

Somerville Affordable Housing Trust Fund—Bi-annual CPA Progress Report

October, 2016

Background and Introductory Information

As allowed under the Community Preservation Act (CPA), Somerville's Community Preservation Committee (CPC) has designated the Somerville Affordable Housing Trust Fund (SAHTF or Trust) to allocate CPA Housing funds. The designation followed an application process completed in 2014, and was based on the Trust's 25 years of experience funding the preservation and creation of affordable housing units and support programs to assist homeowners and renters in Somerville. Terms of SAHTF's work under this designation are governed by a grant agreement executed with the CPC for distribution of CPA funds, in support of community housing projects and programs; the current agreement was executed on April 11, 2016 and allocated \$1,834,675 in FY16 CPA funds to the Trust.

The Trust has nine members. Three are ex-officio, including the Mayor or designee, the President of the Board of Aldermen or designee and the Executive Director of the Somerville Housing Authority or designee. Six are appointed by the Mayor and approved by the Board of Aldermen, including two Somerville residents, one of whom is to be a tenant whose household is eligible for state or federal public housing programs, two representatives of Somerville non-profit organizations, one professional in the field of housing or real estate and one professional in the field of banking or finance.

Community housing eligibility is defined under the Community Preservation Act to include:

- *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* – to protect personal or real property from injury, harm or destruction.
- *Support*— to 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* (if housing was acquired or created with CPA funds) – to make capital improvements in order to comply with federal, state or local building or access codes, or federal standards for rehabilitation of historic purposes.

Priorities and Criteria for use of CPA funds

In addition to meeting the stipulated Area Median Income (AMI) level (at or below 100% AMI) and project uses, the following priorities apply:

- Preserve or increase the supply of affordable housing in Somerville.
- Help low-to-moderate households gain access to or retain housing.

The following criteria apply:

- Measurable impact.
- Ability to continue a program beyond the funding period.
- Applications from a non-profit are preferable. If two non-profits propose similar programs, Trustees will analyze the need within the community (e.g., is the need great enough to support the work of two agencies?); preference will be given to agencies based in Somerville.
- Creation of new affordable homeownership and rental units in Somerville.
- Preservation of existing affordable homeownership and rental units.
- Acquisition and preservation of unassisted housing stock for affordable housing.
- Service of a demonstrated need within the community.
- Number and types of units involved (with priority for households of all sizes and types from diverse economic and social groups).
- Applicants have a demonstrated capacity to carry out the project for which they seek funding.
- Development budget/funding status and ability to leverage other funding.
- Mitigation of displacement of low-to-moderate income households.
- Development projects that foster SomerVision goals and other City Plans, including its 5 year Consolidated Plan required by the federal Department of Housing and Urban Development (HUD) and those of the Community Preservation Committee such as transit oriented development, mixed-use and mixed-income, and employment options, as well as sustainable design goals.

Affordable Housing Trust Fund Application Process

The Trust accepts applications for CPA Housing funding from affordable housing developers and housing programs in two ways. First, an annual Request for Information from affordable housing developers is advertised to solicit proposals. Responses require information about the proposed development, number of units, level of affordability, development and occupancy schedule, and financial sources and uses. The written application is reviewed by the Trustees, and an applicant may be asked to present the proposal in person at a Trust meeting to answer questions and provide further information. Developers who are awarded CPA funding are required to provide progress updates on a regular basis to the Trust.

The Trust also will consider proposals received over the course of the year on a rolling basis. Proposals submitted are considered for discretionary grants when funds are available. All funds must be awarded to projects or programs that meet the funding criteria and priorities of the CPA, the CPC and the Trust.

FY17 Work-to-date

To this point in FY17, the Trust has awarded \$56,868 in CPA funds to the Somerville Homeless Coalition (SHC) to support a Leasing Differential program during FY17. The Trust also voted to have the prior year's commitment of CPA funds in the amount of \$89,250 executed in an agreement with SHC to fund its PASS 2 program. A third program, Wayside Youth and Family Support Network's Leasing Differential program was also awarded \$26,107 of FY17 funding.

