

# Somerville Affordable Housing Trust Fund

## Semi-annual Community Preservation Act Progress Report

Presented to Somerville Community Preservation Committee October, 2018

### 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 to the City of Somerville Community Preservation Committee (CPC). For general information about the Trust, please see Appendix A.

### Summary of FY19 Somerville Affordable Housing Trust Funds

Recent CPA Housing Funds appropriated to the Trust

- Estimated FY19 Community Preservation Act funds  
On June 28, 2018 the Board of Aldermen voted to appropriate \$993,236 of estimated FY19 Community Preservation Act funds to be administered by the Trust in support of affordable community housing projects and housing support programs in the City of Somerville.
- Bonding  
On April 12, 2018 at the request of the CPC and the Trust, the BOA authorized bond financing for the appropriation of \$6,000,000 for acquisition of affordable housing through the 100 Homes Initiative, with debt payments to be funded through CPA revenue.

FY19 non-CPA revenue for the AHTF:

Expected non-CPA revenue sources for FY19 are summarized in Table 1, with detailed information by source and projected receipt in Tables 2 and 3.

Table 1 – FY19 AHTF Non-CPA Revenue

FY19 AHTF Non-CPA Revenue Sources		Notes
Linkage payments	\$896,000	See Table 2 for further detail
Inclusionary Fractional payments	Estimates pending	See Table 3 for further information
Loan repayments (not including payments based on cash flow)	\$25,462	
<b>Total Non-CPA Projected Revenue</b>	<b>\$921,462</b>	

Table 2 – Breakdown of Linkage payments expected in FY19

FY19 Linkage payments		Projected Timeframe	Notes
Greentown Labs	\$26,374	Dec, 2018	2 <sup>nd</sup> of 5 payments
Partners	\$869,626	May, 2019	4 <sup>th</sup> of 5 payments
<b>Total Linkage</b>	<b>\$896,000</b>		

Table 3 – Breakdown of Inclusionary Fractional payments expected in FY19

<b>Projects expected to make Inclusionary Fractional payments in FY19</b>		
<b>Project Address</b>	<b>Payment amount</b>	<b>Notes</b>
44-46 Medford St.	To be calculated	Projects listed are under construction. Fractional payments are calculated and due before a certificate of occupancy is issued for a project.
400-406 Mystic Ave.	To be calculated	
260 Beacon St.	To be calculated	
10-12 Ward St.	To be calculated	
17-25 Murdock St.	To be calculated	
32 Glen St.	To be calculated	
<b>Total Inclusionary Fractional</b>	<b>To be calculated</b>	

### **History of CPA Allocations to the Affordable Housing Trust Fund**

Prior fiscal years' CPA revenue designated for housing is summarized below in Table 4, CPA Allocations by Fiscal Year.

Table 4 – CPA Allocations by Fiscal Year

<b>CPA Funding allocated to Trust for Affordable Housing</b>	<b>Appropriation Amount</b>
FY14 + FY15	\$2,206,028
FY16	\$1,834,675
FY17	\$880,416
FY18	\$1,200,402
Bond revenue for 100 Homes	\$6,000,000
FY19 (estimated)	\$1,283,256
<b>Total CPA</b>	<b>\$13,404,777</b>

### **FY18 CPA Community Housing Requests for Proposals**

In April 2018, the Trust issued two Requests for Proposals for FY18 CPA Community Housing funds:

- The CPA FUNDING OPPORTUNITY FOR HOUSING PROGRAMS, designated for programs that either create affordable housing units or provide rental assistance or other financial assistance to income eligible households for the purpose of making housing affordable. Five proposals were received.
- The CPA FUNDING OPPORTUNITY FOR DEVELOPMENT PROJECTS RELATED TO HOUSING UNITS, designated for projects that acquire, create or preserve affordable housing units. One proposal was received.

