



SOMERVILLE COMMUNITY CORPORATION

337 Somerville Avenue, 2nd Floor
Somerville, MA 02143
Phone (617) 776-5931
Fax (617) 776-0724

May 5, 2016

Mary Cassesso, Managing Trustee
Somerville Affordable Housing Trust Fund
c/o Kelly Donato
Director of Special Projects and Housing Counsel
50 Evergreen Avenue
Somerville, MA 02145

Dear Mary:

Please accept this letter as an official request to the Somerville Affordable Housing Trust Fund (SAHT) for up to \$1.2 Million of 2015-2016 Community Preservation Act -housing funds to continue the pilot phase of the 100 Homes program.

As you know the 100 Homes Program is a successful partnership between the City of Somerville's Affordable Housing Trust and Community Preservation Act Committee, the Massachusetts Housing Investment Corporation (MHIC) and the Somerville Community Corporation. In the last six months, using a revolving credit line from MHIC and CPA subsidies, SCC has been able to purchase 7 units of housing in three properties, securing affordability of these units in perpetuity and preventing the displacement of existing Somerville tenants. Four of the units purchased will provide housing to very low income homeless or at risk families, while the remaining three units provides affordable housing to households earning at or below 80% and 100% of AMI.

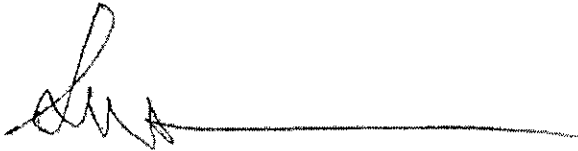
SCC respectfully requests an additional \$1.2 Million of CPA/housing funds to advance the program's success even further, inclusive of \$25,000 per calendar year quarter for contracted professional services and administration and operation of the program.

With continued direct subsidy from the CPA/housing funds, we anticipate we will be able to accomplish the acquisition of up to 10 more units.

We sincerely appreciate your support of this innovative program. With the continuing success of the pilot phase of the program we anticipate that the next phase of the program could continue through the originally conceived bond issuance.

Assistant Housing Director and Housing Counsel, Kelly Donato, and Housing Director, Michael Feloney are well aware of the details of the program as it has evolved to date, and I am sure can answer any questions you may have. We sincerely appreciate your consideration and seek your approval of these funds so that we may continue purchasing 100 Homes properties.

Sincerely,

A handwritten signature in black ink, appearing to read 'S Hayman', followed by a long horizontal line extending to the right.

Scott Hayman

Director of Real Estate

CITY OF SOMERVILLE, MA
MAYOR'S OFFICE OF STRATEGIC PLANNING AND COMMUNITY
DEVELOPMENT
HOUSING DIVISION
CPA & TRUST FUNDING APPLICATION FORM

INSTRUCTIONS: This application contains the minimum amount of information necessary for proposal review. Additional information should be included as necessary. Use extra sheets, if needed. The Housing Division may request more information from the sponsor. If you have any questions or need assistance, please contact the director of Housing Division, 50 Evergreen Ave, Somerville, MA 02145. Telephone 617-625-6600 Ext 2560

SECTION 1: APPLICANT INFORMATION

1. Name of Applicant: Somerville Community Corporation

2. Address: 337 Somerville Ave, 2nd Floor
Somerville, MA 02143

3. Type of Applicant (check):

Public Non-Profit Private Non-Profit Public Agency
[] Private Developer CHDO [] Other (specify)

(Attach copies of Articles of Incorporation & By-Laws and/or W-9 if not already on file w/City of Somerville)

