

**CITY OF SOMERVILLE, MASSACHUSETTS  
SOMERVILLE AFFORDABLE HOUSING TRUST FUND**

*KATJANA BALLANTYNE*

*MAYOR*

*Andrea Shapiro, Managing Trustee*

***Trustees***

Brielle Calderan

Mary Cassesso

Diane Cohen

Michael Feloney

David Gibbs

Donna Haynes

Councilor Wilfred N. Mbah

Cassie Walston

**Minutes**

**Thursday, September 12, 2024 Meeting – 5:15 pm**

Trustees attending: Brielle Calderan, Mary Cassesso, Mike Feloney, David Gibbs, Donna Haynes, Wil Mbah, Cassie Walston

Staff attending: Paul Goldstein (OSPCD Housing Division), Alexis Turgeon (OSPCD Housing Division), Alanna Gaffny (OSPCD Housing Division)

Members of the public attending: Gonzalo Puigbo, Laurie Calvert (Somerville Community Corporation), Cory Mian, Marcel Merwin (Preservation of Affordable Housing)

The meeting started at 5:15 pm, with Cassie Walston serving in the role of chairperson.

*1. August 8, 2024 Meeting Minutes review and approval*

Mary Cassesso made a **motion** to accept the August meeting minutes. Donna Haynes seconded the motion which **passed** unanimously by roll call vote.

*2. Financial Report(s) review: Community Preservation Act (CPA) account and non-CPA account (August, 2024) and revenue projections*

Paul shared that the Trust's non-CPA account received a linkage payment in excess of \$2.25 million, and a fractional payment of just under \$330 thousand in August. Paul noted that to his knowledge, the linkage payment received in September was the single largest ever received by the Trust. As of August 31<sup>st</sup>, the Trust has a little over \$4 million of non-CPA funds available for new commitments. That amount is not inclusive of what is available in the Early Action Acquisition Fund, which has about \$3.3 million available for new acquisition loans.

Paul continued with the CPA financial report for August, and noted that the Trust's CPA account has approximately \$1.1 million available for new commitments. The \$400 thousand which has been allocated for Housing Assistance programs is now carried as an outstanding commitment on the CPA financial reports.

Paul also noted that he made a revision to the revenue projections document, which now distinguishes between revenue that has been received and revenue which is expected to be received.

Mary made a **motion to** accept the August financial reports. Donna seconded the motion, and the motion **passed** unanimously by roll call vote.

Paul suggested that following the Board member update/announcement, that agenda items be taken out of turn so that items which require a motion could be discussed prior to Trustees having to depart, as there would no longer be a quorum present for a vote following their departure.

3. *Board member update/announcement*

David Gibbs shared that he would be resigning his seat on the Trust in order to focus on his duties as Executive Director of the Community Action Agency of Somerville (CAAS). David noted that he has enjoyed serving as a Trustee, and emphasized that the reason for his departure was strictly due to his responsibilities at CAAS.

Trustees thanked David for his time on the Board, and noted the importance of the work he and CAAS do in Somerville to further affordable housing efforts. Paul noted that he would begin coordinating with the City's Communications Department and the Appointments Advisory Committee to advertise and fill the vacant seat as soon as possible.

4. *Continued Business*

**Request from Somerville Community Corporation (SCC) to make St. Polycarp cash flow payments into reserves.** Paul introduced Gonzalo Puigbo, CEO of Somerville Community Corporation, and Laurie Calvert, SCC's Director of Finance and Administration, who were attending to present follow up information requested by the Trustees regarding SCC's request to pay into the reserves for its St. Polycarp's properties instead of making scheduled loan repayments to the Trust.

Ms. Calvert provided some clarifying context about the nature of the request. She noted that SCC is requesting that "excess cash flow" be directed to project reserves for the St. Polycarp's properties instead of making loan repayments to the Trust based on so-called excess cash flow. If the request is approved, loan repayments from excess cash flow would resume once reserves for the properties reach levels defined in SCC's request.

Laurie explained that SCC estimated what acceptable reserve levels would be for each property using the following industry benchmarks: \$500 per month per unit for replacement reserves, and 6 months' worth of operating costs for operating reserves. SCC had calculated what the current balance for operating and replacement reserves for each of the three properties at St. Polycarp's, and had calculated what a target balance for each reserve would be. (Those calculations were completed after materials were transmitted to the Board the week prior to the meeting, and so were not included with the meeting materials.) Laurie shared the information verbally with Trustees during the meeting.

