

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

Mary Cassesso, Managing Trustee

Trustees
Michael Feloney
Kathryn Gallant
David Gibbs
Donna Haynes
Councilor Stephanie Hirsch
Andrea Shapiro
Brielle Short
Jessica Turner

Minutes
April 9, 2020 Meeting – 5:15pm

Pursuant to Governor Baker’s March 12, 2020 Order suspending certain provisions of the Open Meeting Law, G.L. C. 30A, s. 18, and the Governor’s March 15, 2020 Order imposing strict limitations on the number of people that may gather in one place, as well as Mayor Curtatone’s Declaration of Emergency, dated March 15, 2020, this meeting of the Somerville Affordable Housing Trust was conducted via remote participation. An audio recording is available upon request.

Trustees present: Mary Cassesso, Mike Feloney, Kathryn Gallant, David Gibbs, Donna Haynes, Stephanie Hirsch, Andrea Shapiro, Brielle Short, Jessica Turner

Trustees not present: none

Staff attending: George Proakis, OSPCD Director, Lisa Davidson, OSPCD Housing Division, Heidi Burbidge, OSPCD Housing Division; Eileen McGettigan, Law Department OSPCD Special Counsel

Others attending: Danny LeBlanc, Somerville Community Corporation

Meeting started at 5:27pm with Mary Cassesso serving as chair.

1. Review and Approval of Meeting Minutes

Trustees reviewed draft minutes of the February 13, 2020 Trust meeting. David Gibbs introduced a **motion** to approve the February 13, 2020 meeting minutes which was seconded by Katie Gallant and PASSED, 9-0. (Minutes were voted on at the beginning of the meeting then again at 6:20pm by roll call.)

2. Communications

Trustee reappointments – status-

- Heidi Burbidge updated Trustees on the reappointment status of Mary Cassesso and Donna Haynes. Both were scheduled to go before the appointment board on March 4, 2020. However both Mary and Donna were unavailable and are waiting on rescheduling.

Clarendon Hill – project status update-

- Katie reported that she did not have update information to add since the last Trust meeting. George Proakis offered an update on roadway improvements that are related to the Clarendon project. Work to be done at Alewife Brook Parkway and Powderhouse Boulevard will involve shifting of streets to improve traffic flow and safety. That work, through the Commonwealth’s MassWorks program, has been a focus of activity for the project engineers working with the City Engineering Department on design plans.

George also noted that the development team is refining overall design of the project for presentation to the Zoning Board in May.

3. Ongoing/Unfinished Business

Review and discussion of SCC memo dated 3/4/20 on the loan for 88 Wheatland-

- Heidi noted that she had distributed a memo from Somerville Community Corporation (SCC) requesting additional time to repay the Trust loan approved by the Trust in October 2018 to acquire an affordable homeownership unit at 88 Wheatland Street. The Trust had granted SCC the loan for \$138,331 to prevent a foreclosure that would have resulted in the loss of an affordable unit. Loan terms established that SCC would repay the loan in a lump sum upon the sale of the property and invoice the Trust up to \$21,699 for administrative fees, attorney fees and closing costs. While SCC sold the property in February 2019, funds had not been returned to the Trust at closing and SCC has not yet repaid the loan.

George reviewed a memo he had submitted to the Trust providing the City's perspective on SCC's request. The memo noted that the loan agreement stipulated that if there is failure to pay principal of the note after it comes due and such failure continues for 10 days after the date of the closing that the loan would be in default. It also explained that SCC's action was inconsistent with governing documents of the Trust which state that Trust funds shall be used solely for the creation and preservation of affordable homes in Somerville.