4. Contact Person: Scott Hayman

Title: Director of Real Estate Development Phone: (617) 776-5931

E-Mail: shayman@somervillecdc.org

SECTION 2: PROJECT DESCRIPTION

1. Project Title: 100 Homes Program

2. Location: City wide

3. Project Narrative: Provide a short description of the proposed project

The Somerville Community Corporation respectfully requests up to \$1.2 Million of CPA/Housing funds to continue the 100 Homes Program- a successful partnership between the City of Somerville's Affordable Housing Trust and Community Preservation Act Committee, the Massachusetts Housing Investment Corporation (MHIC) and SCC. In the last six months, using a revolving credit line from MHIC and CPA subsidies, SCC has been able to purchase 7 units of housing in three properties, securing affordability of these units in perpetuity and preventing the displacement of existing Somerville tenants. Four of the units purchased will provide housing to very low income homeless or at risk families, while the remaining three units provides affordable housing to households earning at or below 80% and 100% of AMI.

SCC respectfully requests and an additional \$1.2 Million of CPA/housing funds to advance the program's success even further, inclusive of \$25,000 per calendar year quarter for contracted professional services and administration and operation of the program.

4. Anticipated Total Development Cost

Funding Request	
Trust Funds Requested	\$
CPA Funds Requested	\$ 1.2 Million
Other City HOME/CDBG Funds Requested (outside of this request)	\$3.5 Million Credit Line from Massachusetts Housing Investment Corporation; \$2,600,000 of permanent mortgages.
Type of Project (Check one)	<input checked="" type="checkbox"/> Rental Housing Homeownership Mixed-Use
Purpose of funding being requested	Pre-development <input checked="" type="checkbox"/> Acquisition <input checked="" type="checkbox"/> Rehabilitation Adaptive re-use New Construction

5. Total Building(s) square footage at build out: N/A

6. What is the breakdown of units by bedroom sizes if applicable? (can provide matrix of affordability by bedroom size if easier.)

2 1 BR units

6 2 BR units

2 3 BR units

_____ More than 3 BR units

10 TOTAL units

7. Occupancy: Affordability /# of units. Please provide estimate if not confirmed yet.

_____ Market

_____ Middle (101-120%) * projected at 110%

6 Moderate (80 -100%)

4 Low-Income (below 80%)

_____ Very Low Income (below 50%)

_____ Extremely Low Income (below 30%)

10 TOTAL

8. Special Populations: Please note if any units will be set-aside for specific populations, such as homeless, disabled, veterans, etc.

Not anticipated in early phases on program.

9. If available, attached and handicap accessibility plans proposed in this project.

Not available and none anticipated.

10. Please explain any sustainable (green building) measures included in this project.

SCC will seek out energy efficient, retrofit programs if available and use Energy Star Appliances and fixtures when appliances and fixtures need replacement.

11. Explain how the proposed activities/project addresses a need and/or strategy in City of Somerville's 5 Year Consolidated Plan (Can be viewed online at www.somervillema.gov).

The 5 Year Con Plan indicates there is a gap in the affordability of housing for Somerville residents of at least 6,693 units, 2,883 of which are for households earning 80% to 100% of HAMFI. Several factors will impact affordability of Somerville housing going forward including the trend towards shrinking household size, which means more households are seeking the existing housing stock in Somerville. The 5 Year Con Plan also predicts that the extension of the Green Line and more stops planned on the Orange Line will increase the number of households seeking to reside in Somerville.

12. Explain how the proposed activities/project addresses a Goal or Action Step in the SomerVision Comprehensive Plan (Can be viewed online at www.somervillema.gov).

This project advances the Somervision Goal of: Promoting mixed income, transit oriented development that provides new housing opportunities. It ultimately provides high quality homeownership opportunities to households earning a range of incomes. The project also insures that an environmentally degraded property will be restored to productive reuse.