Mike Feloney asked about needed capital repairs at the property, and which reserve would a Capital Needs Assessment (CNA) be funded from (if either). Laurie noted that SCC would have to solicit bids for a CNA, and that the funds for that would likely come from operating reserves.

Trustees continued to express support for SCC's request, like that which was previously conveyed at the Trust's August meeting. At the same time, Trustees indicated that the information Laurie had shared verbally, on current balances of the reserves for each property and the target balance for each of those reserves, warranted review before making a final determination on the request. Specifically, Trustee's wanted to have an accurate sense of which of the reserves for each of the three properties at St. Polycarp's were currently at a healthy balance and may not warrant any additional funds at this time. The SCC team agreed with this approach, and noted they would plan on attending the October meeting where a motion would be considered after a review of the information which was shared verbally at the September meeting but not available to the Board prior to it.

5. *New Business*

**Recommendation and request for allocation of non-CPA funds for a Homeownership Stabilization Program.** Paul shared that for some time Housing Division staff had been seeing evidence of need for a way to assist income eligible homeowners with unexpected costs. After

observing this emerging need recur, staff-initiated work on developing a pilot program to assist income eligible owners of deed-restricted affordable homeownership units with unexpected increases in monthly costs. Paul introduced Inclusionary Housing Program Manager Alanna Gaffny, who was present to provide a brief overview of the memo she had prepared on the need and associated request of \$20,000 of non-CPA funds for the pilot, as well as answer any questions Trustees may have about the request and recommendation.

Alanna briefly summarized the reasons for this request, noting that there are programs like closing cost assistance to assist income eligible homebuyers in home purchase, there appeared to be an absence of resources to help ensure such buyers could afford ongoing costs of homeownership. She noted that increases in monthly housing costs often occur for households who recently purchased a deed restricted affordable unit. These cost increases are often due to higher than anticipated condo fees or property taxes. Alanna referenced the example provided in the memo, in which a household who recently purchased an affordable unit has had to make up a \$4,000 escrow deficit due to their lender underestimating property taxes for the first year of ownership.

Alanna noted that the proposed program pilot would establish eligibility criteria (including households earning up to 110% AMI and who were within the first 2 years of ownership of a deed restricted unit), and would function similarly to the Trust's Closing Cost Assistance program. Housing Division staff will be responsible for processing applications. Applications are to include documentation (such as monthly mortgage statements) to demonstrate a substantial increase in costs. Eligible applicants could receive up to \$5,000 in assistance in the form of a forgivable loan.

Cassie asked what type of assistance would be provided to families while they were going through the application process, noting that financial stress can be quite burdensome. Alanna acknowledged that it will be good to be proactive about the kind of help households would need going through this process, and noted that first-time homebuyers are not always in receipt of information they need. There are existing resources, such as the New Resident Guide for Somerville, but other resources which speak to the possibility of these cost increases would be useful to provide.

Mary asked what the demand is for this kind of assistance. Alanna explained that the Housing Division hopes that the program pilot will help answer this question, as currently there is not a sense of overall demand. However, Alanna noted that she could identify at least five families in the last six months who could have benefited from this type of assistance. Brielle Calderan noted that Somerville Homeless Coalition operates many programs to assist renters, but there are few resources for homeowners, and those programs often require a foreclosure notice for assistance. A program such as the one being proposed could be an important resource in the community.

Additional questions posed by Trustee included ones on the amount requested (\$20,000) and whether it would be sufficient. Housing Division staff noted that since this is a program pilot, a relatively small amount seemed appropriate while overall demand for the program is assessed in the pilot phase. Additional funding could be requested as/if needed at a later date.

Mary made a **motion** to approve the request for \$20,000 of non-CPA Trust funds to be allocated for a Homeownership Stabilization Program pilot. Wil Mbah seconded the motion, and the motion **passed** unanimously by roll call vote.

**Introduction of Parcel D4.3 affordable housing development project in Union Square.** Paul introduced Cory Mian and Marcel Merwin from the Preservation of Affordable Housing (POAH), who along with Gonzalo Puigbo from SCC (a partner organization on the project), were in attendance to introduce an all-affordable project to the Trust: the development of Parcel D4.3 in Union Square into a large all affordable rental housing project. Paul noted that this presentation was only introductory, and not inclusive of a formal funding request for the Trust to deliberate on at this time.