George noted that the memo from SCC reported that the funds were spent while SCC was experiencing a cash flow shortage resulting from numerous years that had elapsed since SCC had completed a large project that allowed a developer fee and overhead for an organization like a community development corporation to maintain their operations and staff. George prepared the recommendation below in consultation with the City Attorney and the City Financial Officer, consisting of six steps:

- a) Acknowledge that the loan is in default of the loan agreement and promissory note;
- b) Call for the loan to be repaid as soon as possible, but no later than 48 hours after the closing of the refinancing of the property at 110 Walnut Street;
- c) Maintain the 0% interest rate for these funds for the next 90 days;
- d) Request that SCC share their 2019 audit upon completion, including but not limited to addressing how the funds were used by SCC after the sale of the property;
- e) Require full cooperation from SCC, and provide full cooperation of the Trust, as the City's auditors conduct an audit of Trust funds, and this transaction;
- f) Request SCC to submit the required itemized invoices for a total amount not to exceed \$21,699.00 for review and approval prior to reimbursement. Per the loan agreement, the Trust funds will be used to pay these invoices, but only after the \$138,301.00 has been repaid to the Trust (not deducted from the funds due at this time, as suggested in SCC's March 4th memo).

George reported that OSPCD would follow up on these requirements to ensure they are addressed and that financial controls are in place.

David inquired whether provision of SCC's audit should be a requirement rather than a request and asked why the repayment wasn't made at the time of closing and whether the closing attorney did not have a list of the liens. Later in the discussion, Mike noted that Lisa Davidson had confirmed that the mortgage had been recorded at the Registry of Deeds. He also confirmed that if the Trust voted to approve the measures that George had recommended that these requirements would be memorialized in an agreement between the Trust and SCC.

Andrea Shapiro noted that this loan had been provided by the Trust to SCC to carry out preservation of an affordable unit at the Trust's request. It was also noted that there was precedence for the Trust to offer forgiveness or forbearance such as a grace period before repaying a loan.

SCC Chief Executive Officer Danny LeBlanc acknowledged the default. He noted that 2020 was the fourth year that SCC had not had fee revenue from a larger project but that SCC will be on better footing after the refinance of 110 Walnut Street. He reported that SCC had larger projects underway that would produce the ability to earn a developers fee. He noted that SCC's refinance strategy would allow them to pay the Trust loan and other line of credit debt on which SCC had extensions from their lenders.

Andrea Shapiro made a **motion** that the Trust execute an agreement with Somerville Community Corporation on repayment of the funds that were borrowed for the acquisition of 88 Wheatland Street Unit 3 where the borrower agrees to the six measures specified by George Proakis in his memo to the Trust dated April 9, 2020 with an amendment to the language in item (d) to require an audit from SCC. Donna Haynes seconded the motion and it PASSED by 9-0 by roll call vote.

George Proakis, Eileen McGettigan and Danny LeBlanc left the meeting.

Housing program contracts status-

- Heidi reported that housing staff and Trust-funded housing program providers anticipated that the COVID-19 pandemic would result in an increase in applications for assistance from Somerville residents to housing programs. She shared a table showing total funds awarded by the Trust for each contract, the funds remaining for client assistance at the time of the meeting, and how much client assistance had been awarded by month in January, February, March and up to the time of the meeting. Heidi noted that she would report to Trustees at monthly meetings on the rate at which the program funds were being depleted. Heidi noted that if there were an increase in applications that Trustees might consider corresponding increases in funding for housing support programs.

FY20 CPA request – 31 Tufts Street-

- Mike noted that this agenda item was in follow up to a presentation at the February Trust meeting and to a request that was made by E3 Development in response to the Trust's FY20 CPA Request for Proposals. He reported that two state sources which E3 expected to pursue requested evidence of leveraged funding for the project. Mike noted that the amount of subsidy per unit was lower than many other affordable housing projects.

Trustees noted that given the current climate that the project could be delayed, but that as a 100% affordable housing project the development would be less market reliant than a mixed-income or mixed-use project. Mike noted that the City was more eager than ever to consider projects expeditiously as part of recession recovery with a pipeline of construction activity and associated jobs to be created.

Jessica Turner inquired and expressed concern about whether providing funds for the 31 Tufts Street project could take away from CPA and Trust funding for Clarendon Hill resident relocation. Mike noted that relocation services would be funded from other sources and that there was a solid commitment of \$10 million from the City for the Clarendon Hill project through a combination of HOME, CDBG and Trust sources. Mary noted that funding for the two projects would not conflict.