SECTION 3: DEVELOPMENT TEAM AND PERFORMANCE HISTORY

1. Other Development Partners (If private, for profit, see section below on joint ventures*)

Name: _____

Address: _____

Contact Person & Tel. #/e-mail: _____

Minority Owned Business (MBE): Yes No

Minority Women Owned Business (WMBE): Yes No

2. Development Consultant

Name: N/A _____

Address: _____

Contact Person & Tel. #/e-mail: _____

MBE: Yes No

MWBE: Yes No

3. Architect

Name: _____

Address: _____

Contact Person & Tel. #/e-mail: _____

MBE: Yes No

MWBE: Yes No

4. Attorney

Name: Wataru Matsuyasu--- Klein Hornig _____

Address: 101 Arch Street, Boston, MA 02110

Contact Person & Tel. #/e-mail: 617-224-0622 WMatsuyasu@Kleinhornig.com

MBE: Yes No

MWBE: Yes No

5. Management Agent (or plan & schedule for selection)

Name: Winn Management

Address: 7 Memorial Road, Somerville, MA 02143

Contact Person & Tel. #/e-mail: Jeff Huang, CPO, SHCM jhuang@WINNCO.com 617-591-0577

MBE: Yes No MWBE: Yes No

6. Buyer Selection/Lottery Administrator (if available)

Name: N/A

Address: _____

Contact Person & Tel. #/e-mail: _____

MBE: Yes No

MWBE: Yes No

*Joint Ventures: If the non-profit developer is involved in a joint venture with a private for-profit developer, provide evidence that the non-profit partner controls the majority interest in the joint venture. Attach a separate sheet identifying any other agencies that are involved in this project and briefly describing the extent of their involvement. Include the agency name, address, phone, and contact person. Attach additional documentation, such as Memoranda of Understanding, award letters, agreements, etc.

7. History of Performance

Please provide basic information about history of your agency performance. List the last five projects regardless of whether they were funded with public or private funds, and indicate which

projects are underway or complete.

Project	Funding Sources	Status
Saint Polycarp Village Phase 3	LIHTC; State soft money; Somerville HOME & AHTF; Private loans	complete
75 Cross Street	State soft money; Somerville HOME & AHTF; Private loans	complete
Polycarp Village II	State soft money; Somerville HOME & AHTF; Private loans	complete
Polycarp Village III	LIHTC; State soft money; Somerville HOME & AHTF; Private loans	complete
Temple St. (homeownership)	Somerville HOME & CDBG; MAHTF;	complete

13. Please attach a certified copy of the most recent financial audit for the Developer/Owner/Sponsor's most recent fiscal year just ended.

SECTION 4: PROPERTY INFORMATION

1. Site/Zoning description

N/A

2. Site Acreage: N/A
3. State if building(s) is a designated historic property or in an historic district: Yes No
4. Evidence of site control: Option to purchase Ownership N/A

NOTE: Developers seeking HOME and CDBG funds may not **take any** "choice limiting actions" that would limit the choice of reasonable alternatives prior to completion of an environmental review of the proposed project **by the City and HUD**. "Choice limiting actions" include the **expenditure of any public or private funds other than for certain pre-development costs. A refundable option to purchase of \$1,000 or less is an allowed pre-development cost. A purchase and sales agreement is not an allowed pre-development cost.** Please see additional guidance regarding actions that are considered choice limiting, attached as Appendix A.

Site plans, including maps.

5. Attach drawings of proposed project if available N/A

6. Attach to this application if available any site environmental studies, including lead based paint and asbestos. If any hazardous materials are known to exist on the site, include mitigation plans if available.
7. Is the property presently occupied by commercial or residential tenants? Yes No
8. If the property has existing tenants, please provide a summary of relocation plan for existing tenant.

Will provide plan if re-location is necessary but goal of the program is to not displace households.

SECTION 5: DEVELOPMENT TIMELINE and BUDGET

A. PROPOSED DEVELOPMENT SCHEDULE (PROPOSED DATES):

1. Submission of Funding Applications: May 5, 2016
2. Regulatory & Zoning Reviews & Approvals: None Required
3. Acquisition if not already owned: Continue Acquisitions May 6, 2016
4. Construction Start: No construction anticipated
5. Construction Completion: No construction anticipated
6. Full Occupancy: Units will be occupied within 3-6 months of purchase.

