaborative, Chamber, KTP, KAT

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

	2014	2015	2016	2017	2018	YTD 2018	ytd 2019
Median Sold Price	\$25,000	\$31,000	\$36,298	\$46,000	\$55,000	\$50,500	\$51,250
Year over Year % Inc -		24%	17%	27%	20%		1%
Median Days On Mkt	144	95	79	77	57	56	67
Sold Volume \$M	\$1.1m	\$1.8m	\$2.6m	\$3.7m	\$3.8m	\$2.20	\$1.80
Number Of Units	33	44	54	63	58	34	32

Sept 2019 – Ripple effect



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

Challenges

Contractors & Trade People

Some not insured, not official

Cost estimates under - actual costs over,

Timing underestimated, actual time longer

Unforeseen issues – mold, new roofs

Renovation costs \$20,000-250,000 per building

Market still upside down on Multifamily properties

Extend exit strategy



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.