



JOSEPH A. CURTATONE
MAYOR

Somerville CPA



**CITY OF SOMERVILLE, MASSACHUSETTS
COMMUNITY PRESERVATION COMMITTEE
MINUTES
MAY 27, 2015**

MEMBERS
Michael A. Capuano, Chair
Dick Bauer, Vice Chair
Tanya Cafarella
Elizabeth Duclos-Orsello
Michael Fager
Arn Franzen
Ezra Glenn
Courtney Koslow
Uma Murugan

STAFF
Emily Monea

The Community Preservation Committee (CPC) held a regular meeting at 7:00pm in the third floor community room at the Visiting Nurse Association, 259 Lowell Street, Somerville, MA 02144. An audio recording of the meeting is available upon request.

- Members Present** Vice Chair Dick Bauer, Tanya Cafarella, Elizabeth Duclos-Orsello, Michael Fager, Arn Franzen, Ezra Glenn, and Courtney Koslow
- Members Absent** Chair Michael Capuano and Uma Murugan
- Staff Present** Emily Monea
- Others Present** City of Somerville Housing Director Michael Feloney, Somerville Community Corporation (SCC) CEO Danny LeBlanc, SCC Director of Real Estate Scott Hayman, and Somerville Affordable Housing Trust Managing Trustee Mary Cassesso

The Vice Chair opened the meeting at 7:00. He noted that Chair Michael Capuano is out of town. The Committee members referenced the materials listed at the end of these minutes, all of which are available upon request.

Agenda item 1: Public comment period (10 minutes)

No members of the public were present at the meeting aside from the individuals who attended to discuss 100 Homes.

Tanya Cafarella arrived at 7:02.

Agenda item 2: Update on 100 Homes program with City and Somerville Community Corporation staff and Affordable Housing Trust members

The Committee members introduced themselves. Ezra Glenn stated that he is on the board of the Somerville Community Corporation (SCC). The Vice Chair suggested that Mr. Glenn discuss possible conflict of interest issues with Assistant City Solicitor David Shapiro. Danny LeBlanc introduced himself as the CEO of SCC and a member of the Somerville Affordable Housing Trust (the Trust). Michael Feloney introduced himself as the Director of Housing for the City of Somerville and an ex officio member of the

Trust. Scott Hayman introduced himself as the Director of Real Estate for SCC. Mary Cassesso introduced herself as the Managing Trustee of the Trust.

Arn Franzen arrived at 7:05.

Mr. Feloney introduced the program. He noted that City Treasurer Peter Forcellese had reviewed the program and emphasized the benefits of borrowing at historically low interest rates for the project. Mr. Forcellese has also initiated review of the program with the City's bond council to ensure compliance with Massachusetts General Law. Finally, Mr. Forcellese, along with the City's Office of Strategic Planning and Community Development (OSPCD) and SCC, have worked to minimize the amount of CPA funds needed to support the program.

Ms. Cassesso expressed excitement on behalf of the Trust about the 100 Homes program. She noted that the affordability crisis in Somerville is increasingly affecting middle-income households in addition to low-income households. She noted the Trust's full support of the initiative.

Mr. LeBlanc stated that, according to the City's Planning staff, a household must earn in excess 150% of the area median income to afford to rent or buy the median rental or ownership unit. He noted that nearly all affordable housing programs create new housing units; the 100 Homes initiative works to secure affordability in the existing housing stock, where housing prices are escalating rapidly.

Mr. Hayman discussed the slides in the 100 Homes Initiative presentation.

In response to a question from Michael Fager, Mr. Hayman said SCC would own the units acquired through the program. In response to a question from the Vice Chair, Mr. Hayman said SCC currently owns and operates 184 units. Courtney Koslow asked if SCC has a management company; Mr. Hayman said yes and that the company would manage the 100 Homes properties as well.

Mr. Fager asked Mr. Hayman to explain the revolving credit line. Mr. Hayman explained that the Massachusetts Housing Investment Corporation (MHIC) has offered SCC a revolving credit line which will allow SCC to purchase properties quickly without having to wait to secure a mortgage. Once the property is purchased, SCC will secure a mortgage, which will be used to repay the revolving acquisition source.

Elizabeth Duclos-Orsello asked about deed restrictions on the properties if they are eventually sold. Mr. Hayman said that there will be a deed rider to ensure the unit remains affordable in perpetuity. He said both SCC and the City have experience with this instrument.

Ms. Koslow asked whether there are three-family units on the market at the \$815,000 price point. Mr. Hayman said that the current MLS listings, which have the highest premium, include properties in the price range. He also noted that SCC intends to seek out prospective sellers who are willing to sell for a

fair price that is somewhat below the best market price while avoiding the hassles associated with selling on today's market.

Mr. Glenn asked what the downside is if SCC is unable to find properties that fit within the program pro forma. Mr. Hayman said that the program is designed to minimize these risks. Mr. Glenn said it appears as though the primary risk is that the funds will be tied up for a short period and therefore cannot be used for other projects.