B. TOTAL DEVELOPMENT BUDGET - USES OF FUNDS

Please provide the proposed pro-forma in a format of your choice. The pro-forma should include;

1. Budget Summary (attached)
2. Sources of funds (attached)
3. Uses of funds (attached)
4. Construction budget - N/A
5. 20 year annual operating budget
6. Income from Sales of units, if applicable.

OTHER:

Please provide any additional information that you would like to be considered.

SCC has worked closely with the City, Massachusetts Housing Investment Corporation, East Boston Savings Bank, Winter Hill Bank, Rockland Trust, Mass Development and other acquisition and permanent lenders, all of whom have stated they are poised to continue this program.

The basic underwriting assumptions for lending and subsidy requirements for the 100 Homes Units are:

MHIC/MHP Acquisition/Improvement lending	<ul style="list-style-type: none"> • Revolving Credit line for purchase of units until permanent take-out by local, regional banks. • Up to \$15,000 per unit for improvements (units must be move in condition/no major capital needs) • \$5,000 per unit in transaction/soft costs (legal, appraisal, inspections, etc).
CPA/Trust Funds	<ul style="list-style-type: none"> • Funds to be available at point of purchase and will remain as permanent subsidy in form of subordinate, deferred payment loans. • Funds enable rent stabilization for moderate and middle income families. • Funds also serve to satisfy permanent lenders' Equity and Loan to Value requirements (80% LTV).
Permanent Loan Terms/underwriting	<ul style="list-style-type: none"> • 80% LTV, 30 Year amortization, 5 to 7 year terms. • 5% vacancy • \$8,800 per unit annual operating expense • 1.15 Debt Service Coverage • 3 BR rent levels ranging from \$1,743 to \$2,643 monthly set to 80% to 100% AMI affordability standards.
Management of Units	<ul style="list-style-type: none"> • \$8,800 per unit for operating funds to pay for professional property management, taxes, insurance, water, sewer, legal.

Operation and Administration of the Program

The expense to administer and operate the program for one year is estimated at \$100,000 annually. The administration and operation of the program would be accomplished through a full-time contracted staff position at SCC. The contract staff would be responsible for the following:

- Work with realtor community and network in community to find properties that meet threshold standards for purchase and ownership.
- Schedule and conduct property viewings
- Perform property assessments with construction advisors and other professionals
- Complete underwriting and development pro forma

- Provide reports and data suitable for recommending purchase of properties.
- Execute Purchase and Sales agreements
- Organize and oversee purchase of properties.
- Administer income certifications/qualifications of existing and prospective tenants
- Oversee and accomplish marketing of affordable units to income qualified tenants with City of Somerville.
- Arrange for property purchase closings
- Solicit local pool of contractors to perform basic improvements
- Apply for and secure permanent loans for properties
- Arrange permanent closings

\$50,000 Pre-development Expenditures

It is expected that a certain amount of professional services will be needed to accurately and confidently assess properties for acquisition and that some of these costs will not be recoverable. The most obvious service need is for property inspection services. It is highly recommended that an initial pool of "soft funds" in the amount of \$50,000 be set aside for these services and others required to properly assess a property's suitability for the program. While these service costs can be rolled into a property's permanent financing if the property is selected for the program, and therefore recovered for future inspection service costs, in other cases a property will be inspected and then deemed unsuitable for the program, at which point the cost would not be recoverable. It is recommended that a portion of the \$50,000 pre-development funds be "forgivable" or deferred payment with no interest.

3-5 year Exit Strategy Considerations

As the program progresses it is anticipated that properties purchased and rent-stabilized by SCC may best be repositioned as affordable homebuyer properties. In other cases certain of the properties may be sold to for-profit, owner-operators with continuing affordability restrictions or become good candidates for additional affordable housing program investment and financing that would enable capital improvements and/or deeper affordability restrictions. At these junctures, some or all of the CPA or Trust fund subsidies may be recycled back into the program.