Trustees noted that while the request for a letter of commitment for 31 Tufts Street did not identify the other City sources that might be tapped that project financing would be developed further as sources were identified.

Mike Feloney made a **motion** that the Trust issue a letter of support to E3 Development for the 31 Tufts Street project in development for a zero interest loan up to \$1,000,000 of Trust funds to support the creation of 15 affordable units contingent on review of a full and final project budget in light of other commitments. David Gibbs seconded the motion and it PASSED 8-1 by roll call vote with Jessica Turner voting in opposition.

Request from SCC to allocate 75 Cross Street payment to fund replacement reserve-

- Heidi shared a memo recommending that the Trust approve a request from SCC to allow 75 Cross Street LLC to deposit a cash flow payment totaling \$56,057 otherwise due to the Trust into the property's replacement reserve. She noted that the deposit would assist in funding capital work and to ensure that the property is adequately capitalized. The request had been presented by Danny LeBlanc and Amanda Pelcher from SCC at the February Trust meeting. Heidi noted that after the request was made Trustees and staff requested further information from SCC to demonstrate that the project would meet its targeted reserve funding level of \$75,000 to \$100,000 by the end of 2020. Heidi reported that SCC had confirmed the balance showing in the reserve account statements and that payments to the reserve had been made on a monthly basis.

Mary Cassesso made a **motion** that the Trust provide Somerville Community Corporation with a letter of consent allowing 75 Cross Street LLC to deposit a cash flow payment totaling \$56,057 otherwise due to the Trust into the property's replacement reserve. Mary further moved that SCC should provide Trustees with a copy of SCC's Capital Needs Assessment upon its completion. Andrea Shapiro seconded the motion and it PASSED 9-0 by roll call vote.

Heading Home – FY18 CPA Award-

- Heidi noted that she had provided an update on the status of Heading Home's FY18 and FY19 CPA Housing Program awards for its Permanent Supportive Housing programs at the February Trust meeting and distributed a follow-up recommendation memo. Heidi reported that since the FY18 contract was executed, Heading Home was having a difficult time using their HUD leasing dollars to lease acceptable units at fair market rents in Somerville and that they did not anticipate being able to spend the balance of the FY18 CPA Trust contract funds, nor the FY19 CPA funds requested. Heidi reported that Heading Home had requested that the Trust rescind the funds remaining on its FY18 CPA contract with Heading Home, and to acknowledge Heading Home's withdrawal of their request for \$50,000 of FY19 CPA funds.

Mary Cassesso made a **motion** to approve Heading Home's request for the Trust to rescind the funds remaining on the Trust's FY18 CPA contract with Heading Home for its Permanent Supportive Housing (PSH) programs, and to acknowledge Heading Home's withdrawal of their request for \$50,000 of FY19 CPA funds. Mike Feloney seconded the motion and it PASSED 9-0 by roll call vote.

4. Announcements

- Stephanie Hirsch reported that she would be leaving the City Council at the end of April when her family would be moving out of state. She noted that the councilor who is appointed as the new chair to the Housing and Community Development Committee would assume the position of designee to the Trust.

A **motion** was made to adjourn which was seconded and PASSED, 9-0.

Next meeting date – The next meeting date will be Thursday, May 14, 2020 at 5:15pm. It will be held remotely using GoToWebinar. Instructions to join the meeting will be provided on the meeting agenda posted at City Hall.

Documents distributed:

- Draft February Trust meeting minutes
- SCC memo requesting additional time to repay the Trust loan for 88 Wheatland
- Memo from George Proakis on SCC's request for the Trust loan for 88 Wheatland
- Table showing funds remaining on Trust funded housing programs
- 31 Tufts FY 20 CPA proposal recommendation memo from Heidi Burbidge
- 75 Cross Street loan repayment recommendation memo from Heidi Burbidge
- Heading Home award memo from Heidi Burbidge