

**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
Andrea Shapiro

Minutes

August 10, 2016 Meeting – 6:15 PM
City Hall, 3rd Floor Conference Room
93 Highland Avenue, Somerville, MA 02143

Trustees Present: Mary, Lisa, Michael, Donna, Danny, Mark, and Andrea

Clerk to Trust: Kelly Donato and Heidi Burbidge, City of Somerville Housing Division

Guests Present: Mark Alston–Follansbee, Somerville Homeless Coalition and Michael Cucchiara from Potomac Capital

The meeting began at 6:15p.m. with Mary Cassesso serving as chair. There was a discussion of guest/visitor policy.

New Business

1. Reading and Approval of July 20, 2016 Meeting Minutes

A motion was introduced by Donna Haynes with a second by Danny LeBlanc and PASSED 7-0 to approve the July 20, 2016 Meeting Minutes.

2. Discussion

It was noted that the request to support the Passages program will change the proportion of money the Trust allocates to direct services, and that this could be the “tip of the iceberg” as state and federal government divest from funding such programs. The Trust should incorporate this topic into strategic planning discussion this fall. There was agreement that the Trust funding allocation formula has served it well. In 2014 the Trust budget was changed, allocating 65% toward development. The Trust should consider the 35% not going toward development and analyze how much of it will be spent and how. Allocations in FY17 toward Tenancy Stabilization and Agency Program Grants total \$151,000. It was noted that the Trust did not include language asking people to apply or submit proposals for the ‘new initiative’ budget line (\$58,009.03), and that the Trust has accepted requests on a rolling basis. It was also noted that in FY16, a new initiative program was not done. Plan to do reallocation and include reconciliation using a profit-and-loss statement.

At 6:41pm, Mike Cucchiara from Potomac Capital joined for the next agenda item.

3. Waterworks Loan Terms

Potomac Capital is the development consultant for Somerville Housing Authority's Mystic Waterworks project. A round of introductions was made. In response to a question about terms requested for the loan the Trust will make to this project, Mike noted that the development team is seeking to standardize terms of loans and applicable interest rates across sources to make it easier for their tax credit investors. All different "baskets" of funding from State and City will be represented by one closing attorney. Mike described how the developer is seeking the same Federal Funds interest rate across all loans and highlighted the tax benefit of accruing interest to maximize the value of the investment for the tax credit investors. There was discussion about whether the affordability term would be 40 years, or in perpetuity. In part because the project has public procurement requirements, a construction cost escalation which was mostly labor-related, resulted in a \$5 million cost overrun. The cost overrun was reduced through "value-engineering" to \$3 million.

At 6:54 Mike Cucchiara left the meeting.

There was discussion among the Trust members about how the Somerville Housing Authority was using some of its own money to fill the gap for this project. They needed to have their sources and uses in line for closing. Trustees were comfortable with the loan using the Applicable Federal Funds Rate, but were in agreement that the affordability term should be in perpetuity (not 40 years). This would be consistent with other loans the Trust has granted in the past and with the Trust's intentions in the future. Trustees would like to request that the developer provide the Trust with both its current and final Sources and Uses statement and to be made aware of any gap funding for the project in the future.

A motion was made by Danny LeBlanc and seconded by Donna Haynes to rescind the loan terms for a commitment in Housing CPA funds of \$257,000 in the vote taken by the Trust on February 12, 2015 for the Waterworks project. The motion PASSED 7-0.

A second motion was made by Danny LeBlanc and seconded by Donna Haynes to set loan terms for the \$250,000 in Housing CPA and \$200,000 in Trust funds committed on June 9, 2016 and for the prior \$257,000 commitment in Housing CPA funds as follows: setting the loan's interest rate at the Applicable Federal Funds Rate, with a 40-year term, subordinated as requested, and with a deed restriction requiring affordability in perpetuity. The motion PASSED 7-0.

It was noted that this project has a high per unit subsidy. Trustees asked Housing Staff to request current and final pro formas for the project.

At 7:10p.m. Lisa Davidson left the meeting to recuse herself from the next agenda item. Mark Alston-Follansbee joined the meeting.

4. Passages Program Request

Trustees asked Mark how confident he was that SHC would be able to secure funding to keep the Passages program running after two years. He answered that there was a possibility of creating a new position as a part of coordinated entry. So far attempts to work with other municipalities have not worked out. Congressman Capuano's office is concerned. They don't have certainty but will work to put something together in two years. They won't be restricted to HUD's definition of homelessness, now, so they will be able to serve more people.

Trustees encouraged SHC to do contingency planning and prioritization of who to serve. Mark agreed, saying that originally this program had 3 FTE, all with full caseloads. So with a new definition, demand will be higher. He went on to say that they can perhaps help more when working

with people earlier, and also by having a prevention program in addition to their other services. In the meantime the SHC employees became “Assistant Shelter Manager” which wasn’t ideal because they had to play good cop/bad cop doing housing search/case management and managing the shelter.

Mark said that SHC will do a thorough analysis of who to hire. If they mutually decide with Lisa Davidson for her to lead the program, then she will resign from the Trust, so as not to introduce a conflict of interest. Of the three employees who previously ran the Passages program, two were moved into other positions and one was laid-off.

SHC has had a lot of financial scrutiny on its books in the last 8 months by Goodwin Proctor, and by AAF who has been conducting an audit. They are awaiting results of the audit.

At 7:25pm, Mark Alston-Follansbee left the meeting.

Trustees commented that the State used to fund programs like this but that ended under Governor Patrick.

A motion was made by Danny LeBlanc and seconded by Donna Haynes to award \$150,000 for year 1 and \$125,000 for year 2 to the Somerville Homeless Coalition for its Passages Program, with the staff notifying SHC that they must work jointly with Housing staff and the Trust to develop milestones and metrics for the program’s progress, including participants served and research conducted related to funding sources.

September meeting date will be September 8, 2016, 6:15p.m.-7:30p.m.

The meeting adjourned at 7:45 p.m. with a motion from Danny and a second from Donna.

Documents Reviewed:

- Memo from Potomac Capital Advisors
- Questions to and Responses from Somerville Homeless Coalition
- Forecast for FY17 for June 2016 Meeting
- Draft July 2016 Minutes