

# Somerville Affordable Housing Trust Fund

## Semi-annual Community Preservation Act Progress Report

Presented to Somerville Community Preservation Committee November, 2017

### Background

Somerville's Affordable Housing Trust Fund (known alternately as The Trust and SAHTF) is pleased to provide this semi-annual update on Trust-funded activities.

As the Trust provides an update twice yearly, we have begun to include general background information on Trust operations as a report attachment rather than in the body of this update itself. Doing so is intended to focus on actual update information, rather than background with which most members may already be familiar. At the same time, Trustees are aware that CPC terms are limited, and that there will be some committee turnover each year; with this in mind, below is some basic background information, with further information to be found in Exhibit 1: General Background Information.

The Community Preservation Act allows communities to allocate funding to the community's Affordable Housing Trust Fund (AHTF). The Somerville Community Preservation Committee (CPC) has designated the Trust to administer CPA Community Housing funds.

### Summary of FY18 Somerville Affordable Housing Trust Funds

CPA revenue for the AHTF:

An allocation of \$1,179,522\* is expected to be recommended by the CPC to the Trust for FY18. This amount includes:

- \$893,020: 45% of estimated FY18 revenue (this amount will not be final until the actual state match is received, which is expected on November 15, 2017).
- \$286,502: 45% of FY17 revenue that exceeded the CPC's revenue estimate at the time of the January 2017 appropriation to the Trust, which brings the total FY17 Housing appropriation to 45% of total FY17 CPA revenue. The additional FY17 CPA revenue includes a \$500,000 city appropriation made in June 2017 and \$136,670 in surcharge and interest revenue that exceeded original estimates.

\*The CPC subsequently voted in November, 2017 to recommend an FY18 CPA Housing appropriation to the Trust of \$1,200,402, which included a slightly higher state match than had been budgeted.

FY18 non-CPA revenue for the AHTF:

Expected non-CPA revenue sources for FY18 are summarized on the next page in Table 1. The linkage payment will mark the third of five annual payments being made by Partners Healthcare in association with construction of its administrative offices located at Assembly Square.

Table 1 – FY17 AHTF Non-CPA Revenue

<b>FY17 (projected) AHTF Non-CPA Revenue Sources</b>	
Linkage	\$869,625
Inclusionary – Fractional payments	-
Loan repayments	\$43,175
<b>Total Non-CPA Projected Revenue</b>	<b>\$912,800</b>

AHTF funds leverage additional federal, state and local funding as a part of most project and program budgets to create deeper and broader affordability when eligible uses and priorities of sources are aligned. These additional sources of funds include HOME, HUD Continuum of Care and others.

### **Summary of FY17 funding requests**

#### **Housing Development requests**

As reported in April, 2017, two housing development project requests were received in response to a Request for Proposals for CPA funds that was issued by the Trust in third quarter FY17. Trustees and other stakeholders have identified the 100 Homes and Clarendon Hill projects as two significant opportunities that will yield a substantial impact on the supply of affordable housing in Somerville. In order to capture the benefits of current market conditions in relation to real estate development financing, Trustees are preparing a recommendation for consideration at the CPC’s November 14, 2017 meeting for bonding CPA funds in support of these two projects.

- The Somerville Community Corporation (SCC) requested funds for acquisition and rehabilitation to create 17 scattered site affordable units. To date, the Trust has responded to this request with a partial award totaling \$750,000 of CPA funds and \$750,000 of other non-CPA Trust funds. This award was made with the expectation that necessary funding will be provided in the near future to sustain continued work toward the 100 Homes goal.
- The Somerville Housing Authority, working with Preservation of Affordable Housing and SCC, requested funds for replacement of 73 deeply affordable public housing units, and the creation of 20 new affordable workforce units. The SHC project will draw from multiple subsidy sources to replace all existing affordable units with upgraded apartments, providing temporary relocation with option for all current residents to return, and the creation of a mixed-income community in a development where currently all residents are segregated from the broader community according to their income level. Given the complexity of this project, SAHT reviewed analysis of project sources, uses and subsidy needed to meet affordability goals.