### **CPA-Funded Housing Programs**

In July 2018, the Trust awarded \$357,484 of FY18 CPA Housing funds to four of the program requests received during the RFP process. A fifth proposal was for uses that are ineligible for CPA funding. That agency has indicated an intention to submit a proposal for eligible uses during the next RFP cycle.

Seventy-five percent of the total program funding was awarded to two housing support programs that have sought and received CPA funding in the past. Twenty-five percent of the funds was awarded to two

housing support programs operated by agencies that had not previously applied for CPA support to address unmet needs. Housing programs that received CPA funds through the RFP are listed in Table 5.

Table 5 - FY18 Housing Program CPA Funding Awards

Program	Agency	Funding Award	Purpose
Leasing Differential Program	Somerville Homeless Coalition (SHC)	\$62,532	Rental assistance for formerly homeless and disabled residents living in 13 rental units at scattered sites throughout Somerville. Units are leased by SHC and sublet to tenants for permanent supportive housing (PSH). Assistance pays for a gap that exists between HUD payment for monthly rent and actual rent. Most clients have incomes below 30% AMI. Nine of the existing clients qualify as chronically homeless individuals. Clients include families and individuals with disabilities, including mental health, developmental, substance dependence, trauma and other physical medical conditions. All beneficiaries are Somerville residents.
CPA PASS Expansion: Prevention and Stabilization Services Housing Program	Somerville Homeless Coalition (SHC)	\$199,952	Two-years of rental subsidy for 6 Somerville households at risk of homelessness, or in transition out of emergency shelter system into apartments. Case management is also provided as part of the program using other sources of funds. Generally, households will have incomes at or below 60% AMI. 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.
Somerville Better Homes 3 Permanent Supportive Housing Program	Heading Home	\$45,000	Rental assistance for 13 chronically homeless and disabled residents with incomes below 30% AMI. Units are leased by Heading Home and sublet to tenants for permanent supportive housing (PSH). Assistance pays for the difference between HUD payment for monthly rent and actual rent. Heading Home is currently securing leases for participants. Residents may have disabilities, a criminal record or behavioral health instability.
Homelessness Prevention Assistance Fund	Community Action Agency of Somerville	\$50,000	Up to \$3,000 of assistance in the form of grants and loans to households for homelessness prevention (including first and last month's rent and security deposits). Estimated number of households: 11 to 25+. Most households will have income at or below 50% AMI. CAAS will also assist applicants with income up to 80% AMI in cases of severe hardship.

### FY18 CPA Funded Development Projects

Also in July 2018, the Trust awarded \$171,000 of FY18 CPA funds to support the creation of an affordable unit at 31-35 Richardson Street in a project that also preserves open space in perpetuity.

Table 6 shows the development project that received funding. The unit will be incorporated into the 100 Homes Initiative portfolio.

Table 6 - FY18 Housing Development Project CPA Funding Award(s)

FY18 Housing Development Project CPA Funding Awards				
Program	Applicant	Request	Funded	Purpose
31-35 Richardson Street	Somerville Community Corporation (SCC)	\$171,000	\$171,000	Acquisition --Purchase two adjoining parcels in Magoun Square neighborhood. One parcel is to be preserved as permanently restricted open space. On the other parcel, preserve 1 existing single-family 3BR home to be sold at market-rate, and with two additional units to be constructed. One new approximately 900sf 2BR unit will be sold at market-rate (estimated market-rate purchase price: \$650,000) and one new approximately 900sf 2BR unit will be sold as affordable to households with incomes at or below 100%AMI (affordable purchase price at current limits: \$335,000).

### Bonding Funds for 100 Homes

The 100 Homes Initiative activity has been sustained by SCC and the Trust and has achieved significant results. This report provides an opportunity to share details related to the mechanics of the program’s operations.

#### Background

As reported in prior updates, Somerville’s 100 Homes Initiative is based on a partnership between the City of Somerville and the Somerville Community Corporation (SCC). The Somerville Affordable Housing Trust’s support using Community Preservation Act funding sustains the initiative’s work toward a goal to create 100 new affordable units through the acquisition and renovation of existing properties. The introduction of deed restrictions on each unit ensures sustained housing affordability provided to households at a variety of income levels.