FY16 Affordable Housing Funding

In FY16, \$1,834,675 in CPA funds was appropriated to the Somerville Affordable Housing Trust Fund (SAHTF or Trust). A summary of projects and their status follows. Please note that allocations from other project development sources can be subject to change.

FY16 Project Update—CPA Housing						
Project	Applicant	CPA Allocation	Obligated to date	CPA Disbursement Status	Other Project Sources	Project Purpose and Other Information
100 Homes	Somerville Community Corporation (SCC)	\$1,200,000	\$248,892	CPA funds will be drawn down when the properties secure permanent mortgages (and CPA subsidy) to take out MHIC acquisition funding; closings are expected to take place this fall.	MHIC Acquisition Credit Line: \$4,487,000 Permanent Loan: \$2,706,458 State HPSTF: \$600,000 CDBG: \$70,000	Creation of affordable units by acquisition. SCC has acquired or is in the process of acquiring 12 units in 5 properties. Note: FY14&15 CPA funds in the amount of \$1.2 million also funded acquisitions in year 1 of the program. (See FY 14 and 15 information below for further detail.)
Mystic Water Works	Somerville Housing Authority (SHA)	\$507,000 (Housing)	\$507,000	SHA closed on project financing the week of 10/17/16. Approximately 90% of CPA funds will be disbursed following submittal of SHA's first requisition prepared as part of its closing. Disbursement is expected to take place within roughly 45 days (late Nov.-early Dec.).	LIHTC Equity: \$4,815,313 Federal HTC Equity: \$2,391,381 Century Bank Permanent Loan: \$2,000,000 State HTC Equity: \$1,381,611 SHA Sponsor Loan: \$885,296 HOME: \$500,000 CDBG: \$300,000 FY16 CPA (Historic): \$243,000 Other SAHTF: \$200,000	Redevelopment of the 1.4-acre former Mystic Water Works property into a 25-unit affordable housing complex. Note: total Mystic Water Works Housing CPA commitment from FY14&15&16 is \$507,000, of which \$257,000 was originally approved from FY14&FY15 allocations.

FY16 Project Update—CPA Housing (continued)						
Project	Applicant	CPA Allocation	Obligated to date	CPA Disbursement Status	Other Project Sources	Project Purpose and Other Information
PASS 2: Prevention-and-Stabilization-Services (PASS) Housing Program (EXPANSION)	Somerville Homeless Coalition (SHC)	\$89,250	\$89,250	A grant agreement is being drafted and will be transmitted.	HOME: \$85,000 SAHTF Program Grants: \$14,500 Other Resources: \$82,950	Time-limited rental assistance up to two years to serve 7 additional households (approximately 4 families and 3 individuals). 6 households are currently being served by SHC; new funding will double program size. \$4,250 is authorized for administrative expenses.
Leasing Differential Program--Better Homes	Somerville Homeless Coalition (SHC)	\$56,868	\$14,199	Pending invoice. Payment will occur once the agreement is finalized and executed and a PO generates.	HUD McKinney Permanent Supportive Housing: \$223,188	Assistance will benefit 17 formerly homeless and disabled Somerville households consisting of 22 people (3 families and 14 individuals); 9 of whom are chronically homeless. Funding will cover the gap in rent between what HUD can fund (up to FMR) and what the actual cost of the monthly rent is for the units in Somerville. The 17 households are currently being served by SHC.
ShortStop Self-Sufficiency Program	Wayside Youth and Family Support Network	\$26,107	\$0	City is drafting contract for FY17 using a new template created for grant agreements.	HUD McKinney Transitional Housing: \$240,315 Client Fees: \$12,000 Other SAHTF \$10,000	CPA funds will support a portion of the cost of rent of the building at 116-118 North Street to house 9 individuals between the ages of 18-24 for up to one year. Wayside provides transitional housing to homeless young adults. Funding will cover the gap in rent between what HUD can fund (up to FMR) and what the actual cost of the monthly rent is for the units in Somerville.