Since the formal submission of these requests, issues considered by the Trust as a part of its review have included: the availability of Trust funds for possible new opportunities; the desire to leverage all other possible funding sources to support the projects; the development timeline and progression to date of each project, and how these projects fit into priorities and challenges of the City as a whole. Vehicles for supplying CPA and Trust funds have included both direct awards and generating additional funds through a bonding request. Trustees’ deliberations have been informed by feedback from City OSPCD staff and the CPC itself (at the CPC’s August 2017 meeting), outside review by a third-party housing

development consultant, and by responses to requests from the Trust to each development team for supplemental analysis of suggested project changes and financing alternatives.

### Housing Program requests

As noted in the April semi-annual report from the Trust to the CPC, the Trust approved three housing program requests for CPA funds in 2017. Table 2 below summarizes housing program-related requests.

Table 2 – Housing Program Requests

Program Funding Requests				
Program	Applicant	Request	Funded	Purpose
Leasing Differential Program	Somerville Homeless Coalition (SHC)	\$57,825	\$57,825	<p>This award will provide rental assistance for formerly homeless people living in 17 rental units at scattered sites throughout Somerville, leased by SHC and sublet to homeless and disabled Somerville residents. The 17 formerly homeless Somerville households encompasses 21 individuals.</p> <p>Most clients have incomes below 30% AMI. Nine of the clients qualify as chronically homeless people as defined by HUD. Clients include families and individuals with disabilities. All beneficiaries are Somerville residents.</p>
PASS 3: Prevention-and-Stabilization-Services Housing Program (expansion)	Somerville Homeless Coalition (SHC)	\$93,728	\$93,728	<p>This award will provide rental subsidy to 6 Somerville households at risk of homelessness, or in transition out of emergency shelter system into permanent housing. Case management is also provided using other sources. (CPA funds will pay for \$85,000 in client rental subsidies and \$8,728 in administrative costs).</p>

<b>Program Funding Requests (continued)</b>				
<b>Program</b>	<b>Applicant</b>	<b>Request</b>	<b>Funded</b>	<b>Purpose</b>
(continued) PASS 3: Prevention- and- Stabilization- Services Housing Program (expansion)	Somerville Homeless Coalition (SHC)		See above	(continued from previous page) Generally, households to be served will have incomes at or below 60% AMI. SHC requests flexibility to serve households up to 100% AMI should such households apply and meet all other eligibility criteria. The program is designed to work with Somerville residents experiencing a housing crisis (for instance burdensome rental increases and/or losses in income) to allow them to remain in the City. The contract will include award of \$89,250 from FY15 together with this award from FY17.
ShortStop	Wayside Youth and Family Support Network	\$25,000	\$25,000	This award will address a gap in support for building lease costs at 116-118 North St. and 10 High St. The buildings house the ShortStop program which provides transitional housing and case management services to 9 homeless young adults to support development of client self-sufficiency. Average annual subsidy per person is \$2,778. Participants are extremely low- and low-income. The program prioritizes serving youth and young adults from Somerville.

### CPA Allocations to the Affordable Housing Trust Fund

Prior fiscal years' CPA revenue designated for housing is summarized below in Table 3, CPA Allocations by Fiscal Year.

Table 3 – CPA Allocations by Fiscal Year

CPA Funding allocated to Trust for Affordable Housing	Appropriation Amount
FY14 + FY15	\$2,800,784
FY16	\$1,239,919
FY17	\$880,415
FY18 (updated)	\$1,200,402
Total CPA	6,100,640

