

Somerville Affordable Housing Trust Fund

Semi-annual Community Preservation Act Progress Report

Prepared for Somerville Community Preservation Committee April, 2019

Background

Somerville's Affordable Housing Trust Fund (known alternately as the Trust and SAHTF) is pleased to transmit 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 (then) 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. In spring 2019, this initial appropriation was combined with an additional \$290,000 of FY18 reserve funds and \$113,730 of FY19 additional state match for a total FY19 CPA Housing appropriation of \$1,396,985.
- Bonding
On April 12, 2018 at the request of the CPC and the Trust, the Board of Aldermen (now City Council) 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. In February 2019 the City advanced \$4,441,986 in anticipated bond revenue to enable SCC to close acquisition loans used to purchase 11 Austin Street, 355 Broadway and 72 Marshall Street 100 Homes properties. Bonding is expected to be secured before the end of FY19 and to include the entire \$6M authorized.

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	\$1,579,450.39	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	
Total Non-CPA Projected Revenue	\$1,604,912.39	

- Linkage

In December, 2018 the Trust received eight linkage payments from Federal Realty Investment Trust (FRIT) for projects in Assembly Square. Payments on these projects had been anticipated; issues needing clarification prior to actual payment were resolved in December. Each of these eight FRIT payments represent the first of five annual payments to be made to the Trust. Also in December, a second linkage payment for Greentown Labs in Union Square was received. The fourth payment (of five) for the Partners HealthCare project is scheduled for May, 2019. Table 2 lists all linkage payments received or expected in FY19.

Table 2 – Breakdown of Linkage payments received or expected in FY19

FY19 Linkage payments		Actual or Projected Timeframe	Notes
FRIT Block 6	\$239,344.19	Dec. 5, 2018	1 st of 5 payments
Row Hotel	\$104,056.78	Dec. 5, 2018	1 st of 5 payments
Greentown Labs	\$26,374.00	Dec. 24, 2018	2 nd of 5 payments
FRIT Block 3	\$143,080.19	Dec. 25, 2018	1 st of 5 payments
FRIT Block 10	\$3,519.00	Dec. 25, 2018	1 st of 5 payments
FRIT Block 1	\$53,491.00	Dec. 25, 2019	1 st of 5 payments
FRIT Block 2B	\$103,966.90	Dec. 25, 2018	1 st of 5 payments
FRIT Block 4	\$33,299.12	Dec. 25, 2018	1 st of 5 payments
FRIT Block 2A	\$2,693.21	Dec. 25, 2018	1 st of 5 payments
Partners HealthCare	\$869,626.00	May, 2019	4 th of 5 payments
Total Linkage Payments	\$1,579,450.39		

- Inclusionary Fractional Payments

Nine residential projects that were permitted under the inclusionary housing ordinance are yet to make fractional payment to the Trust. The ordinance requires payments to be made at the time of certificate of occupancy. The number of fractional payments is anticipated to increase, given changes that have been made to the inclusionary zoning ordinance effective May 9, 2016 including the requirement of a fractional payment with projects consisting of a minimum of six residential units.

Table 3 – Inclusionary Fractional payments

Project Address	Notes
231 Lowell St./29 Woodbine St.	Projects listed are under construction. Fractional payments are calculated and due before a certificate of occupancy is issued for a project.
44-46 Medford St.	
400-406 Mystic Ave.	
260 Beacon St.	
13 Alpine St.	
10-12 Ward St.	
17-27 Holland St.	
17-25 Murdock St.	
32 Glen St.	

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

CPA Funding allocated to Trust for Affordable Housing	Appropriation Amount
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	\$1,396,986
Total CPA	\$13,518,507

FY19 CPA Community Housing Requests for Proposals

In January 2019, the Trust issued two Requests for Proposals for FY19 CPA Community Housing funds:

- 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.
- 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.

CPA Community Housing Proposals received in FY19

Table 5 lists the Housing Development Project proposal received in response to the FY19 CPA Funding Opportunity for Development Projects Related to Housing Units.

Table 5 – FY19 CPA Development Project Proposal submitted

FY19 CPA Development Projects Related to Housing Units Proposal Received		
Somerville Community Corporation	24-28 Mt. Pleasant Street (for acquisition and development of six new affordable units at 80% AMI)	\$1,620,000

Table 6 on the next page lists Housing Program Proposals received in response to the FY19 CPA Funding Opportunity for Housing Programs.

