

Somerville Affordable Housing Trust Strategic Vision Plan & Guidelines

Revised July 22, 2014

TABLE OF CONTENTS

Introduction.....	1
Eligible Purposes.....	2
Income Criteria	3
Members	3
Source of Trust Funding	4
Goals of the Trust	5
Types of Assistance.....	6
Allocation of Funds by Program Activity	6
Terms of Assistance	7
Criteria for Evaluation of Loan requests.....	8
The Process for Applying to the Trust	9
Annual Report	9

Introduction

The City of Somerville formed the Somerville Affordable Housing Trust in 1989 by City Ordinance 89-3 to help Somerville deal with the shortage of affordable housing. In 2005, the City re-adopted the Trust under the newly enacted Municipal Affordable Housing Trust Law (MGL c.44 s.55C).

The Trust is charged with the preservation and creation of new affordable rental and homeownership units in the City of Somerville and the creation of programs that directly assist renters and homeowners.

The Somerville Affordable Housing Trust is an important resource for the City of Somerville in expanding and preserving the stock of affordable housing. Through the loans and grants of the Trust, Somerville has a flexible vehicle to respond to affordable housing needs.

This document describes the purpose the Somerville Affordable Housing Trust, explains the Trustees' priorities and goals for use of Trust funds, and establishes a process and criteria for Trustees' review applications.

Eligible Purposes

The purposes of the Trust, as documented in Ordinance 8-3 and the Declaration of Trust, are as follows:

- To assist in the creation of new affordable homes and rental units in Somerville.
- To assist in the preservation of existing affordable homes and rental units.
- To directly assist renters and homeowners.

Furthermore, the Trust documents elaborate upon the purposes by listing permissible uses (note the following list is intended to be illustrative and not to limit the discretion of the Trustees):

- Funds to assist in the development of affordable housing such as site acquisition, site clearance, site improvements, and/or option money
- Funds to assist in the preservation of existing housing; including arson prevention and rehabilitation subsidies
- Funds to assist renters, such as loans for security deposits and/or monthly subsidies or rent
- Funds to assist new homeowners, such as loans and/or grants for down payments or closing costs
- Funds for research projects to determine other appropriate uses of the Trust Fund
- Seed money for new programs or new organizations, such as limited equity cooperatives, a community land trust and/or a community loan fund
- Any other programs or projects that fulfill the purpose of the Trust

In setting criteria, the Declaration of Trust instructs the Trustees to consider the following:

- Insure long term affordable housing
- Community need for the project
- Organizational capacity within the community to facilitate the program or project
- Current Trust assets
- Other sources of funding available for the program
- Such other criteria as may be included in the Rules and Regulations

In addition, the Trust's funding sources have additional requirements governing utilization of funds , as described below:

The Linkage Ordinance specifies that Project Mitigation payments may only be used for the following purposes:

- Increasing the supply of housing that is available and affordable to low and moderate income people
- Ensuring that such housing is affordable over the long term
- Mitigating the impact of large-scale development on the supply and cost of housing in the City of Somerville

Community Preservation Act funds (which the Trustees anticipate requesting beginning in FY15 as a reliable source of continued funding for the Trust) have the following requirements with regard to eligible housing activities:

- Acquisition, creation, preservation, and support of housing affordable to households with incomes up to 100% of the Area Median Income
- Rehabilitation of affordable housing units is only permitted if the housing was created with CPA funds, however preservation of affordable units is allowed (which is defined as "protection of personal or real property from injury, harm or destruction.").

- “Support” of affordable housing includes programs that provide grants, loans, rental assistance, security deposits, interest-rate write downs or other forms of assistance directly to individuals and families who are eligible for community housing, or to an entity that owns, operates or manages such housing, for the purpose of making housing affordable.
- The CPA statute also states a preference for the reuse of existing buildings or construction of new buildings on previously developed sites with respect to affordable housing.

Income Criteria

The Trust Ordinance states that the Trust funds shall be used to create or preserve housing that is affordable to households with incomes of no more than 110% of the Area Median Income (AMI) for the Boston Standard Metropolitan Statistical Area (SMSA). Furthermore, the Declaration of Trust specifies the more detailed allocation minimums as follows:

- at least 20% of the funds serve households between 0% and 50% AMI
- at least 20% serve those with incomes between 51% and 80% AMI
- at least 10% serve those with incomes between 81% and 110% AMI

The other 50% of the Trust funds are discretionary and can be allocated over these three target income categories. The Trust regularly reviews its allocation of funds by income category to insure that the income requirements of the Trust are met. In addition, the Trust encourages deeper affordability where possible consistent with project feasibility. Many housing development loans and grant-funded programs serve households with incomes below 30% of AMI. The Trust also seeks to encourage projects and programs that serve homeless households.