### Updates on Ongoing Projects and Programs previously funded from FY14-FY16 CPA allocations from the CPC

Table 4 – Project Updates

Ongoing Project Update									
Project	Applicant	Funded	Committed	Disbursed	Update	Ward	# new units/ # HH	Mixed use	TOD
<b>Mystic Waterworks (acquisition loan)</b>	Somerville Housing Authority	\$507,000	\$507,000	\$456,300	Construction is complete. 25 units are ready for occupancy by elderly and disabled households. Waitlist applications are available from SHA. As of 10/31, 193 applications have been received.	7	25	N	Y
<b>100 Homes FY15 and FY16 (small site acquisition loans)</b>	Somerville Community Corporation	\$2,400,000	\$2,400,000	\$2,400,000	Funds generally are expended property-by-property, upon permanent loan closings. On 9/8/17, acquisition of two additional 100 Homes properties was completed. These properties will contain 5 additional affordable units. With additional closing on properties that are under partial agreement, 100 Homes is on the verge of reaching a count of 45 new affordable units.	NA	20	N	*
<b>163 Glen St.</b>	Somerville Community Corporation	\$915,000	\$915,000	\$915,000	Construction loan has closed for 8 affordable units. Construction is proceeding. Full occupancy is targeted for June, 2018.	1	8	N	Y

\*varied

Table 5 – Program Updates

Ongoing Program Update									
Program	Applicant	Funded	Committed	Disbursed	Update	Ward	# new units/ # HH	Mixed use	TOD
<b>Better Homes FY15 (rent assistance program grant)</b>	Somerville Homeless Coalition	\$35,820	\$35,820	\$35,820	Funding filled the gap between HUD Fair Market Rent reimbursements and actual market rents at 17 scattered-site apartments leased by SHC. Provided housing for 17 formerly homeless and disabled Somerville households. 22 people (3 families and 14 individuals) were served. Nine (9) qualify as chronically homeless people as defined by HUD. \$35,820 invoice is in processing.		17	NA	NA
<b>Better Homes FY16 (rent assistance program grant)</b>	Somerville Homeless Coalition	\$56,868	\$56,868		SHC was able to renew leases for the 17 apartments and continue to provide housing for these households throughout the year. The contract for this work is in production, with disbursement to follow execution.		17	NA	NA
<b>Short Stop Self-Sufficiency FY16 (housing program grant)</b>	Wayside	\$26,107	\$26,107		Over the course of year from 1/1/15 to 12/31/16, Shortstop served 18 young adults. Of 9 youth who exited the program, 7 are living independently, 1 left the program for other opportunities and 1 began 4-year college, living on campus. Educational stability after exit as well as during program participation has increased.	7	9	NA	NA

Other information requested on projects previously funded follows below.

Table 6 – Project Information

PROJECTS AWARDED CPA FUNDING	BR MIX	UNITS BY AMI LEVELS					TOTAL UNITS	TYPE
		<30%	<50%	<80%	<100%	<110%		
SHA Waterworks	25 1BR	5	20				25	rental
163 Glen St.	7 2BR, 1 3BR			4	2	2	8	ownership
100 Homes								
Homeownership - 29 Jackson Rd.	1 2BR 1 5BR			1	1		2	ownership
Rental – all other units	7 1BR, 5 2BR 6 3BR		10	2	6		18	rental
TOTAL BY % AMI		5	30	7	9	2	53	

Other information requested on projects being considered for funding follows below.

Table 7, Other Project Information

PROJECTS PROPOSED FOR CPA FUNDING		<30%	<50%	<80%	<100%	<110%	Total	
Clarendon (cont'd)	3BR	2	0	4				rental
	total	24	0	49			73	
100 Homes	Future 100 Homes bedroom mix and affordability will be determined by site selection and acquisition constraints. Units to date are representative of program goals.							

### Affordable Housing Trends

The Housing Division works with the City of Somerville Planning and Zoning Division to commission a housing needs assessment (HNA) at least every 5 years, as required under the City's inclusionary zoning ordinance. The most recent assessment was completed by LDS Consulting Group in December, 2015. Information on housing trends in Somerville as of that time is excerpted below.

