



**CITY OF SOMERVILLE, MASSACHUSETTS**  
***MAYOR'S OFFICE OF STRATEGIC PLANNING & COMMUNITY DEVELOPMENT***

**JOSEPH A. CURTATONE**  
**MAYOR**

**MICHAEL F. GLAVIN**  
**EXECUTIVE DIRECTOR**

**MEMORANDUM**

**TO:** Board of Aldermen, Legislative Matters Committee of the Whole

**FROM:** Mike Feloney, Housing Director and Hannah Carrillo, Sustainable Neighborhoods Initiative Program Coordinator, OSPCD Housing Division

**CC:** Michael F. Glavin, OSPCD Executive Director;  
Tim Snyder, Director of Intergovernmental Affairs;  
Annie Connor, Legislative Liaison, Office of the Mayor;  
Jason Grossfield, Assistant City Solicitor, Law Department

**DATE:** April 24, 2018

**RE:** City of Somerville Affordable Housing Program Activities

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This memorandum responds to Board Order 205492: That the Director of SPCD prepare a report analyzing why the current 20% affordable housing requirement, the \$10.00 per sq. ft. linkage fee, and other city initiatives are not sufficient to meet the affordable housing needs of the City. The information provided herein also discusses areas of housing need that may be considered for funding from revenue generated from the proposed Real Estate Transfer Fee currently being deliberated by the Board of Aldermen's Legislative Matters Committee.

**Background**

In general, the City of Somerville is responsible for assessing the affordable and fair housing needs of the community and addressing identified needs through program, policy, and resource development. Providing a foundation to this comprehensive effort, the report of the Sustainable Neighborhoods Initiative Working Group outlined a set of recommendations that continue to be implemented by the City's Housing Division in collaboration with residents, state, federal, and local government officials, and private-sector interests. A principal role of the Housing Division is the management of the City's inclusionary housing requirements for all new major housing developments and the formalization of housing linkage payment agreements with the developers of large scale commercial real estate projects in accordance with the City's zoning.

The funds generated under these housing linkage agreements, along with Community Preservation Act (CPA) funding dedicated to the support of affordable housing, are managed under the auspices of the City of Somerville's Affordable Housing Trust Fund board. The Housing Division provides staffing support to the board of the Trust as it implements its funding decisions described below.

### **Activities of the Trust**

*Community Preservation Act funded programs.* CPA-funded program allocations in FY17 totaled \$176,553. They were granted to two community nonprofits for the administration of three programs that provide rental assistance to Somerville residents, as well as support rental programs for formerly homeless households where actual rental costs in Somerville exceed the U.S. Department of Housing and Urban Development's Fair Market Rent limits. The programs funded in FY17 are the Prevention and Stabilization Services (PASS) Program (\$93,728) and the Better Homes Leasing Differential Program (\$57,825), both of which are operated by the Somerville Homeless Coalition, and the Shortstop Leasing Differential Program (\$25,000) operated by Wayside Youth and Family Support Network.

*Non-CPA Trust-funded programs.* Non-CPA Trust-funded program allocations in FY17 totaled \$134,000 and were granted to five community nonprofits for the administration of eight programs that provide housing support and rental assistance to Somerville residents. Programs funded in FY17 include:

- the aforementioned PASS Program operated by the Somerville Homeless Coalition, in the amount of \$15,000;
- the Tenancy Stabilization Program, also operated by the Somerville Homeless Coalition in the amount of \$60,000 to provide up to \$3,000 in one-time assistance to households for first and last month's rent and security deposits;
- the Somerville Mediation Program operated by Somerville Community Corp in the amount of \$15,000 for landlord-tenant mediation;
- the Shelter and Housing Program operated by Respond, Inc. in the amount of \$10,500 to assist in supporting their emergency shelter for people fleeing domestic violence and to support housing search and rental assistance;
- the Homelessness Prevention Program operated by the Community Action Agency of Somerville in the amount of \$11,000;
- the Immigrant Integration Services Program operated by Massachusetts Alliance of Portuguese Speakers in the amount of \$4,000, to provide housing counseling and education services to landlords and tenants;
- the Somerville Tenancy Stabilization Program operated by the Cambridge and Somerville office of Greater Boston Legal Services in the amount of \$8,500 to provide legal advice and representation to low income tenants facing eviction; and
- the ShortStop Program operated by Wayside Youth and Family Support Network in the amount of \$10,000, to provide transitional housing and support services to 9 formerly homeless young adults up to age 22.