Mr. Merwin began the presentation with a brief overview of the parcel and the team's proposal for it. Parcel D4.3, located at 41 Webster Avenue, is within the boundaries of Union Square's Master Plan. The development team's plans for the parcel anticipate construction of a four-story all-affordable residence consisting of 52 rental units. Project plans call for it be designed to Passive House standards; At least 37 of the 52 of units would be 2-bedroom units or larger. The project would also include a community garden, and ground floor retail space.

The project is pursuing several other funding sources, including Low Income Housing Tax Credits and potentially CPA Open Space funds. The project team is preparing two potential funding requests for the Trust to consider, one of which would request \$2.7 million, and one for \$3.9 million. The larger request would add 5 units affordable to households earning between 50 and 60% of Area Median Income, deepening the affordability of the project from what it would be at \$2.7 million.

The Trustees thanked the project team for the presentation, and expressed excitement for the project. Cassie asked if the proposed unit mix is contingent on securing other sources of funding, and if there is an opportunity to increase the number of units for households earning 30% of AMI or less. Marcel noted that the AMI tiers are driven by an existing Community Benefits Agreement, and that the 30% AMI units will likely be subsidized, so they will be supported throughout the life of the project not just at the construction phase.

Brielle Calderan noted that a need for additional Permanent Supportive Housing (PSH) units in Somerville has been identified. She went on to note that Somerville Homeless Coalition could help with lowering some of the proposed income tiers at the project by entering in a PSH contract with the property owner/manager. Mary expressed support for this kind of arrangement, and noted it may be a way to respond to the increase of unhoused persons in Somerville.

Mike asked about the retail space on the ground floor in terms of whether if it was a zoning requirement. He made reference to a recent affordable housing finance seminar at which several affordable housing developers noted that retail space can serve as a financial burden to the project. Ms. Mian noted that the retail space is a zoning requirement, and that the project team is reluctant to go back to the Zoning Board for more relief. While aware of the difficulties similar projects have faced with regard to retail space, the project team is confident that the space on this project will prove viable given the project's location in a well traversed walkable neighborhood.

The project team thanked the Trustees for their time, and left the meeting.

#### *6. Additional Continued Business*

**CPA Request For Proposals for Housing Assistance and evaluation criteria.** Paul noted that included with meeting materials sent last week were draft RFP applications for CPA Trust funded rental assistance programs and a general application for housing assistance programs. Also included was application criteria Trustees can use as a tool when evaluating received proposals.

Paul explained that the criteria matrix is meant to be a guide for how proposals are evaluated, with the goal being that each proposal is judged in a consistent manner. Paul stated that he is anticipating issuing the RFPs within the next couple of weeks, with a 30-day window for applicants to submit proposals. The Trust will likely be in a position to evaluate and deliberate on the received applications at its November meeting.

Trustees did not have any questions or suggested revisions to the application or criteria matrix, and thanked Paul for his work on the RFP materials.

#### *7. Standing Business*

Paul shared an update from the Mayor's office regarding pending reappointments of City Board/Commission members, including those for the Trust. As part of its approach to filling and

renewing memberships on City boards and commissions, current non-ex-officio member (i.e., appointed by the Mayor) who have served two or more consecutive terms and wish to continue serving will be required to reapply. This process will include submitting application materials and interviewing with the Appointments Advisory Committee. New applications will also be solicited and reviewed during this process.

Given that this requirement will apply to several current members of the various Boards/Commissions in the City, the Mayor and Clerk's office will be working with each Board one at a time starting in January, 2025. Appointments will be staggered to ensure that quorum of members can still meet on a regular basis. Paul noted that at this time, there is no immediate action needed on the part of any Trustees to whom this policy would apply. Once the Mayor and Clerk's office reach out to Paul to begin the process, he will follow up Trustees on what is specifically needed to submit an application for reappointment if member(s) desire.

8. *Adjournment*

The meeting was adjourned at 6:37 pm.

**Documents distributed:**

- Draft August 8, 2024 Meeting Minutes
- Financial Reports for August, 2024 (CPA and non-CPA)
- Cash flow projections through October, 2024
- Memo and related materials from SCC re: request to use loan repayments for St. Polycarp's to replenish property reserves
- Memo re: request and recommendation for an allocation of non-CPA funds for a homeownership stabilization program pilot
- Presentation on proposed affordable housing development at Parcel D 4.3 in Union Square
- Draft Housing Assistance RFP applications and evaluation criteria