

CITY OF SOMERVILLE, MASSACHUSETTS
SOMERVILLE AFFORDABLE HOUSING TRUST FUND
JOSEPH A. CURTATONE
MAYOR

Mary Cassesso, Managing Trustee

Trustees
Lisa Davidson
Michael Feloney
Donna Haynes
Daniel LeBlanc
Beth Munroe-Howe
Mark Niedergang
Martin Polignone
Andrea Shapiro

Minutes
April 13, 2017 Meeting – 6:15 PM
City Hall, 3rd Floor Conference Room
93 Highland Avenue, Somerville, MA 02143

Trustees present: Mary Cassesso, Mike Feloney, Donna Haynes, Danny LeBlanc, Mark Niedergang, Martin Polignone, and Andrea Shapiro

Others in attendance: Ward 7 Alderman Katjana Ballantyne; Heidi Burbidge, City of Somerville Housing Division, Michael Glavin, Executive Director, Mayor’s Office of Strategic Planning and Community Development; Laurie Gould, Viva Consulting

Notes drafted by: Heidi Burbidge, Clerk to Trust

The meeting began at 6:15p.m. with Mary Cassesso serving as chair.

1. New Business

- Review of Minutes from March 9, 2017 Meeting

Trustees reviewed minutes for the March meeting drafted by Heidi Burbidge. A **motion** recommending their approval was introduced, seconded, and **approved** unanimously.

- Housing Support Grants

OSPCD Executive Director Michael Glavin briefly summarized the City’s efforts to consider and identify ways to address state limitations on eligible uses for Trust funds. Michael reiterated that the administration’s goal is to identify a way to enable the Trust to continue its funding of housing support programs. It was agreed that if funding such programs would not be in compliance with the State Department of Revenue’s guidelines, other mechanisms for Trust activity should be explored.

Mike Glavin shared an excerpt from the City’s linkage ordinance stating that, “the purpose of this act is (1) to ensure that developers shall contribute a fair share to the direct and indirect impacts of future development on the city of Somerville’s supply of affordable housing for low and moderate income households” as one possible basis for continuing such support. Michael stated that he had initiated discussions with the City Solicitor’s office with regard to funding housing support programs with linkage funds based on the “direct and indirect impact” of development on supply of affordable housing. Solicitor Frank Wright and Assistant Solicitor David Shapiro are engaged in further consideration of the issue.

Danny LeBlanc inquired about the possibility of fractional payments made in fulfillment of inclusionary housing requirements, and loan repayments also received by the Trust, being deposited, along with linkage revenue, in a separate account to serve as sources for housing support programs as well as affordable housing development. There was also discussion of what would be involved in passage of a home rule petition that would provide a new ordinance under which the Trust would exist. Mike Glavin noted that such a process likely would be lengthy and would require approval by the state legislation.

Mary Cassesso agreed it would be best not to pursue a home rule petition if such an approach can be avoided. Mark Niedergang asked whether discussions with the Mayor had included the possibility of funding housing support programs in the City budget. Michael Glavin responded that a Program Improvement Request has been discussed as a possibility, if other avenues are shown to be infeasible for funding near-term housing program activities.

Andrea Shapiro raised the possibility of using Community Development Block Grant (CDBG) funding for housing support programs. Staff reported that the City currently receives more CDBG applications than there is funding available. However, this possibility could be explored, and that suggestion could be made to agencies who might apply.

Mary summarized potential options being explored as: justification under concept of “direct and indirect” impacts; use fractional payments under inclusionary housing as a source; funding through CDBG and exploring other funding for affected CDBG uses. Mike Glavin noted that follow-up work will continue as quickly as possible, with the preference from a program management standpoint being to find a solution for funding the housing support programs, and thereby avoid putting additional strain on the limited dollars for social services under CDBG.

Other/related items discussed included:

- Comment that the list of housing support programs provided at the meeting did not include programs that were considered outside of the Trust’s Notice of Funding Availability (NOFA) process. Question was posed as to whether those programs would be considered ineligible uses and if so whether funds awarded to them should be added to the \$91,000 of the NOFA funding.
- Status of support programs contracts in preparation: Heidi Burbidge provided brief update. Mary requested that the time-frames for terms of housing program contracts be adjusted according to the date of the executed contract.