Additional Attachments:

- *Sample Small Property Underwriting Template for 3 family, 3-BR property, targeting 1 unit for rent to 80% AMI family and 2 units for rent to 100% AMI family.*

94 Grant Street 3 family

DATE: 5/5/16
 BUDGET STATUS: Preliminary

TENURE: Rental

DEVELOPMENT USES		Total	per unit	SOURCES		ACO/Cbns	Permanent	per unit	ACO/CONST LOAN
Acquisition price		1,020,000	340,000	Local	CPA	400,000	133,333.33	Amount	1,045,746
Construction Costs		10,746	3,582	MHIC				Interest Rate	6.00%
Construction Contingency		-	-	Other		1,045,746		Term (months)	2
Soft Costs		15,000	5,000					ADVANCES	
Public Infrastructure		-	-	Rebates	Energy			Pool Advance	4/4/2016
Acq/Const Loan Interest		10,840	3,613	Interest	accrued	10,840		Pool Adv.	3/1/2011
Owner Equity		-	-	Owner Equ	deferred			Perm mortgage	6/4/2016
Developer Fee		-	-	Dev. Fee	deferred				6/4/2016
Developer OH		-	-	Permanent Loan		656,586			
TOTAL USES		1,056,586	352,195	TOTAL SOURCES		1,056,586		surplus/(deficit)	

UNIT TYPE	Set Aside	Units	Rent	Annual	Gross Rent	Utilities	Net Rent	% of Max	Market	% of Mkt
2 BR	50% AMI		-	-	-	-	-	90%	750	0%
2 BR	120% AMI		-	-	-	-	-	95%	2,600	0%
3 BR	100% AMI	1	2,300	27,600	2,500	-	2,500	100%	2,600	96%
3 BR	100% AMI	1	2,300	27,600	2,200	-	2,200	100%	2,600	85%
3 BR	80% AMI	1	1,743	20,916	2,000	-	2,000	100%	2,600	77%
TOTAL		3		76,116						

FIVE YEAR OPERATING PRO FORMA						
	trending	1	2	3	4	5
Gross Rental Inc	2.0%	76,116	77,638	79,191	80,775	82,390
Vacancy		3,806	3,882	3,960	4,039	4,120
Net Rental Income	5.00%	72,310	73,756	75,232	76,736	78,271
Net Com. Income	less 10% vac	-	-	-	-	-
Operating Expenses	8,800 per unit	26,400	27,720	29,106	30,561	32,089
Net Operating Income		45,910	46,036	46,126	46,175	46,182
Debt Service		39,922	39,922	39,922	39,922	39,922
Net Cash Flow		5,988	6,115	6,204	6,253	6,260
Debt Service Coverage		1.15	1.15	1.16	1.16	1.16

PERMANENT RENTAL LOAN	
Lender	
Amount	656,586
Interest Rate	4.50%
Amortization	30
DSC Required	1.15
Annual Debt Service	39,922

SUPPORTABLE DEBT	
Net Operating Income	45,910
Available for Debt Service	39,922
Supportable Debt	656,586

AFFORDABILITY	
80%	100%
0	0
Total	0
Required	0
Low-income expenditure	

SALE TO HOMEBUYER	
Appraised Value	not applicable
Sale Price	
Net Sales Proceeds	
Market Subsidy	
Mortgage Writedown	
Downpayment Assistance	
TOTAL ASSISTANCE AMOUNT	

AFFORDABILITY	
80%	100%
Income Limit	Income Limit
55,800	78,800
62,750	88,650
69,700	98,500
75,300	106,400
80,900	114,300
2 person	30% of rent Limit
3 person	1,395
4 person	1,569
5 person	1,743
6 person	1,883
	2,023
	2,660
	2,858