*Trust-funded housing development projects.* Since 2016 the SAHTF has committed funding to the following development efforts:

- \$707,000 to the Somerville Housing Authority's Waterworks project for 25 affordable elderly/disabled rental units (\$507,000 in CPA funds and \$200,000 in non-CPA Trust funds);
- \$1,153,722 to the Somerville Community Corp's (SCC) 163 Glen Street for 8 affordable homeownership units (\$913,762 in CPA funds and \$239,960 in other Trust funds); and
- \$200,000 in Trust funds to SCC's 181 Washington Street for 35 affordable rental units, and
- \$3,881,608 to support the transformation of existing market-rate housing units in Somerville into units that will be affordable in perpetuity through the 100 Homes initiative. Further detail on this major initiative follows.

Units acquired by Somerville Community Corporation (SCC) with Trust funding include 45 units in 10 properties ranging in size from two-family properties to a 16-unit property. All of the units are assisted with CPA funds. These units have been permanently removed from the speculative market and made affordable to households with a range of income levels, with units distributed to be affordable at each of the following moderate to very low Area Median Incomes (AMI): 81-100% AMI, 61-80% AMI, 51-60% AMI and below 50% AMI.

Of the 45 100 Homes units that have received commitments from the Trust to date, financing for 27 units includes bridge loans to be paid off at the time of final closing. FY18 CPA funds and the bond issuance recently approved by the Board of Aldermen are identified as sources to take out these loans as well as create additional 100 Homes units beyond these 45. Properties with bridge loan financing to be paid include 11 Austin, 355 Broadway and 72 Marshall. The Trust has also committed \$750,000 in non-CPA Trust funds to the 11 Austin property.

100 Homes properties funded to date include:

<b>100 Homes</b>	<b>CPA Funds</b>	<b>Units</b>
18-20 Illinois Ave	\$315,654	2
94-96 Grant Street	\$430,000	3
35 Merriam Street	\$600,000	3
52 Sydney Street	\$216,000	2
293 Alewife Brook Parkway	\$271,219	3
29 Jackson Road	\$693,658	2
31-33 Cross Street	\$498,000	3
11 Austin Street (CPA)	\$460,250	6
355 Broadway	\$3,135,000	16
72 Marshall Road	\$772,300	5
Total (not including program management/operating funds)	\$7,392,081	45
100 Homes Program Management/Operating Funds to SCC	\$200,000	

**Area Median Income Limits for SAHTF and CPA Funds**

CPA funds can only be used to serve families at or below 100% Area Median Income (AMI), while Trust funds can be used to serve families at or below 110% AMI, as stipulated by ordinance. Due to the income limits that are put on certain funds, the SAHTF must ensure that funds are being allocated in accordance with those restrictions.

**Local Preference Requirements**

The degree to which funding allocations can be restricted to only those who live in Somerville is dependent on the funding sources of the program or project. All of the programs funded by the SAHTF, such as the Tenancy Stabilization program, are limited to Somerville residents or those pending a move to Somerville with an executed lease agreement. Developments that receive State funding are required to limit the local preference to 70% local residents for initial occupancy only. Due to high acquisition and construction costs, development projects require funding from multiple sources and this often will include State funds. The inclusionary housing program has a local preference of 100% for initial occupancy for

those who currently live and/or work full time in Somerville; however this program is not funded by the SAHTF.

### **Additional Needs Identified**

While the above listed programs and developments are providing much needed assistance to the residents of Somerville, there are various limitations on what the Trust can do. Among identified needs based on current programs and development trends are greater assistance targeted to those with extremely low incomes (at or below 30% AMI), addressing a lack of appropriately sized units for families, and also a need for affordable opportunities for those in need of workforce housing serving households between 100-140% AMI.