- % of housing stock that is affordable
  - 9.69%
- Total number of affordable units (disaggregated by % of AMI)

- 3,178 rental (voucher: 1,217; 30%: 2,583; 50%: 140; 60%: 289; 80%: 54) 112 ownership (80%: 77; 110%: 35)
- % of households who are rent burdened
  - 38.7% (8,114/20,947)
- % of households who are severely rent burdened
  - 17.8% (3,722/20,947)
- % of households who are cost burdened
  - 38.7% (4,318/11,239)
- % of households who are severely cost burdened
  - 19.0% (2,134/11,239)
- # of affordable units expiring in the next five years
  - Between 279 and 285
- SCC average wait time
  - 3-5 years
- # of homeless individuals in Somerville
  - 6 unsheltered; 152 sheltered

## CPA Stories

Since the Trust's last semi-annual report to the CPC, construction has been completed on 25 new deeply affordable CPA-funded housing units for low- and extremely low-income households including disabled, elderly and formerly homeless residents at the Waterworks project. One hundred and ninety-three applications were received by the Somerville Housing Authority (SHA) before final certificate of occupancy was complete, with a growing waitlist as applications from elderly and disabled households continue to be accepted.

The effort to bring the Waterworks project to this point required both collaboration among SHA, the City's Office of Strategic Planning and Community Development (Housing Division and Planning and Zoning Division), the Trust and the CPC. The spring 2017 report from the Trust to the CPC did not provide detail about the City's investment totaling \$1,750,000 through combination of sources, including:

- \$507,000 in CPA Housing Funds administered by SAHTF
- \$500,000 in HUD HOME administered by the Housing Division
- \$300,000 in HUD CDBG administered by OSPCD
- \$243,000 Historic CPA administered by the Community Preservation Committee
- \$200,000 in non-CPA Somerville Affordable Housing Trust Funds (SAHTF).

The project was possible through collaboration among other partners as well, including the Commonwealth of MA which allocated both Low Income Housing Tax Credits that are critical to most affordable housing efforts, and Historic Tax Credits. Beyond those commitments, the Commonwealth essentially contributed the building itself – charging a dollar for acquisition of the former Waterworks.

CPA funding has also successfully created additional affordable housing units through the 100 Homes initiative since the last Trust report to the CPC. Illustrations of the impacts of these new units include a long standing Somerville family with a mobile Section 8 voucher issued by the Somerville Housing Authority, who was at risk of losing their voucher because they could not find a willing landlord to accept it. Because of CPA funding supporting acquisition of 100 Homes scattered-site apartments, the family is able to stay in Somerville in one of three affordable units on Cross Street, and enabling their children to remain in Somerville schools.

Housing pressures can lead to homelessness for some households, demonstrated by the demand for the most affordable 100 Homes units created to date, on Sydney Street and on Alewife Brook Parkway. CPA funds along with \$600,000 of state resources have enabled SCC to acquire and renovate five units of housing dedicated for very low income, homeless and at risk families to be able to live in their own apartments, rather than in shelters. Close to 2,000 families have applied for these permanent, supportive housing opportunities. Project-based Massachusetts Rental Vouchers paired with supportive services provided by the Somerville Homeless Coalition will provide these families with needed housing stability.

As of the preparation of this report, SCC acquired a 16-unit property located on Broadway. Tenants who faced eviction including a resident who has lived there for 51 years will remain in their homes. Existing tenancies have been preserved in two of the three new permanently affordable 100 Homes units on Grant Street, where occupants are families who had emigrated to the U.S. and Somerville. Three households that reside in units on Marshall Street also have been provided housing stability with rents that will remain affordable to their monthly income. Two more units that are part of this property will offer affordable housing to other Somerville households. Acquisition by SCC was virtually the only way the units could be preserved as affordable when the property was sold. Otherwise, these households would struggle in a housing market with few options beyond market rate.

The units described above, along with other units at Jackson Road and Illinois Avenue, have brought the number of affordable units created by the 100 Homes program with CPA funding to 45.

### **Lessons Learned, Looking Ahead**

The Trust with support of the CPC is pursuing options to expanding the program's rate of activity through bonding CPA Housing resources. A request to the Board of Aldermen will be adjusted according to project readiness and need and presented at an upcoming meeting.