#### Details of the Initiative

The goal of the 100 Homes Initiative is to acquire properties that represent a mix of single and multi-bedroom units. Guidelines developed for the program call for affordable units to range from 50% Area Median Income (AMI) to 100% AMI, with a goal being to acquire units that can serve households throughout this range. Based on operation of the initiative to date, Table 7 shows goals for the overall effort.

Table 7 – Income category targets for overall production of 100 Homes initiative units

Income category	Target % of total	Total project number of units	Acquired to date
Up to 50% AMI*	20%	20	14
Up to 60% AMI	20%	20	12
Up to 80% AMI	20%	20	7
Up to 100% AMI	40%	40	15
Totals	100%	100	48

### **Distribution of funding for purchase of 100 Homes Properties**

After a CPA Housing appropriation from the CPC has been transferred to the Trust CPA Housing account, funds that receive designation by the Trust for 100 Homes continue to be held by the Trust. Funding is disbursed to SCC on a property-by-property basis at the time of each property's acquisition, for the amount allocated for the specific property. The Trust continues to hold the balance of the CPA funds until the next purchase is identified.

Before the Trust issues a commitment letter to provide funding for SCC to purchase a particular 100 Homes property, OSPCD Housing Division staff conduct a review of whether the project will meet the goals of the initiative. Each individual proposed project must provide affordability in perpetuity and comply with 100 Homes Initiative requirements. If these conditions are established, Housing staff prepare legal agreements and deed restrictions specific to the property that will be recorded at the Registry of Deeds at the time of closing. These recorded documents ensure the affordability of the units going forward. Review and authorization from the Directors of the City's OSPCD, Auditing, Purchasing and Law Departments are required for each acquisition. Final sign-off for each is given by the Mayor.

The balance of all remaining CPA funds committed by the Trust for 100 Homes acquisitions continues to be held by the Trust until another new property has been identified, vetted by the City and approved through this process for the creation of subsequent affordable units.

### **Tenancing**

SCC and the Housing Division are finalizing the 100 Homes Program Tenant Selection Plan laying out a transparent, fair and open tenancing process and including the outreach and communication protocols of the City's inclusionary program. Prospective 100 Homes tenants complete an application to be entered into a lottery. Full income certification must be completed prior to offer of a lease. For the affordable units, total rent (inclusive of utilities or other associated fees) should not exceed 30% of a standard household's monthly gross income at the targeted Area Median Income.

There is a preference for households that currently live or work full time in Somerville, in order to mitigate potential displacement due to rising housing costs in Somerville. In no case shall a household be over housed (example: one person in a two bedroom unit).

### **Status and affordable unit production**

To date, SCC has completed acquisition of 48 units of the 100 that was set as the program's initial affordable unit production goal. Twenty-nine of the units are fully tenanted. Five units are occupied by formerly homeless individuals and families. Eighteen units are being renovated or have marketing plans in process in advance of making applications available to ensure that there is broad outreach to eligible applicants.

SCC reports that 100 Homes tenants have expressed relief that they now have one-year leases, permanent affordability and more housing security. The majority of the existing 100 Homes tenants have lived in Somerville for many years.

The 100 Homes Initiative is "scaling", and the OSPCD Housing Division is in the process of engaging third-party assistance to help ensure compliance with program requirements and is currently preparing an RFP for Program Management of 100 Homes Initiative Compliance Monitoring.

Table 8 on the following page shows CPA funds committed by the Trust to the 100 Homes Initiative.

Table 8 – CPA funds committed to the 100 Homes Initiative

<b>CPA funds committed to 100 Homes to date</b>	
FY14+FY15 CPA Housing funds	\$1,200,000
FY16 CPA Housing funds	\$1,200,000
FY17 CPA Housing funds	\$731,608
FY18 CPA Housing funds	\$171,000
CPA bonding (voted in FY18)	\$6,000,000
<b>Total</b>	<b>\$9,302,608</b>

Of the funds listed above that have been committed by the Trust for acquisition of 100 Homes properties to date, \$2,029,063 is yet to be designated to specific properties.

