

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

Donna Haynes

Councilor Wilfred N. Mbah

Cassie Walston

Minutes

Thursday, November 14, 2024 Meeting – 5:15 pm

Trustees attending: Mary Cassesso, Diane Cohen, Mike Feloney, Donna Haynes, Wil Mbah, Andrea Shapiro, Cassie Walston

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

Members of the public attending: Charles Gagnon, Gayle LaCroix, Matt Lane (Volunteers of America Massachusetts), Ben Baldwin (Somerville Community Land Trust)

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

1. October 10, 2024 Meeting Minutes review and approval

Mary Cassesso made a **motion** to accept the October meeting minutes. Diane Cohen seconded the motion which **passed** unanimously by roll call vote.

2. Financial Report(s) review: Community Preservation Act (CPA) account and non-CPA account (October, 2024) and revenue projection as of FY25 second quarter

Paul Goldstein shared that the Trust's non-CPA account received a linkage payment in the amount of \$229,503.33 in October. The only other deposits were monthly bank interest and loan repayments, including a quarterly acquisition loan payment from the Somerville Community Land Trust. Paul noted that as of October 31, the Trust has \$557,751.41 of non-CPA funds available for new commitments. That amount is not inclusive of the remaining balance of the Early Action Acquisition Fund, which is currently at \$3,347,117.02. Paul continued with the Trust's CPA account, noting that as of the end of October, the Trust has \$1,155,483.32 of CPA funds available for new commitments.

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

Paul proceeded to give an overview of the Trust's projected revenue through the second quarter of FY 2025 (12/31/2024), noting that it is expected at this point that Trust will receive about ~\$1.2 million in new revenue during that period.

3. New Business.

Request from the Volunteers of America, developer and owner of Massachusetts Bay Veterans Center - 29 units of transitional and permanent housing for veterans located at 1323 Broadway - to apply a scheduled loan payment toward property replacement reserves. Paul introduced Charles Gagnon (CEO), Gayle LaCroix (CFO), and Matt Lane (Director of Real Estate) of Volunteers of America, MA chapter (VOA), who were in attendance to present a request for Trust consideration:

That a loan repayment due to the Trust from the 2023 excess cash flow from the VOA's 1323 Broadway property be instead paid into replacement reserves for the property. The VOA is also requesting that the Trust consider revisions to the loan documents for the property to reflect the Trust's priority position as the third mortgage holder and to memorialize how cash flow payments will be calculated moving forward.

Mr. Gagnon thanked the Trustees for their time, and noted that the City has been a fantastic partner for the Massachusetts Bay Veterans Center, and that the VOA is very interested in expanding on that partnership in the future. Charles proceeded to give a brief overview of the VOA's work in Massachusetts, noting that they are focused on providing care to the neediest in the community, and that they are one of the largest Veterans services organizations in Massachusetts.

Ms. LaCroix provided details regarding the VOA's request to the Trust. She explained that the property at 1323 Broadway had excess cash flow for the first time ever in 2023, due to the one-time availability of COVID relief funds. Typically, the property does not yield any excess cash flow which would be used to pay back loans. The VOA was requesting that the cash flow produced in 2023 instead be used for the property's replacement reserves instead of making a repayment to the Trust.

Mr. Lane provided information on the current state of the building, and the need to bolster its replacement reserves. The building was first constructed in 1948 and was acquired by the VOA in 2012. The building consists of 29 units, and is in generally good condition; at the same time, there is need for selected repairs and updates. The current balance of the replacement reserves is a little over \$200,000. The property did complete significant repairs funded through a capital grant. However, in the wake of a Green Capital Needs Assessment, other needed work to make the property more energy efficient was identified. Ms. LaCroix noted that the reserves currently have a positive balance largely due to the Community Economic Development Assistance Corporation (CEDAC) agreeing to allow their loan repayment from excess cash flow to instead be used for replacement reserves. The VOA is noted that if the Trust also grants permission to use excess cash flow for reserves instead of a scheduled repayment, the saving can be invested to fund needed repairs and updates.

Trustee questions and responses offered by the VOA team included the following, with questions in italics followed by response information:

1. *Can you confirm that the request before the Trust is in the same spirit as the request that was made to and granted by CEDAC?* Yes, this request is similar in nature to the one made to CEDAC. Because CEDAC is the second mortgage holder, the VOA approached them first once it realized there would be excess cash flow in 2023.
2. *Would the property be eligible for programs and funding related to making the building more energy efficient as part of the rehab work?* VOA Massachusetts has a track record of pursuing any and all resources which could assist with necessary rehab work (such as a grant from the Home Depot). The VOA is also confident that the current Secretary of Veteran Services in Massachusetts will be an advocate for veterans' facilities which are undercapitalized.
3. *Can you elaborate on the other part of this request regarding amending existing loan documents for the property?* This part of the request came following consultation with Housing Grants Manager Alexis Turgeon who is the property's loan manager. During those discussions, a question arose of what the priority for excess cash flow repayments should be as the Promissory Note for the loan did not contemplate that. Given that CEDAC holds the second mortgage, the VOA feels that the order of cash flow repayments, with CEDAC in second position and the Trust in third, should be memorialized either in a memo or an amended Promissory note.