Table 6 – FY19 CPA Housing Program Proposals submitted

FY19 CPA Housing Program Proposals Received		
Somerville Homeless Coalition	CPA PASS Expansion (to provide two years of rental subsidy for six Somerville households at risk of homelessness)	\$199,952
Somerville Homeless Coalition	Leasing Differential –Better Homes (to cover the gap between HUD Fair Market Rent assistance limits and actual market rent for 13 formerly homeless households)	\$73,884
Community Action Agency of Somerville	Homelessness Prevention Assistance Fund (to provide up to \$3,000 of assistance to households at risk of homelessness to secure a new apartment or pay emergency rental arrears)	\$50,000
Heading Home	Somerville Better Homes 3 (to cover the gap between HUD Fair Market Rent assistance limits and actual market rent for 16 chronically homeless households)	\$50,000
RESPOND, Inc.	Emergency Shelter and Homeless Program (to provide flexible rental assistance for up to six months for survivors of domestic violence who meet the HUD definition of homeless)	\$11,412
		\$2,000,248

Trustees have reviewed the proposals and are expected to deliberate on funding decisions at its April 2019 Trust meeting.

Update on 100 Homes

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.

The fall 2018 semi-annual Trust report to the CPC provided details on the mechanics of the program’s operation. The report also noted that tenant selection is made by lottery, following an affirmative marketing effort. A priority waitlist is maintained in accordance with a City approved Tenant Selection Plan. Further program information can be found in the fall 2018 report.

This edition of SAHTF’s semi-annual report offers an update on the program’s progress. Table 7 on the following page offers a summary of properties acquired and affordable units created.

Table 7 – Summary of 100 Homes units acquired to date

100 Homes Program progress	
# of scattered site residential properties acquired to date	13
# of scattered site units acquired to date (total)	51
# of scattered site rental units	48
# of scattered site homeownership units	3
# of new affordable units occupied	35
# of units undergoing renovation	13

Appendix B contains selected details on the status of 100 Homes rental units acquired to date. (The appendix is adapted from information provided by the Somerville Community Corporation.)

Table 8 shows CPA funds committed by the Trust to the 100 Homes Initiative. Funding commitments have provided an average subsidy of \$193,804 per unit to ensure the affordability of all units in perpetuity.

Table 8 – CPA funds committed to the 100 Homes Initiative

CPA funds committed to 100 Homes to date	
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
Total	\$9,302,608

Updates on other previously funded projects

Projects

163 Glen Street

163 Glen Street is an eleven-unit mixed-income condominium project currently under construction. 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 as unrestricted market rate units.

Project completion had been anticipated for the end of 2018; however permanent gas and electric power hookups for the project were delayed by last year's National Grid strike. While that work stoppage is over, the project schedule continued to be impacted by a backlog of similarly affected projects. In addition Eversource required a late redesign of their own original installation. The project team is now working with National Grid to complete utility work and the City has given approval for Eversource to make connections. Once utility work is complete, the contractor can proceed with finishing exterior work at the site.

SCC has engaged legal counsel to start work on condo documents. The affordable condo units will be available for sale in a range of \$198,214 up to \$330,000.

Clarendon Hill

In 2017 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 additional 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.

Two Home Rule Petitions required in order for the project to proceed were approved by the Massachusetts Legislature on July 31, 2018. One of the petitions, however, was approved with a significant amendment that would require prevailing wages to be paid to workers on the entire project, rather than only the portion of the project funded with public resources, as had been proposed by the Housing Authority and its nonprofit and private partners. The change increased the cost of the project by an estimated \$15 million, requiring the development team to revisit its construction approach.

DHCD has extended the commitment of state funding to allow the development team time to further assess and explore strategies to meet the full prevailing wage requirement. A project team representative reported to Trust members in mid-April that SHA and the development team are encouraged by results of this work. Alternative construction technologies may yield significant savings; the project team has met with officials from DHCD's Office of Housing and Economic Development and Jan Snel Flexible Construction, a company from the Netherlands that specializes in modular housing.

DHCD views the potential economic development impact of Jan Snel doing business in Massachusetts as a positive development. As of mid-month, the development team anticipated that results from discussions between state economic development and housing officials and Jan Snel would be known within several weeks.