Members

The ordinance establishing the Trust calls for nine Trustees. Three of the Trustees are ex-officio and include the following:

- The Mayor or designee
- The President of the Board of Alderman or designee
- The Executive Director of the Somerville Housing Authority or designee

The other six members are appointed by the Mayor subject to the approval of the Board of Alderman as follows:

- Two Somerville residents (one of whom shall 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
- One professional in the field of banking or finance.

The Board members who are not ex-officio serve for staggered terms of three years.

Due to Somerville’s recent adoption of the Community Preservation Act, which includes the creation and preservation of affordable housing among its purposes, it will be important to ensure collaboration and coordination between the Community Preservation Committee and the Board of Trustees.

As such, the Trust plans to propose amendments to the other membership requirements to provide flexibility for optimum membership structure.

The changes proposed are as follows:

Sec. 7-92. Affordable housing trustees.

There shall be nine to eleven trustees on the board of the trust. Three of the trustees shall serve ex officio (with full voting rights); and the remaining members shall be appointed by the mayor, subject to approval by the board of aldermen. The ex officio trustees shall include the mayor or designee, the president of the board of aldermen or designee, and the executive director of the housing authority or designee. The remaining trustees shall be selected and appointed by the mayor subject to the board of aldermen approval as follows, at least: one resident, one resident whose household is eligible for state or federal public housing programs, one representative of city nonprofit organizations, and one professional in the field of housing or real estate, and one professional in the field of banking or finance. The mayor shall ensure, to the extent feasible, that the composition of the board reflects the geographic and ethnic mix that exists in the city.

Source of Trust Funding

The Trust has made a total of over \$3.48 million available through loans or grants since its inception. The Trust has received money from an initial capitalization by the city, linkage payments, inclusionary zoning payments, an Emergency Shelter Grant, a betterment payment, and interest on the corpus. Occasionally, other funds may be awarded to the Trust - for example private donations, other city funds, and the like.

Linkage Payments

Soon after the Trust was formed, the City enacted a linkage ordinance on commercial development. The linkage ordinance specifies that all payments, called Project Mitigation Contributions, go to the Somerville Affordable Housing Trust. The payments are made in either a lump sum or five annual installments.

Inclusionary Zoning Payments

In addition, developers subject to the City's Inclusionary Housing ordinance can make a payment in lieu of units. The first such payment was received in September 2002.

Community Preservation Act Funds

The City of Somerville adopted the Community Preservation Act (CPA) through a city-wide vote in November 2012, which will generate revenue through a 1.5% local surcharge on local property taxes and a variable annual distribution from the state's Community Preservation Trust Fund. A minimum of 10% of the CPA funds are required to be spent or set aside for the creation or preservation of affordable housing.¹

The importance of steady annual allocations of CPA funds to enhance the success, effectiveness, and reach of the Somerville Affordable Housing Trust to address the City's housing needs cannot be overstated. As such, the Trustees will strongly advocate that the CPC designate the Trust as its "housing arm" with quarterly reporting on the Trust's uses of CPA funds.

¹ Note: The Community Preservation statute (MGL c.44B) uses the term "community housing" to describe housing that is affordable to households with incomes up to 100% AMI, however this document uses the term "affordable housing" to be consistent with customary practices and documents of the Trust.

Goals of the Trust

In 2014 the Trustees undertook a review of the performance of the Trust and an analysis of the current housing needs and goals of the City of Somerville based on current City plans including SomerVision, Somerville Housing Needs Study, and the HUD Consolidated Plan. Based on this analysis, the Trustees developed an updated set of goals and procedures to guide the deliberations of the Trustees.

Consistent with the requirements of the Ordinance and the Declaration of Trust, the Trustees will pursue allocation the Trust funds for the following purposes:

