

CITY OF SOMERVILLE, MASSACHUSETTS
SOMERVILLE AFFORDABLE HOUSING TRUST FUND
JOSEPH A. CURTATONE
MAYOR

Andrea Shapiro, Acting Managing Trustee

Trustees

Mary Cassesso
Michael Feloney
Kathryn Gallant
David Gibbs
Donna Haynes
Brielle Short
Councilor Kristen Strezo
Jessica Turner

Minutes

Thursday, September 9, 2021 Meeting – 5:15 pm

Trustees attending: Michael Feloney, Kathryn Gallant, David Gibbs, Donna Haynes, Andrea Shapiro, Kristen Strezo, Jessica Turner

Trustees not attending: Mary Cassesso, Brielle Short

Staff attending: Lisa Davidson, Paul Goldstein, Alan Inacio

Members of the public attending: Eliza Datta, E³ Development, Sam LaTronica, Somerville Community Corporation

Meeting started at 5:16 pm, with Andrea Shapiro serving in the role of chair person

1. Review and Approval of August 2021 Meeting Minutes

David Gibbs introduced a **motion** to approve the August meeting minutes, Mike Feloney seconded the motion. The motion **passed** unanimously by roll call vote at 5:17 pm

2. Continued Business

• **SCC request for supplemental subsidy funds (49 More Homes)**

Andrea Shapiro introduced Sam LaTronica, Real Estate Director for Somerville Community Corporation (SCC) and asked him to present the main points outlined in the memo he prepared in regard to SCC's request for additional subsidy from the Trust to enhance the affordability of three units in the 49 More Homes initiative.

Sam noted that the supplemental funding request had been discussed briefly at the August Trust meeting. Sam explained that during evaluation of the 100 Homes Program, SCC determined that three units from the 49 More Homes portfolio which had originally been designated as 80% AMI subsequently were changed to 50% AMI. However, the subsidy due to 50% AMI units under the initiative had not been allocated. As the change was initiated by prior SCC staff (as part of a permanent financing of multiple acquisitions provided through MassDevelopment), is consistent with the Trust's and City's goal of increasing the level of affordability when doing so is possible, and the source of funding for '49 More Homes' acquisitions has met all of its funding obligations, SCC was requesting an additional \$321,000 from the Trust to enhance affordability.

Donna Haynes asked for further information on how SCC came to the conclusion as to subsidy due on the three units in questions. Sam explained that the issue was identified as part of SCC's review of past transactions, which he had reexamined during the overall analysis of the 100 Homes Program. While prior staff initiated the change, actual funding to support it had not been sought and therefore hadn't been secured.

Andrea asked if there was additional money available from Federal Realty Investment Trust (FRIT), the party that had entered into agreement with the City to act as the funding source for the units. Mike clarified that FRIT had fulfilled its obligations under that agreement, and that enhanced affordability for the three units involved was initiated by SCC.

Katie Gallant asked if these were the only units in the 49 More Homes portfolio which would require additional subsidy. Sam replied that to date these three units were the only ones he has identified as requiring additional subsidy. Sam further noted that deepening the affordability of units, specifically those at 100% AMI, is something that can be revisited with regard to the 100 Homes portfolio.

Andrea thanked Sam for his time, and Trustees proceeded to deliberate on SCC's request.

Sam left the meeting at 5:31 pm

During deliberation some initial concern was expressed as to whether there was independent confirmation of the legitimacy of the request. Mike noted that once SCC called this particular issue to OSPCD's attention that Housing Grants Manager Lisa Davidson was able to verify SCC's findings through review of bond closing documents. Mike further noted that the current request is a retroactive one; its purpose is to catch up the units that have been operating at 50% AMI but were underwritten for 80%, so that in a real sense SCC is "owed" this subsidy.

David made a **motion** to vote in favor of SCC's request for additional subsidy. Donna seconded the motion, and the motion was **passed** unanimously by roll call vote.

- **Supplemental funding request for 31 Tufts Street (E³ Development)**

Andrea confirmed Trustees had a chance to review the memo Eliza Datta had provided on a supplemental funding request for the 31 Tufts Street project, and invited Eliza to present.

Eliza began by noting that she had provided a brief update on the status of the project and the financing gap E³ was facing as of the Trust's August meeting. Eliza noted that she has made progress with MassHousing and DHCD in terms of securing additional funding for the project. MassHousing has committed an additional \$500,000.

Discussions with DHCD have not produced an actual dollar figure in terms of a commitment yet, but E³ has received encouraging feedback on the likelihood of additional funds being available.

Eliza explained she framed her request to the Trust around what else was needed to close the funding gap, and that the request was presented as a range (\$500,000-\$750,000) due to the uncertainty of the amount of additional funding DHCD would provide. Eliza closed by stating that a commitment from the Trust within that range would allow the project to stay on track for closing and construction, with units being delivered in late 2022 or early 2023.