Summary of previously funded housing programs

Programs

Between FY15 and FY18, the Trust issued four CPA Housing RFPs specifically for Housing Support Programs. During that period, funds have been awarded to five housing programs through eleven separate awards. Table 8 summarizes housing program-related requests up to FY18.

Table 8 – Housing Support Programs supported by CPA funding

TRUST CPA HOUSING RFP AWARDS FY15 to FY18					
Fiscal Year CPA Funds	Agency	Program	Amount funded	Amount disbursed	Balance
FY14-FY15	SHC	CPA PASS Expansion	\$89,250	\$0	\$89,250
	SHC	Better Homes Leasing Differential	\$35,820	\$35,820	\$0
FY16	SHC	Better Homes Leasing Differential	\$56,868	\$56,868	\$0
	Wayside	Shortstop Leasing Differential	\$26,107	\$26,107	\$0
FY17	SHC	CPA PASS Expansion	\$93,728	\$0	\$93,728
	SHC	Better Homes Leasing Differential	\$57,825	\$57,825	\$0
	Wayside	Shortstop Leasing Differential	\$25,000	\$25,000	\$0
FY18	SHC	Better Homes Leasing Differential	\$62,532	\$0	\$62,532
	SHC	CPA PASS Expansion	199,952	\$0	199,952
	CAAS	CAAS Homelessness Prevention	\$50,000	\$0	\$50,000
	Heading Home	PSH Leasing Differential	\$45,000	\$0	\$45,000
			\$742,082	\$201,620	\$540,462

CPA Stories – 100 Homes

The 100 Homes Program is housing people unserved by Somerville's rapidly escalating housing market. Program work is labor and resource intensive. The impact, though, has been significant for the families and individuals who secure permanently affordable housing in a city that provides children with top-rate educational opportunities, public transportation, access to jobs, and a community in which residents want to stay.

Twenty-two households have had their housing stabilized through SCC purchase of buildings they live in, and its subsequent conversion to permanently affordable, rent-restricted housing. In multiple cases, residents have been able to move within the program to another apartment that is better matched to the household's needs. For example, Ms. M. and her child were able to move from a crowded rooming-house with deferred maintenance to their own affordable two-bedroom apartment that was certified as lead safe. SCC has worked to improve conditions at all of the 100 Homes buildings through thorough maintenance and repairs on turnover and, in some cases, more intensive renovations.

An additional twelve households have moved into vacant apartments in the program from the two housing lotteries that SCC has conducted to date. Five 100 Homes units are reserved for formerly homeless households and are now fully occupied. Seven additional households have moved into other 100 Homes units from the program lottery waitlist. Some of the new households moved in after spending months in transitional shelters while searching for housing. Others were doubled up with family members after being evicted through no fault of their own, or were in the midst of an eviction process after their rents increased.

At SCC's 2019 Annual Meeting held last month, Darrin Z. shared a powerful story of the transformative impact of the 100 Homes Program on his life. Darrin reported to people in attendance that after high school he enlisted in the Army and served two tours of duty in Iraq. Upon returning to the Boston area where he had grown up, he struggled in the aftermath of his wartime service and lost access to stable and affordable housing. After a period of living on the street, Darrin was able to move into a VA shelter where he stayed for several years.

Darrin's hope for sustainable housing were dashed after he secured a voucher to pay for housing with a private landlord, but could not find an owner in the Greater Boston area that would accept his voucher. He applied for the 100 Homes Lottery in December, 2019 and received a high number on the Priority list. In February 2019, Darrin moved into a spacious one-bedroom apartment in a 100 Homes property. He concluded his testimony by explaining how having a stable and affordable home has fundamentally altered his outlook on life and what he believes is possible for him.

Affordable Housing Trends

The Housing Division works with the City of Somerville Planning and Zoning Division to commission a housing needs assessment (HNA) every 3 to 5 years. (The City's Inclusionary Zoning Ordinance requires that a needs assessment be conducted at least every 5 years.) In December, 2018 the City contracted with the Barrett Planning Group to prepare a Housing Needs Assessment; the firm will also analyze the effect to date of changes to the City's Inclusionary Zoning Ordinance adopted in May, 2016. Housing Division staff will share updated housing trend data when it is available this summer.

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Appendix A: General Background Information

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.