The Trust is also continuing work in areas previously identified:

- Exploring more affordable property insurance (vacant property insurance is very costly).
- Considering further homeownership options.
- Formation of a local lending consortium around the 100 Homes Consortium.

Staff and trustees and will continue outreach to housing program providers and developers of affordable housing to identify new opportunities.

# Somerville Affordable Housing Trust Fund

## Semi-annual Community Preservation Act Progress Report

### Exhibit 1: General Background Information

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The City of Somerville Community Preservation Committee has designated the Somerville Affordable Housing Trust Fund (SAHTF or Trust) to administer Community Preservation Act (CPA) Community Housing funds. The Trust was created in 1989 by city ordinance, and its first programs began in 1991. Its purpose is to preserve and create affordable rental and homeownership units in Somerville and carry out programs to assist homeowners and renters directly. All of its activities must benefit low and moderate-income households (with incomes at or below 110% of area median income).

The Trust was initially capitalized by a \$400,000 allocation of municipal funds and federal program income. All linkage fees from commercial development in Somerville are administered by the Trust, as are payments made in lieu of units pursuant to the city's Inclusionary Zoning Ordinance. Repayment of loans provided by the Trust to affordable housing developers, first time homebuyers and renters receiving security deposit, arrearage or other loans are reinvested by the Trust into new affordable housing projects and programs.

The projects and programs receiving CPA funds must constitute a CPA allowable spending purpose as defined by the state Department of Revenue. CPA Community Housing eligible uses include the following five categories:

- *Acquisition* – to obtain property interest by gift, purchase, devise, grant, rental, rental purchase, lease or otherwise. Eminent domain takings only as provided by G.L. c.44B.
- *Creation* - to bring into being, cause to exist.
- *Preservation* - protect personal or real property from injury, harm or destruction.
- *Support* - provide grants, loans, rental assistance, security deposits, interest-rate write downs or other forms of assistance directly to individuals and families eligible for community housing or to an entity that owns, operates or manages such housing for the purpose of making housing affordable.
- *Rehabilitation and Restoration* – eligible if property was acquired or created with CPA funds. Capital improvements to comply with federal, state or local building or access codes or federal standards for rehabilitation of historic purposes.

### Priorities and Criteria

Housing developed with CPA funds may be offered to those persons and families whose annual income is less than 100% of the area-wide median income, as determined by HUD. The following priorities apply when CPA funds are allocated by the Trust:

- Preserve or increase the supply of affordable housing in Somerville.
- Mitigate displacement of low-to-moderate income households.

The following criteria are used when the Trust considers project- and program-funding requests:

- Demonstrated capacity to carry out the project/program and ability to continue the project/program beyond the funding period.
- Preference for non-profit applicants. If two non-profits propose similar projects/programs, Trustees assess the need within the community (i.e., is the need great enough to support the work of two agencies?).
- Preference for agencies based in Somerville.
- Viable development/program budget and secure funding status, with ability to leverage other funding.
- Ability to document a measurable impact.
- Development projects and housing programs that foster SomerVision goals and other City plans, including those of the Community Preservation Committee.

In addition, the Declaration of Trust for the AHTF requires that:

- at least 20% of the trust funds must serve households with incomes between 0-50% of median
- at least 20% must serve households with incomes between 51-80% of median
- at least 10% must serve households with incomes between 81-110% of median.

Fifty percent (50%) of Trust funds are discretionary and can be allocated over these three target income categories. The Trust regularly reviews its allocation of funds by income category to ensure that the income requirements of the Trust are met. The Trust encourages deeper affordability where possible, to the extent it is consistent with project feasibility. Many housing development loans and grant-funded programs serve households with incomes below 30% of AMI. The Trust also seeks to encourage projects and programs that serve homeless households. Trustees also require a commitment to the preservation of affordability in perpetuity.

For more information about the Trust, contact the City of Somerville Office of Strategic Planning and Community Development, Housing Division.