Mark Niedergang Katjana Ballantyne left the meeting at 6:55pm. Prior to leaving Alderman Ballantyne asked whether there would be a vote that evening in response to the proposal and request received from POAH/SHA/SCC for the Clarendon Hill project. Mike Feloney indicated he would brief trustees on the project’s overall status, and did not believe there was need for the Trust to act that evening.

Michael Glavin left the meeting at 7:00pm.

- Acquisition – 72 Marshall Street (5 unit 100 Homes property)

Danny and Mike offered a brief update on SCC’s 72 Marshall Street property, using CDBG funds for acquisition financing. The closing took place on April 7th. Acquisition preserved three existing Section 8 tenancies. The unit mix consists of three units for households with income up to 80% of AMI and two units for households with income up to 100% of AMI. The previous owner had been taking steps toward converting the units to condos; Housing Division Condo Review Board staff flagged the property as a potential opportunity for 100 Homes acquisition and called the property to SCC’s attention.

2. *Follow-up from March Meeting*

- Further consideration of SAHT 2017 CPA Housing Project proposals

Mike introduced Laurie Gould of Viva Consulting, who reviewed Clarendon Hill proposal at City's request, as to overall financial feasibility, reasonableness of subsidy request, and effectiveness of efforts to leverage possible funding sources. Memo circulated at the meeting provides detailed analysis; among the main points were:

- Per unit cost in the proposal are in line with similar projects, with some having a higher per unit cost, and others having a slightly lower cost.
- No aspects in project budget appeared out of line with industry norms. Soft costs for the project represent 19.8% of projected construction costs which falls within regional norms. Engineering costs seem fairly low.
- Other sources for the project include equity (\$16 million in acquisition funding from Gate Residential), roughly \$10.8 million in state capital subsidy (as referenced in a letter from DHCD that had just been received that day) and mortgage debt.
- Relocation of existing tenants will be a substantial cost and one which DCHD.
- Operating costs are projected at \$8,878 per unit annually which is not substantially different from what would be expected from Mass Housing standards.

Danny and Mike summarized overview of 100 Homes request that had been submitted by SCC, for \$2 million in funding, either up front (with expectation for future requests, as is also expected for the \$2 million request for Clarendon Hill). Both requests indicated that proposers are open to a combination of upfront capital and/or revenues raised through bond issuances with debt service to be paid by committed CPA allocation. Discussion segued to that item on the agenda.

- Review of updated CPA/Trust multi-year budget projection information

Mike noted that the City has also requested Viva Consulting for further assistance in reviewing multi-year budget projections that Housing staff had developed for review. Mike reviewed the preliminary draft he and Heidi had prepared.

Among the issues for Trustees to consider as a part of this long-range budgeting as well as consideration of current proposals is whether to award funding to Clarendon Hills and 100 Homes as up-front funding and/or through bonding paid by the Trust in debt service over time. Mike pointed out that a placeholder funding amount was included for a multifamily acquisition project.

Trustees noted that issuing a bond of an amount of \$2 million or less does not factor in requests for further funding of these projects in future years. The Clarendon Hill proposal cited a total ask of \$6 million over the entire development timeline. As noted above, the 100 Homes request also contemplated returning to request additional funding to meet overall program goals.

These potential multi-year requests prompted discussion of whether it would make sense to consider a larger request, and thereby avoid transactional and other costs associated with multiple bond issuances. It would make sense to request bonding for an amount that would accommodate these upcoming requests. Trustees requested preparation and review of scenarios that would produce amounts more in line with overall requests being contemplated, i.e., ones for \$8 million, \$12 million and \$16 million.

Mike shared his understanding that the CPC would consider whatever request the Trust opts to make for bonding of CPA funds. Trustees will review alternatives and plan on making recommendations at its next meeting.

3. *Announcements:*

- On April 26th there will be a CPC meeting at which Trustees and staff can present bonding proposals.
- On May 6th Massachusetts Housing Partnership will hold a seminar geared toward Trustees of existing Affordable Housing Trusts. The training will provide an overview of Trust work across the state, discuss best practices, and review eligible activities and legal considerations.

The meeting adjourned at 8:07 pm with a **motion** introduced, seconded, and passed unanimously.

Documents distributed:

- Draft March 9, 2017 Minutes
- List of housing support programs awarded funding in most recent NOFA
- List of CPA RFP responses
- Draft multi-year budget projection documents
- Clarendon Hill project analysis summary document from Viva Consulting.
- Letter from DHCD regarding funding for the Clarendon Hill project