Alexis provided further clarification by explaining that the terms in the existing Promissory Note do not make full, i.e. logical sense, insofar as the way it is written, the VOA would owe less for loan repayments as it produced more excess cash flow. Alexis and the VOA team worked to create a cash flow repayment calculation which would yield 50% of the any remaining excess cash flow back to the Trust following the repayment to CEDAC. Their hope is that this calculation will be used going forward in the event there is excess cash flow at the property in subsequent years.

Trustees had further questions regarding the appropriate documentation that would be needed to facilitate this request, and if City staff and the VOA had confirmed exactly what that documentation would consist of. Alexis noted that a few options have been discussed, including amending the Promissory Note or drafting a memo, but nothing had been decided on as of this evening. Alexis further noted that additional conversations with Housing Division legal counsel may be warranted before moving forward.

Trustees asked that the second part of the VOA's request, to amend existing loan documents to memorialize the calculation for excess cash flow to be repaid to the Trust and the order for which excess cash flow payments be made, be considered at a future meeting once the exact documentation needed has been determined and can be presented to the Trust. Trustees also noted that they are comfortable with VOA using the cash flow calculation for repayment. City staff and the VOA presented this possibility while considering the specific request for the 2023 excess cash flow payment due to the Trust be instead used to fund replacement reserves. The VOA team thanked the Trustees for their time, and left the meeting at 5:48 PM.

During deliberations, Trustees noted the importance of preserving existing affordable housing, and that this particular request is a good opportunity to fund that sort of work. Cassie Walston noted that the VOA's situation is an example of the "cliff effect" agencies and projects that provide affordable housing are facing in the wake of COVID related funding sources like ARPA no longer being available. Granting a request of this nature would help some with mitigating that effect.

Mary made a **motion** to approve the request from the Volunteers of America to pay the portion of the 2023 excess cash flow due to the Trust for 1323 Broadway, based on the calculation for repayment provided by the VOA and City staff, into replacement reserves for the property. Any subsequent requests to divert loan repayments into replacement reserves must be approved by the Trust. Cassie seconded the motion, and the motion **passed** unanimously by roll call vote.

Review and deliberations on proposals received for CPA-funded Housing Assistance programs, in response to Request for Proposals issued by the Trust on September 18, 2024. Paul shared that two applications for CPA Trust funds for Housing Assistance programs were received in response to the RFP issued by the Trust in September. Trustees noted that only one application was received for review ahead of the November meeting. For that reason, Trustees agree to table this agenda item to the December meeting when both applications would be available for review prior to deliberating on whether to provide funding.

Update on status of the 6 units of housing at 12 Pleasant Avenue (acquired by the Somerville Community Land Trust in January, 2024) to be developed as an all-affordable project. Paul introduced Ben Baldwin, Executive Director of the Somerville Community Land Trust (SCLT) who was in attendance to provide an update on the status of the SCLT's affordable housing project at 12 Pleasant Avenue. The property, consisting of 6 units, was acquired by the SCLT with assistance from an acquisition loan from the Trust in January, 2024.

The SCLT is in the process of converting all six units into deed restricted affordable housing which will be sold to income-eligible first-time homebuyers. Currently 5 of the 6 units are occupied by tenants who have expressed interest in purchasing their unit contingent on income eligibility.

SCLT is working on the scope of work for the renovation at the building, and are working with a historic preservation specialist to make sure all the rehab work is compliant with historic preservation standards. The project is pursuing other funding source, including private financing from Charlesbank Homes and Winter Hill Bank. SCLT has also applied for approximately \$400, in CPA Historic Preservation Funds, and anticipate they will request that the Trust allows for a refinancing of the acquisition loan. While several details still need to be confirmed, SCLT is hoping that the units can be sold in early 2026.

Mike Feloney asked about the timeline for the sale of the units relative to requirements of Somerville's Condo Conversion Ordinance, specifically if it would be possible to proceed with the sale of some of the units if one or more of the remaining households opted not to purchase their unit. Mr. Baldwin noted that this could be the case, and that the timeline to sell the units may be extended for two or five years (depending on if the household qualifies as low income).

Cassie asked about the year and half long timeline SCLT anticipates, and whether or not more support could be provided if needed to the current tenants who wish to purchase their unit during that time. Ben noted this was an important question, and the SCLT can look into what options there may be for assistance for the current tenants. SCLT is committed to keeping the rents at an affordable level during the condo conversion process, and the engagement with the current tenants has been positive so far.

Ben thanked for the Trustees for their time, and before leaving the meeting noted he is excited to continue to provide additional update on the project as they become available.

4. *Standing Business*

Paul shared that the notice for the vacant seat formerly held by David Gibbs was made public on November 12. A copy of the notice was sent to Trustees to circulate within their respective networks. The deadline for applications is December 20.

5. *Announcements*

Mary shared that there is an event scheduled for December 5 in the evening at the Visiting Nurses Association property on Highland Avenue to discuss Permanent Supportive Housing in Somerville. Paul noted he would send additional information about the event to Trustees via email.

6. *Adjournment*

The meeting was adjourned at 6:03 PM.

Documents distributed:

- Draft October 10, 2024 Meeting Minutes
- Financial Reports for October, 2024 (CPA and non-CPA)
- Revenue Projections for Q2 of FY25
- Memo and related materials from the VOA re: request to use a loan repayment for 1323 Broadway to replenish property reserves
- Copy of presentation from SCLT providing updates on 12 Pleasant Ave.