### **CPA Stories – 100 Homes**

One of the 100 Homes properties has been the longtime home for five families from Honduras and El Salvador. The prior owner was charging very high rents while not maintaining the building. Since SCC purchased the building in January, the rents have been set to correspond to household incomes, and some families have seen their rents reduced by hundreds of dollars. There is still much work to do to catch up with the backlog of deferred maintenance, but SCC has begun the process by inspecting all of the apartments and prioritizing much needed repairs. The City has also leveraged HUD funding administered by the Housing Division that provides financial assistance for building rehab work and lead abatement for buildings with affordable units. In a market where it is so difficult to find affordable housing for large families, the 100 Homes Program has stabilized the tenancies of these five immigrant families, issuing yearly leases at rent levels set to be affordable to each by household income.

A Nepalese couple and their elementary school age son were living in an overcrowded situation in one of the early 100 Homes purchases. The father drove for Uber while the mother was finishing her education and seeking a job in the biotech field. In addition, they were expecting another child. The family was reluctant to complain, but it was clear to SCC that the family needed their own apartment but that it would have to be affordable. As soon as the opportunity arose through an additional 100 Homes purchase, the family accepted SCC's offer to move to a more suitable apartment at an affordable rent. Now a family of four, this family is thriving. Meanwhile, the other family in the original 100 Home apartment is doing very well also.

## **Updates on other previously funded projects and programs**

### **Projects**

#### **Mystic Waterworks**

The building is fully occupied. Residents of the 25 units are seniors (aged 62 and up) and households that include a disabled resident. The 25 households selected by application for initial occupancy began move-in February 2018. Several residents have described moving in to their new home as a life-changing experience providing them security, dignity and a home that is affordable for a resident on a fixed budget. Stories shared by individual tenants were shared in the previous semi-annual Trust report to the CPC. Waitlist applications are continuing to be accepted to fill vacancies. The effort to bring the Waterworks project to completion and occupancy required both collaboration from multiple funding sources and perseverance by all stakeholders.

### **163 Glen Street**

163 Glen Street is an eleven-unit mixed-income condominium project. Eight units will be available to low- and moderate-income first-time homebuyers. Of those 8 units, four will be available to low-income households (defined as households earning <80% of the Area Median Income. Two units will be available to moderate income households (defined as earning between 81% - 100% of the Area Median Income) and two units will be available for moderate income households up to 110% of AMI (defined as households earning between 101-110% of the Area Median Income). The remaining three units will be sold at unrestricted market rates. 163 Glen Street is 70% complete construction with expected completion by November of 2018. SCC is conducting the affirmative fair marketing of the eight affordable condos. The affordable condo units will be available for sale in a range of \$198,214 up to \$330,000.

### **Clarendon Hill**

Prior semi-annual updates have reported that the Somerville Housing Authority, working with Preservation of Affordable Housing and SCC, requested funds for replacement of 216 deeply affordable public housing units, and the creation of 70 low- and moderate income units. The project would draw from multiple subsidy sources to replace all existing affordable units with upgraded apartments, and provide temporary relocation with a guaranteed right of all tenants in good standing to return.

Since the project team's request, the Trust indicated support for bonding of CPA funds to support the Clarendon Hill project, with that funding contingent on a further Trust vote, a vote by the CPC to recommend bonding for the project to the BOA, and BOA approval.

For several months the project team has focused on two home rule petitions. On July 31, the Legislature passed both petitions: H4580, An Act authorizing the Somerville Housing Authority to reconstruct the state funded Clarendon Hill public housing project; and H4856, An Act authorizing the Division of Capital Asset Management and Maintenance to convey certain land in the City of Somerville to the Somerville Housing Authority (referred to as Article 97 legislation). The Article 97 legislation was approved without substantive changes. H4580 was approved with an amendment that would require prevailing wage to be paid to workers on the entire project, rather than on just a portion of the project as had been proposed by the Housing Authority and its nonprofit and private partners to ensure the project's financial feasibility.

