

Somerville Affordable Housing Trust Fund

Bi-annual Community Preservation Act Progress Report

Presented to Somerville Community Preservation Committee May 24, 2017

FY17 Affordable Housing Funding

In FY17, \$880,416 in CPA funds was appropriated to the Somerville Affordable Housing Trust Fund (AHTF or Trust). The Community Preservation Act allows communities to allocate funding to the community's Affordable Housing Trust Fund. Somerville's Affordable Housing Trust has 25 years of experience preserving and creating affordable housing units and supporting programs to assist homeowners and renters; the CPC has designated the Trust to administer CPA Community Housing funds.

Projects and programs 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?). There also is a 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.

Fiscal Year 2017 revenue for the AHTF

Non-CPA revenue sources for FY17 are summarized below. The linkage payment represents the second of five annual payments being made by Partners Healthcare in association with construction of its administrative offices located at Assembly Square.

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

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.

Current year funding requests

Two housing development project requests were received by the February deadline, in response to a Request for Proposals issued for project and program requests. Four housing program requests were received. (One of the four housing program requests was determined to be for an ineligible CPA use.) The Trust typically considers requests over the course of two meetings. Given the size and complexity of the two project requests received for FY17 funds, SAHT requested additional analysis be prepared.

Table 1 below summarizes project requests.

Table 1 – Project Requests

Project Funding Requests				
Project	Applicant	Request	Funded	Purpose
100 Homes	Somerville Community Corporation (SCC)	\$2 million, with a request to consider bond issuance for part or all of the request.	To be determined (TBD)	For acquisition and rehabilitation of 17 units (6 1BR, 8 2BR, 3 3BR); rental and possible homeownership after 3-5 years. Five (5) units for below 80% AMI, and 12 units between 80% and 100% AMI. To date, SCC has completed acquisition 20 units, or 1/5 of the program goal, using the first two installments of CPA funds. The objective noted above contemplates up-front funding of the request, versus bond issuance.
Clarendon Hill Apartments, 28 North St.	Preservation of Affordable Housing (POAH) and SCC	\$2 million, with a request to consider bond issuance for part or all of this request.	TBD	Request is to help fund new construction of 73 units of low- and extremely low-income rental housing, plus 20 units of "workforce" (<100%AMI) housing. Current program is for 45 2BR units and 4 3BR units w/ rents below 60% AMI, and 22 2BR and 2 3BR w/rents below 30% AMI. Current request is for the first phase of the. Developer would plan to return with an additional funding request for subsequent phase(s).

Table 2 below summarizes program-related requests.

Table 2 – Program Requests

Program Funding Requests				
Program	Applicant	Request	Funded	Purpose
Leasing Differential Program	Somerville Homeless Coalition (SHC)	\$41,976	TBD	<p>Request is for 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> <p>Average annual subsidy per person is \$1,999.</p>
PASS 3: Prevention-and-Stabilization-Services Housing Program (expansion)	Somerville Homeless Coalition (SHC)	\$93,728	TBD	<p>Rental subsidy for 6 Somerville households at risk of homelessness, or in transition out of emergency shelter system into permanent housing. Case management is also provided as part of the program using other sources of financial support. (CPA funds would pay for \$85,000 in client rental subsidies and \$8,728 in administrative costs). Proposed term is 7/1/17-6/30/18. Average annual subsidy per person is \$14,166.</p>

Program Funding Requests (continued)				
Program	Applicant	Request	Funded	Purpose
(continued) PASS 3: Prevention- and- Stabilization- Services Housing Program (expansion)	Somerville Homeless Coalition (SHC)		TBD	(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.
ShortStop	Wayside Youth and Family Support Network	\$25,000	TBD	Request is to address 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.
FOCUS	Maloney Properties w/ The Home for Little Wanderers	\$46,000	Ineligible use – not considered, beyond eligibility determination.	Payment for staff to conduct workshops and coaching for formerly homeless youth who have aged-out of foster care. Proposal has been determined an ineligible use for CPA funds.

CPA Allocations to the Affordable Housing Trust Fund

Prior and current fiscal year CPA revenue designated for housing is summarized below in Table 3, CPA Allocations by Fiscal Year.

Table 3, CPA Allocations by Fiscal Year.

	Appropriation Amount
FY14 + FY15	\$2,800,784
FY16	\$1,239,919
FY17	\$880,415
Total	\$4,921,118

Ongoing Project and Program Updates

Project updates follow below.

Table 4, Project Updates

Ongoing Project Update									
Project	Applicant	Funded	Committed	Disbursed	Update	Ward	# new units/ # HH	Mixed use	TOD
Mystic Waterworks (acquisition loan)	Somerville Housing Authority	\$507,000	\$507,000	\$456,300	Under construction; approximately 35% completion. All historic windows are in place, exterior masonry restoration is underway, roofs are 100% complete, interior walls are 25% complete.	7	25	N	Y
100 Homes FY15 (small site acquisition loans)	Somerville Community Corporation	\$1,200,000	\$1,200,000	\$625,000	Funds generally are expended property-by-property, upon permanent loan closings. Permanent closing on two properties, assisted with \$600,000 in state funding to enhance affordability, are scheduled to close in May, 2017.	NA	8	N	
100 Homes FY16 (small site acquisition loans)	Somerville Community Corporation	\$1,200,000	\$1,200,000	See update column.	Funds generally are expended property-by-property, upon permanent loan closings. Next tranche is expected to close by July 31, 2017.	NA	12	N	
163 Glen St.	Somerville Community Corporation	\$915,000	\$915,000	See update column.	Construction loan closing scheduled for May, 2017. SCC has submitted a draft requisition for \$819,995, to be processed upon closing. Full occupancy targeted for June, 2018.	1	8	N	Y

Program updates follow below.