*Need for Increased Assistance for Those at or Below 30% AMI.* State and Federal funds that have traditionally been allocated to serve those at 30% AMI and below have reduced dramatically over recent years, with HOME funds received in FY17 (\$405,178) being less than half of what was provided in FY01 (\$841,000) and CDBG funds received in FY17 (\$2,249,000) totaling \$1.5 million less than what was received in FY01 (\$3,717,000). The high cost of subsidizing programming and assistance for those at 30% AMI and below in conjunction with the reduction in State and Federal funding has created a dynamic in which it is increasingly difficult for the Trust to provide support that meets the demand for assistance at this income level. Additionally, under the inclusionary housing program tenants eligible for units designated for households below 50% AMI must be able to afford the program's below-market rent and utilities without subsidies, unless they are fortunate enough to already have a federal Section 8 rental assistance voucher. The need for additional assistance allocated to residents living at or below 30% AMI is addressed in the Assessment of Fair Housing (AFH); a report conducted by the City and published in October 2017. The AFH indicates that there is a current lack of housing for this population, as illustrated by the multiple year long waitlists for all unit sizes.

*Need for Larger Family-Sized Units.* The vast majority of not only affordable units, but also market rate units in Somerville are one and two bedrooms, which cannot accommodate a family with more than two children reasonably. Currently, there are only 7 three-bedroom units in the entire inclusionary housing inventory which includes 196 units (this figure only includes completed and occupied projects and excludes projects such as Montaje which is not yet fully completed).

The need for larger units to accommodate families can be evident in the waitlist for a 3-bedroom unit at Union Square Apartments located at 181 Washington St. There are a total of 35 affordable rental units at this property, 27 of which are designated for families with incomes at or below 60% AMI and 8 of which are designated for families with incomes at or below 30% AMI, with only four of those units being 3-bedroom units. The current waitlist for a 3-bedroom unit is 823 families long.

The need for an increased amount of family sized housing (3+ bedrooms) was also identified in the AFH. That assessment found that 52.44% of Somerville families with 5+ members are experiencing housing problems, which includes overcrowding, being cost burdened, and living in substandard conditions. A lack of larger sized units in the Somerville housing stock prevents families from growing and staying in Somerville, as they often need to relocate to nearby suburbs where they can find larger units that can accommodate their family size.

*Need for Workforce Housing.* Various data have shown that there is also a growing need for middle-income or workforce housing that serves families above 110% AMI. Data from both the Housing Needs Assessment (2015) and the Assessment of Fair Housing (2017) indicate that the middle-income population is facing an increasing need for assistance due to extensive increases in rents and property values, compounded by the fact that assistance is generally not available to those who are middle-income. While the SAHTF itself cannot currently increase the income restrictions for those who can receive

assistance without taking legislative steps, other city program efforts are working to address the need for additional workforce housing including the 60 unit workforce housing development that is a component of the proposed Clarendon Housing redevelopment program.

The update of the Inclusionary Zoning Ordinance (IZO) effective May 9<sup>th</sup>, 2016 established an additional income tier and now allows up to 140% AMI for homeownership units and up to 110% AMI for rental units. There are currently no inclusionary homeownership opportunities available at 140% AMI nor rental opportunities at 110% AMI as the ordinance revision applies only to projects permitted after the revision date and the new third tier applies only to the 5<sup>th</sup> affordable unit provided at a project which requires a larger project.

The City is currently working with the Metropolitan Area Planning Council to complete phase 2 of a Middle-Income Housing Study, which is investigating what Somerville currently has to offer middle-income residents and where gaps in assistance exist. The study will provide the City with a better understanding of the need and how we might better address that need going forward. As aforementioned, the AFH highlighted middle-income residents as a population vulnerable to displacement and cited phase 2 of the middle-income study as a main priority moving forward.

*Other Gaps.* Additionally, the 2018 Housing Initiatives put forth by the Mayor in January called for an Emergency Rent Stabilization Program to assist low and moderate income residents facing the risk of displacement transition to a stable housing environment. Research is being conducted to analyze current local and regional rental assistance programs to identify any gaps for targeted assistance. These efforts should provide valuable information that will assist the City in determining how to best allocate funding and will be useful when it comes time to allocate Real Estate Transfer Fee revenue if the fee is approved.

Finally, the City is also working on several initiatives to address the ever-growing need for affordable housing and assistance that reaches those in need of support. These initiatives, including a Right to Purchase program and the establishment of a Community Land Trust, are most effective when operated in tandem. The proposed Transfer Charge would be a critical funding source to advance these measures as tools to help minimize displacement in Somerville.