The development team's calculations indicate that the full prevailing wage requirement creates a significant financing gap. DHCD has extended the commitment of state funding to allow the development team time to further assess and identify additional funding sources that likely will be required to move forward and to continue to explore alternative construction methodologies that could yield significant savings.

### **Summary of Development Projects and Affordable Units**

For a list showing the size and affordability level of the project units that have been awarded CPA Housing Funds see Appendix B.

### **Programs**

Between FY14 and FY18, the Trust issued four RFPs specifically for Housing Support Programs. Through these RFP processes, funds have been awarded to five programs through nine separate awards. Table 9 on the following page summarizes housing program-related requests up to FY17.

Table 9 –CPA-funded Housing Programs up to FY17

Program	Applicant	Total Funded FY14-FY17	Purpose
Leasing Differential Program	Somerville Homeless Coalition (SHC)	\$150,513 (3 years)	<p>This award provided 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 encompassed 21 individuals.</p> <p>Most clients that were served had incomes below 30% AMI. Nine of the clients qualified as chronically homeless people as defined by HUD. Clients included families and individuals with disabilities. All beneficiaries were Somerville residents.</p>
CPA PASS Expansion: Prevention and Stabilization Services Program (expansion)	Somerville Homeless Coalition (SHC)	\$182,978 (2 years)	<p>Beginning in Fall 2018, funding from two previous CPA PASS Expansion Program awards will provide rental subsidy to 6 Somerville households at risk of homelessness or in transition out of emergency shelter system into permanent housing for up to two years. Case management will be provided using other sources.</p> <p>Generally, households will have incomes at or below 60% AMI, while allowing 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.</p>
ShortStop Leasing Differential	Wayside Youth and Family Support Network	\$51,107 (2 years)	<p>This award filled the difference in costs to lease the building and the amount HUD provides in leasing assistance at 116-118 North St. and 10 High St. The buildings house the ShortStop program which provided transitional housing and case management services to 9 homeless young adults to support development of client self-sufficiency. Participants are extremely low- and low-income. The program prioritizes serving youth and young adults from Somerville.</p> <p>Over the course of the CPA funding term 7/1/16 to 6/30/18, ShortStop served 39 young adults. 100% of them transitioned to permanent housing upon exiting the program. Educational and employment stability for youth residing in the building is supported through case management which continues after exit.</p>

## 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. The most recent assessment was completed by LDS Consulting Group in December, 2015. The Housing Division is issuing an RFP that will be available on October 24<sup>th</sup> with proposals due November 14<sup>th</sup> for a consultant to complete the next assessment. Information on housing trends in Somerville, including information drawn from the previous HNA is listed 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
  - 10 unsheltered; 124 sheltered

## Somerville Affordable Housing Trust Fund

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

Appendix B: Units awarded CPA Housing Funds to date

PROJECTS AWARDED CPA FUNDING	BR MIX	UNITS BY AMI AFFORDABILITY LEVELS						TOTAL UNITS	TYPE
		<30%	<50%	<60%	<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 - 31-35 Richardson	1 2BR					1		1	ownership
100 Homes Homeownership - 29 Jackson Rd.	1 2BR 1 5BR				1	1		2	ownership
100 Homes Rental - all other units	1 STD 14 1BR 13 2BR 9 3BR 7 4BR 1 5BR		13	12	12	8		45	rental
<b>TOTAL UNITS BY % AMI</b>		5	33	12	17	12	2	81	

CPA funded affordable units as of October, 2018:	81	
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Note: All units listed except 31-35 Richardson have been acquired. Additional units that are not listed here are currently under agreement or are subject of a negotiation with a seller.