Table 5, Program Updates

Ongoing Program Update									
Program	Applicant	Funded	Committed	Disbursed	Update	Ward	# new units/ # HH	Mixed use	TO D
Better Homes FY15 (rent assistance program grant)	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
Better Homes FY16 (rent assistance program grant)	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
Short Stop Self-Sufficiency FY16 (housing program grant)	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, Other 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
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

Stories from several CPA-funded efforts illustrate the critical role housing-designated funds have served in the last several years – both in enabling projects to advance into construction, and in preserving the tenancies of households that would have been displaced in the absence of CPA project funding.

After more than three years of intensive work Somerville Housing Authority (SHA) had invested in assembling approvals and highly competitive funding on its 25-unit Water Waterworks project, in May 2016 faced the prospect of seeing the project stall – or not happen at all – as continued price escalations presented a limited but intractable budget shortfall. Housing staff had worked with SHA to close the majority of the deficit with City and other Trust funding sources, leaving a \$250,000 gap. The CPC voted last spring to allocate an additional \$250,000 in funding to the Trust, for the purpose of supporting the Waterworks project. With the help of the additional housing-designated CPA funds, the project closed last year and was approaching 50% completion as of its last construction requisition.

While CPA funding enabled a major SHA development project to begin construction after years in development, it has also enabled existing tenancies to be preserved at 94-96 Grant Street and, most recently, at 72 Marshall Street. At the former property, two of three units were occupied. SCC worked swiftly to determine the incomes of the occupied households and engaged translators to assist that effort. Occupants of both units were occupied by families who had emigrated to the U.S. and Somerville. SCC's acquisition of 72 Marshall Street also preserved three existing tenancies.

Of particular significance in the 72 Marshall Street acquisition was the fact that the units were – and fortunately still are – occupied by households receiving rental assistance through Section 8 vouchers.

The seller had already provided notice to the tenants of his intention to convert the property to condominium ownership – meaning their tenancies would in all likelihood end after expiration of the notice period. Acquisition by SCC was virtually the only way the units could be preserved as affordable.

Finally, SCC and the City of Somerville have collaborated on the first two 100 Homes purchases – at 52 Sydney Street and 297 Alewife Brook Parkway – to leverage more than \$600,000 in state resources and five project-based Massachusetts Rental Vouchers. This effort will enable these two homes to serve 5 very low income, homeless and at risk families in their own apartments, rather than in shelters. Supportive services will be provided to these families by the Somerville Homeless Coalition.

Lessons Learned, Looking Ahead

After its first eighteen months of implementation, the 100 Homes Initiative has been proven to work. Increasingly, prospective sellers are contacting SCC before putting properties on the open market – creating an ancillary benefit of properties not being ‘bid up’ further as would-be buyers bid on them. The program has credibility among the real estate agents, and is recognized by an increasing number of owners as an alternative for sellers who share the program’s goal of preserving affordable housing. As the program scales up, there are economies of scale that can be realized and create options to help families and individuals who would otherwise face displacement.

Along with pursuing options to expanding the program’s rate of activity through bonding CPA resources, other areas for further exploration include:

- Scaling up to the point that a property management system can be designed and affordably customized to the program.
- Exploring more affordable property insurance (vacant property insurance is very costly).
- Standardizing and bidding out a menu of basic renovation services needed to local trades and vendors (locks and keys, painting, flooring, electrical upgrades such as adding common house meters)
- Exploring tax exempt bond financing for permanent first mortgages at lower rates.
- Considering further homeownership options.
- Formation of a local lending consortium around the 100 Homes Consortium.

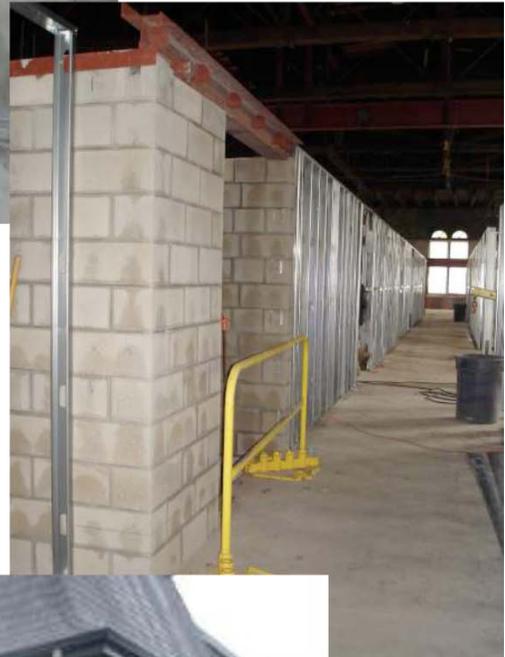
On other CPA-related efforts, City staff and AHT Trustees look forward to presenting to the CPC May 24, as it looks ahead to making final decisions on FY17 funding requests based on information to be shared. Staff and trustees will continue outreach to developers of affordable housing to identify new opportunities. Administratively, staff and trustees will continue to attend seminars and trainings on issues relevant to and regarding the effective use of CPA funds to leverage affordable housing creation, preservation and support.

Mystic Waterworks – Progress photographs, May 2017

Creation of 25 units of housing for elderly and disabled households
Somerville Housing Authority, Developer



New utility conduits



New elevator shaft

Restoration of arched windows



100 Homes Initiative – Selected Acquisitions, May 2017

A Partnership of Somerville Community Corp., Massachusetts Housing Investment Corp.,
and the City of Somerville



Grant Street – 2 units



Sydney Street – 2 units



Illinois Avenue – 2 units