FY14 and FY15 Project Update

In FY14 and FY15, the Somerville Affordable Housing Trust Fund received a disbursement of \$2,206,028 in CPA funds which was used to fund five projects. Below and continued on the next page is a summary of projects supported with these funds and the status of each.

FY14/FY15 Project Update—CPA Housing						
Project	Applicant	CPA Allocation	Obligated to date	CPA Disbursement Status	Other Project Sources	Project Purpose and Other Information
100 Homes Initiative Pilot	Somerville Community Corporation (SCC)	\$1,200,000	\$1,200,000	See FY16 summary table for status.	See FY16 summary table for detailed information.	Pilot of the 100 Homes Initiative to secure affordability in existing housing market.
Mystic Water Works	Somerville Housing Authority (SHA)	Terms of original allocation were changed and are now part of FY16 allocation.	See FY16 summary table for status.	See FY16 summary table for status.	See FY16 summary table for detailed information.	Provide soft costs for converting the property into 25 units of affordable housing.
Redevelopment of 163 Glen Street	Somerville Community Corporation (SCC)	\$915,000	\$0 (Closing projected for 2016.)	SCC has secured construction financing. It is moving toward closing, currently projected for November, 2016.	East Boston Construction Loan: \$2,158,925 Challenge Grant Loan: \$1,000,000 CEDAC Acquisition Loan: \$931,000 HOME: \$740,000 Other SAHTF: \$239,960 SCC Acquisition Loan: \$104,000 Post-Sale Sources: \$101,664 Brownfield Tax Credit Equity: \$51,664 Polluter Settlement Equity: \$50,000	Redevelopment of the former American Legion Post into eight affordable homeownership units and three market rate homeownership units.

FY14/FY15 Project Update—CPA Housing (continued)						
Project	Applicant	CPA Allocation	Obligated to date	CPA Disbursement Status	Other Project Sources	Project Purpose and Other Information
Prevention and Stabilization Services (PASS) Housing Program	Somerville Homeless Coalition (SHC)	\$89,250	\$89,250	See FY16 status.	SAHTF Program Grants FY14 + FY15: \$29,000	Time-limited rental assistance up to 2 years to serve up to 6 households.
Leasing Differential Program--Better Homes	Somerville Homeless Coalition (SHC)	\$35,820	\$35,820	See FY16 status.	HUD McKinney Permanent Supportive Housing: \$267,588	Provide rental assistance to 17 disabled and formerly homeless Somerville households.

Lessons Learned

Three lessons from the Trust's work on behalf of the CPC over the past 2+ years are summarized below.

One lesson is that the exceptionally complex nature of funding projects, typically involving multiple sources, means that housing development work can take substantially longer reach closing than other projects that do not require such layered funding that often is available through once-yearly competitive funding rounds . The Mystic Water Works project, for example, required securing commitments from ten different financing/funding sources, and then coordinating each one with its own disparate regulations, management processes and funding cycles into one cohesive and complete development project financing package; the project was awarded the Low Income Housing Tax Credits this year, in its third attempt.

Another area for ongoing consideration is the escalating cost of development locally. One downside of a strong real estate market is the increased costs of both acquiring and building units. Increasing construction costs have had significant impacts on both the Mystic Water Works and 163 Glen Street projects, and resulted in the need for both additional design work and additional, time-consuming value-engineering, both of which also added to project soft costs.

Finally, CPA funds are a powerful and necessary resource to meet the need for affordable housing in Somerville. The projects and programs that have been awarded FY16 CPA Housing funds would not be moving forward without the allocation of CPA resources. CPA funds, used together with other sources of City, State and federal financing are a critical and necessary resource

Look Ahead

This document summarizes Trust's work to date. We look forward to sharing information on pipeline projects and related efforts as we further develop that information.

CPA Photos

Number and title of photos uploaded to the CPA Flickr site: none available at this time.