Board member questions and responses from Eliza included the following:

- *What assurances would there be that this would be the last time E³ would approach the Trust on this matter?* Eliza responded by noting that funding gaps like the one E³ is experiencing at 31 Tufts St. typically arise between the initial design and construction phases of the project. Eliza further noted that the plans have been advanced since the August meeting, and a contractor has been selected. E³'s goal is to use the contractor's input to make sure that material and other costs are accounted for, and to have updated and final prices within the next two months. Eliza emphasized she was confident that the amount she had requested from the Trust would cover those costs.

- *How much have costs increased due to the pandemic?* Eliza replied that the cost increase was fairly dramatic, with construction costs going from approximately \$250 a square foot to \$300/SF, a 20% increase. This is consistent with other recent projects' experience.
- *How many of the construction jobs for 31 Tufts St. would be union jobs?* Eliza replied that the contractor she hired, Bald Hill Builders, was a woman owned company, but she can't know at this point of the number of union subcontractors that may win bids for the work. Eliza hoped to have an answer to that question by the fall.
- *What would E³'s expanded equity contribution to the project entail?* Eliza responded that E³ is increasing its equity contribution by 50% for, and also noted that her development fee was significantly lower than the amount typically funded for projects of this kind.
- *Has E³ had other projects which had experienced similar funding gaps?* Eliza noted that E³ has a project in Attleboro which now has a funding gap of two million dollars.
- *Clarification was requested about the line items of funding sources presented in the memo, which showed the MassHousing Workforce funding actually decreasing.* Eliza responded by noting that the initial proposal included 10 units at 100% AMI, but the decision was made to go forward with more 80% AMI units, thus making the project ineligible for the initial amount of Workforce funding.

Andrea thanked Eliza for her presentation, and Trustees proceeded to deliberate on her request for additional funding for 31 Tufts St.

Eliza left the meeting at 6:00 pm

Deliberation included the following questions and discussion by Trustees and staff:

- *Housing Division staff were asked about existing City commitments for 31 Tufts St.* Mike noted that there has not been any HOME or CDBG funding committed to the project as of yet, and that the City's main contribution was to sell the parcel to E³ at a fairly nominal cost, substantially below market value. Mike further noted that Lisa Davidson has been researching the possible use of HOME funds for 31 Tufts St. Alan Inacio confirmed Mike's understanding that CDBG funds, would not be an eligible source for new development it would most likely not be eligible for CDBG funds.
- Trustees asked if they should consider this funding request after confirming the availability of HOME funds. Mike responded that the environmental review requirements for those funds could present obstacles in relation to the project's timeline, but noted a more concrete answer on that is warranted. Mike further noted that E³ would like to be able to approach DHCD with a local commitment in hand in order to advance negotiations for additional State funds.

Mike suggested one way the Trust can approach this request so that E³ is able to continue engaging DHCD on additional funding is for the Trust to commit up to the minimum amount requested with the precise amount dependent on what is needed once additional funding sources (HOME, DHCD) have been confirmed. Mike expressed that neither the City or Trust would want to commit more local resources than necessary, and any funding exceeding \$500,000 could come from sources other than the Trust.

After discussion of how to best word a motion to reflect the goal of committing additional Trust resources to 31 Tufts St contingent on other sources of funding being pursued, the following **motion** was put forward:

The Trust is prepared to provide up to \$500,000 in supplemental funding with the conditions that the Trust will only fund up to the amount needed to close any remaining funding gap after additional State and City funds are pursued. The motion **passed** by roll call vote, with Kristen Strezo abstaining.

3. *Communications*

- **Powers & Sullivan FY18 and FY19 financial review (Director of Administration and Finance, Alan Inacio)**

Andrea introduced Alan Inacio, Director of Administration and Finance for OSPCD, to share the completed financial review for the 2018 and 2019 fiscal years conducted by Powers & Sullivan. Alan began by noting that these financial reviews must be done in sequential order, and as such skipping a year to get to the most current time period is not possible. Alan explained that the Trust's aggregate balances are audited annually and reconciled through the City's annual audit. The financial review being shared today is a deeper review of transactions which have been tested to make sure they met City standards.

Alan continued, noting that various Trust revenue sources and expenses were tested by Powers & Sullivan, including selected loan transactions and mitigation revenue. The testing yielded no findings, and the only other item of note Alan brought up from the review was that the City incurred no financial loss with the Wheatland Street transaction (described in the review).

Trustees had no questions, and thanked Alan for presenting the review.