1. Create rental housing for Somerville residents with incomes up to 110% of AMI.
2. Make special efforts to insure housing opportunities for households with incomes below 30% AMI and between 31% and 50% AMI.
3. Create homeownership units for residents with incomes up to 110% of AMI.
4. Support affordability for first-time homebuyers with incomes up to 110% AMI through loans, such as closing cost assistance, that can supplement and further other city initiatives.
5. Preserve existing affordable housing and encourage innovative efforts to acquire and preserve unassisted stock for affordable housing.
6. Be a voice for affordable housing in Somerville and encourage awareness through public forums and outreach and through innovation in grants and loans.
7. Insure that any housing created is affordable for the long term through the use of deed restrictions particularly on rental and homeownership development projects.
8. Be a unique and flexible source of financing, providing funds that other programs cannot.
9. Effectively leverage state, federal and private funds particularly by being the first dollars in to demonstrate local commitment.
10. Support projects and programs with measurable goals and positive outcomes.
11. Support housing stability for households with incomes up to 80% AMI through a variety of activities such as eviction prevention and homelessness prevention as well as foreclosure prevention for households with incomes up to 110% AMI.
12. As opportunities arise, support development projects that foster community development goals as documented in SomerVision and other City plans, including transit-oriented development, mixed-use and mixed-income projects, and sustainable design as well as goals of the Community Preservation Committee, as described in the Community Preservation Plan.

Types of Assistance

The Trust will offer grants and loans in the categories listed below. Depending upon the amount of funding available and the demand for the funds, the Trust may limit the types of awards from year to year.

Loans

DEVELOPMENT LOANS

The development loans are in two categories:

- Short term financing for acquisition or development soft costs.
- Longer term gap financing. These can be subordinate debt and may leverage state, federal and private money.

LOANS TO INDIVIDUALS

Closing Cost Assistance: Eligible homebuyers may access this fund for help with closing costs for ownership in Somerville. The loans will not incur interest and will be forgivable after 5 years provided the borrower does not default on any terms.

Grants

TENANCY STABILIZATION PROGRAM

This program's purpose is to help preserve tenancies or to help tenants access housing. It has been used for tenants for rent arrearages, moving costs, first and last month rent, and security deposit to stabilize their housing situation. The goal of this program is to create sustainable tenancies, and recipients may be required to complete self-sufficiency activities in connection with this program.

PROGRAM GRANTS

Program grants are available on a limited basis for programs that support activities and services that help Somerville residents with housing problems. Priority is given to programs that help low and moderate-income residents to sustain affordable housing, help gain access to affordable housing, and/or preserve or increase the supply of affordable housing.

Allocation of Funds by Program Activity

The amount of money in the Trust Fund may vary from year to year depending upon new payments under the linkage ordinance, inclusionary zoning payments, repayment of existing loans, and allocation of CPA funds. Annually, the Trust will allocate the funding within the following ranges based on a percentage of the overall funds available. In addition, the Trust will annually review the housing pipeline and the target allocations and will adjust the future awards within the range based on expected applications and a determination of the current housing needs in Somerville. The Trust is aware that development projects may take a number of years to assemble and will factor those timing expectations into the allocation process.

Program Activities	Percentage of Available Funds
Development Project Loans, including short and long term project loans for rental and/or homeownership development, as opportunities arise	65%
Direct Grants	10%
Tenancy Stabilization Program	10%
Closing Cost Assistance	7.5%
New Initiatives (e.g., anti-displacement/rent-to-own initiatives, or other)	5%
Reserve “Rainy Day Funds”	2.5%

The Trust has income targeting requirements (see above) and may from time to time re-allocate funding among categories to insure that the required income levels are served. The rainy day funds may be made available at the discretion of the Trustees to any of the program activities, dependent on level of need.

Terms of Assistance

The Affordable Housing Trust fund is a revolving fund, with the exception of funds that are explicitly given in the form of a grant. In general, the Trust makes closing cost in the form of deferred loans that can be forgivable after 5 years provided the borrower does not default on any terms and that have 0% interest. The Trust’s development loans include interest at a variety of rates and with a variety of repayment terms.

The Trustees intend to create standard terms for development loans, which will be made available through City’s Housing Division. The new terms for development loans will articulate: expected contribution per unit and per project maximum; fixed interest rate (2 or 2.5%); expected repayment schedule (annually, from project cash flow); when repayment commences (usually when the project is 100% occupied), and affordability term. The contribution per unit may be a range based on unit size and availability of Trust funds, but should suggest a starting point for developers to create pro formas and begin conversations with the City. The terms sheet may authorize a higher level of subsidy for units that are affordable to extremely low-income households. It is important that the Trust terms include language that any provision may be waived or modified if required for project feasibility.

Amount of Loan

The amount of the loan will depend on a number of factors including amount of Trust funding available, minimum amount necessary for feasibility, demand for the fund and how well a project meets the criteria established. The Trustees intend to establish standard funding guidelines that will incorporate per/unit maximums based on unit size and level of affordability and maximum total annual requests per project. The standard funding guidelines will be made available through the City’s Housing Division.

Repayment Terms

The loans are generally intended to fill short-term gaps or to provide flexible, more streamlined access to funding to enable a developer to seize housing opportunities. In most cases, the Trust expects that funds will be repaid so that new projects or individuals can access the money. Short-term acquisition or pre-development funds will be due upon the closing of the construction loan but may in some cases be deferred until the closing of the permanent financing. Permanent loans will generally have a 30 year term, which can be extended to 50 years if necessary for project feasibility. The repayment terms will

be different for projects that utilize Low-Income Housing Tax Credit LIHTC financing and those that utilize a simpler financing structure.

Criteria for Evaluation of Loan requests

The Trust will evaluate development project loan requests on a rolling basis but may periodically issue RFPs for projects. In addition to specific criteria that may be established in these RFPs, the Trust will generally evaluate projects based on the following criteria.

Development Loans

- Positive impact of the project on the quality of life in Somerville including the project's ability to preserve economic diversity
- Capacity of the development entity; (Preference for Somerville non-profit developers)
- Total number of units
- Percentage of affordable units
- Percentage of units serving very low income or homeless households
- Amount of AHT invested per unit
- Leverage of State, Federal and other funds.

Closing Cost Assistance loans

- Somerville resident who are first-time homebuyers and who will occupy the unit as their primary residence for the term of the loan
- Good credit history
- Have completed an approved Home Buyer Training Class
- Other assets available for down payment
- Not eligible for other state or federal down payment assistance programs

Tenancy Stabilization Program

- Somerville residents whose household income is below 80% of AMI
- Assistance will help to stabilize the housing situation in a sustainable way based on an analysis of the household budget
- Applicants will participate in an Individual Family Self-Sufficiency Program (ISSP) and agree to monitoring of progress on a monthly basis.

Grant Requests

- The proposed grant demonstrates an innovative approach to the grant program goals.
- The grant will have a measurable impact on the affordability and diversity of housing in Somerville.
- The grantee can demonstrate it can achieve successful outcomes for program activities.
- The applicant demonstrates an ability to leverage the grant funds and to continue the proposed activity beyond the funding period.
- The grantee has the capacity to administer the grant and deliver the services funded by the grant.
- The applicant is a non-profit agency; preference for organizations that demonstrate providing needed and effective services to Somerville residents. When equivalent impacts and effectiveness are demonstrated for comparable programs, Somerville-based organizations may be given preference.

The Process for Applying to the Trust

Loan Requests

Applicants for Trust development project loans may apply on a rolling basis. Before submitting an application, applicants should send a letter of inquiry/interest to the Fund Managing Trustee and to the Housing Director of the Mayor's Office of Strategic Planning and Community Development (OSPCD). The Trust will review the request and determine if funding is available at the time of the request and if so, invite an application.

The staff of the OSPCD will review the application. The staff may request additional information. The staff will evaluate the proposal according to the criteria established in the guidelines and make recommendations to the Trust as to the amount of the loan and terms for repayment.

The Trust may review loan requests at each monthly meeting of the Trust. Applicants for development project loans may be asked to appear and make a brief presentation about the project and answer questions. From time to time, depending on the demand, amount and availability of funds, the Trust may issue a Request for Proposals (RFP) for development loan proposals. Applications for the Closing Cost Assistance Program are available on a rolling basis through the City of Somerville Housing Division.

Applications for the Tenancy Stabilization Program are available through the program administrator who is a Non-Profit Agency in the City of Somerville designated by the Trust from time to time based on an RFP selection process. The current program administrator is the Somerville Homeless Coalition.

Grant Requests

In each year that funds are available for grants, the Trust will issue an RFP for the Grant awards and establish additional specific criteria at that time. The grant requests will be reviewed by Housing Division staff and first-time applicants (or proposed programs/activities) may be invited to make a presentation of the proposal to the Trust. The Trust will make the funding decisions and determine the final award amount.

The Trustees will work with the City's Housing Division to streamline the execution of grant agreements as much as is feasible to facilitate prompt execution. In addition, the Trustees will reduce the quarterly reporting requirement for direct grant recipients to bi-annual (twice annually) and will tie issuance of awards to the bi-annual schedule. Note that the Tenancy Stabilization Program will continue to have monthly invoices and quarterly reports.

Annual Report

Within three months of the close of each fiscal year, the Trust will issue an annual report listing the loans and grants awarded that year and featuring the work of the Trust in supporting affordable housing in Somerville.

This document was prepared by the Somerville Affordable Housing Trust Fund Board of Trustees with the assistance of planning consultant Jennifer M. Goldson, JM Goldson, and housing development consultant Rebecca Plaut Mautner, and was adopted on June 12, 2014 with subsequent revisions on July 22, 2014.