- **Trust staff salary contribution**

Alan gave a brief overview of the memo outlining the FY22 contribution from the Trust to staff salary, with Mike noting that the memo's purpose is to notify Trustees about the previously agreed upon yearly staff salary contribution. Alan noted the 10% contribution rate remained the same, but the position had been regraded leading to a higher base salary, and subsequently the dollar amount of the contribution would be higher than the previous year.

- **Updates on FY21 Contracts, Home Rule Petition, Strategic Visioning, and Board Reappointments**

- **Contracts.** Paul updated Trustees on the status of contracts for FY21 CPA awards, and noted Housing Division staff is currently reviewing 6 of the 7 contracts received back from vendors before routing them through City Hall for additional signatures.
- **Home Rule Petition.** Paul noted there was not much new information to report, other than that the Mayor's legislative liaison had passed along contact information for the chairs of the Committee on Housing and noted Trustees were welcome to reach out directly. Paul offered to draft a letter on behalf of the Trust which could be sent directly to the chair persons.

Andrea asked if Trustees' were would like to submit a letter in an effort to help push the Committee to take action regarding the HRP, and noted that inaction to date has hindered the ability of the Trust to implement programs which would benefit those hit hardest by the pandemic. Mike brought up that in the past a letter was sent from the Managing Trustee to convey support for the, and suggested that correspondence as a template for drafting a new letter. Jess voiced her support for pressing the Committee to act on the HRP, noting that the housing instability brought on the pandemic seemed to be a perfect reason to push the HRP through, and that rental assistance, which she is need of, is a crucial component of housing assistance programs and anything that can be done to streamline that assistance would be beneficial to those in need.

- **Strategic Visioning.** Paul noted that once feedback from the City's Purchasing Department had been incorporated into the draft of the Request for Price Quotations for Services, the document would be ready to be distributed to a list of consultants to solicit quotes. Mike followed up Paul's update noting that in the past, Housing staff had shared

a draft document with Trustees and asked for feedback by a certain date if it the document was to be made public prior to the next Trust meeting.

Andrea noted her hope that there would be a resolution to the HRP before the next Strategic Visioning, but did not want the effort to be impeded further. Andrea asked staff if Jenn Goldson had any suggestions on that issue. Mike noted that wasn't raised with Jenn, but staff could follow up on that point. Mike went on to note the timeline suggested by Jenn was 6 months, and hoped that the HRP would be resolved within that period. Andrea asked if there would be multiple proposals to evaluate. Mike responded noting that would depend on how many responses were received once the Request for Price Quotations for Services is issued. Mike further noted that it is his understanding that Jenn is one of only a limited number of consultants who handles this specific type of project. Trustees discussed how many consultants should receive the solicitation for quotes, and also discussed whether the HRP should be included in the Strategic Visioning plan. Trustees agreed that the HRP was a vital component to Strategic Visioning, and asked staff to follow up with Jenn on including the HRP despite its unresolved status.

- **Board Reappointments.** Mike noted that he had continued to seek updates on the status of reappointing Trustees not already in the queue to move forward. Efforts to date have not yielded any results. Mike noted that other boards and commissions who have outstanding quorum issues are being dealt with first, and continued by noting he has expressed the Trust's concerns to OSPCD Executive Director George Proakis about the issue of a quorum and that Trustees are eager to move forward with the reappointment process. Mike reiterated to Trustees that despite the lack of progress, all Trustees are still serving in good standing as hold overs regardless of their terms expiring, and that the reappointment process for Mary Cassesso and Donna had begun. Mike noted that Trustees could reach out directly to George with further questions on the matter, and Trustees indicated they will do that in the near future.

4. *New Business*

Financial report(s) review (CPA Account and Non CPA Account, July, 2021)

Paul presented financial reports of the Trust's CPA and non-CPA accounts for the month of July. Paul noted that there was relatively little activity for both accounts during July, due to the City's financial tracking system being closed for the transition to the new fiscal year. Paul did point out that each account had a transfer of expenses to the City's general fund.

Andrea made a **motion** to accept the financial reports, which was seconded by David, and **passed** unanimously by roll call vote.

6. *Announcements*

There were no announcements.

7. *Adjournment*

The meeting was adjourned at 7:10 pm.

Next Meeting Date-The next meeting date will be October 14, 2021 at 5:15pm. It will be held remotely using Zoom. Instructions to join the meeting will be provided on the meeting agenda posted at City Hall and on the City's website

Documents distributed:

- Updated CPA and Non CPA Trust Financial Reports (July, 2021)
- August Meeting Minutes Draft
- Powers & Sullivan FY18 and FY19 Financial Review
- FY22 Staff Salary Contribution Memo
- Memo from SCC on an additional subsidy request for 49 More Homes
- Memo from E3 Development on an additional funding request for 31 Tufts St.