The Vice Chair asked how CPA funds work on an ongoing basis. Mr. Hayman stated that the CPA funds are used upfront to reduce the total cost of acquisition, improvements, etc., which essentially allows SCC to secure a smaller mortgage, which then translates to reduced mortgage payments and therefore rents for occupants. Mr. Feloney noted that the CPA funds are a permanent, one-time subsidy.

The Vice Chair asked if the HUD-established 100% AMI rents are below market rents, referencing the statistic Mr. LeBlanc cited at the beginning of the presentation. Mr. Hayman said that 100% AMI rents are, on average, slightly below market rents but that the true value of the program is that the rents will be indexed to HUD-established guidelines and the household's income, rather than being subject to market increases.

Mr. Glenn noted that the CPC made a policy decision to assign the Trust to serve as the housing arm of the CPC and to allow them to make decisions about how CPA housing funds are allocated. He said the difference here is the nature of the 100 Homes program, which spans multiple years and requires significant upfront commitment of funds. He asked how the bonding process would work. Ms. Monea stated that the City would bond, the bond proceeds would go to the Trust, and the Trust would allocate the funds to SCC according to program demand.

Mr. Fager and Ms. Cafarella asked for details on the request for the SCC. Ms. Monea responded by explaining the handout she prepared with debt service estimates for the 100 Homes Initiative as a percent of projected CPA revenue. Speaking on behalf of the Trust, Mr. LeBlanc noted that the debt service for the 100 Homes program would come out of the CPC's allocation to the Trust, not be in addition to it.

Ms. Duclos-Orsello asked Ms. Cassesso if the Trust is in support of this program; Ms. Cassesso confirmed that it is.

Mr. Fager asked if SCC is concerned that it will be priced out of the market. Mr. Hayman said SCC is trying to work quickly and purchase the 100 units in three years while prices are still relatively accessible.

Mr. Glenn noted that a concern could be that investing in the 100 Homes Initiative could preclude the City from funding other projects that would require bonding but noted that the City's capacity for

bonding against CPA is much greater than the total cost of the 100 Homes program. Ms. Monea confirmed this.

Mr. Glenn asked what happens if the CPA is revoked when a CPA-funded bond is outstanding. Ms. Monea replied that the surcharge would remain in place until the bond is paid for.

Ms. Koslow spoke in favor of the program, noting that it is innovative and that the CPC has already authorized the Trust to make this type of decision and has previously funded affordable housing above the level required by the program.

Agenda item 3: Update on Historic Preservation Plan

Ms. Monea stated that she drafted and the City released a Request for Fee and Qualification (RFQF) to secure a consultant for the Historic Preservation Plan. The City received four responses and awarded the contract to Jeffrey Gonyeau, who came very highly recommended, previously worked for Historic Boston Incorporated, and has extensive experience with historic preservation in an urban context, particularly in Dorchester. She said the goal is to present the completed Historic Preservation Plan at the September CPC meeting.

Agenda item 4: Vote to recommend FY16 CPA budget

Ms. Monea noted that the City does not yet have a final number of the amount the Mayor will recommend appropriating into the CPA Fund in FY15. As a result, the CPC cannot estimate the FY16 state match and therefore cannot estimate total FY16 revenue. She requested that the CPC vote on the budget in percentages since the CPC will not have the opportunity to vote on final numbers before the budget must be submitted to the Board of Aldermen. Ms. Monea will fill in the final numbers as soon as the decision about the City appropriation is finalized.

Ms. Koslow asked whether this is the time to allocate different percentages to the three CPA categories. Ms. Monea suggested that the CPC follow the same strategy it did last year, which was to submit an initial budget to the Board with 10% for each of the categories. After the CPC completes its Community Preservation Plan, it can recommend that the Board alter the allocations.

Upon motion from Ms. Koslow, seconded by Mr. Fager, the Committee voted 7-0 to recommend 1) appropriating 5% of estimated FY16 CPA revenue for Committee Administrative Expenses; 2) reserving 10% of estimated FY16 CPA revenue for the Historic Resources Reserve; 3) reserving 10% of estimated FY16 CPA revenue for the Community Housing Reserve; 4) reserving 10% of estimated FY16 CPA revenue for the Open Space/Recreation Reserve; 5) reserving 65% of estimated FY16 CPA revenue for the Budgeted Reserve.

Agenda item 5: FY15 projects

a. Contracts for private projects

Ms. Monea noted that since the last meeting she has worked with the City's Law and Purchasing Offices to devise a new system for disbursing CPA funds for private projects. One portion of the system includes a project-specific grant agreement form and a set of standard conditions that do not vary by project; this is intended to simplify the grant agreement and reduce redundancies and potential areas for error.

The second portion of the system includes a forward-funded disbursement process for the grantees. Ms. Monea will work with each grantee to establish a number of project phases, each of which has a number of deliverables/milestones. Each of these phases will be forward funded, but the disbursement for the second phase will not be released until the deliverables/milestones for the first phase are completed, and so on. She noted that the City will retain 10% of the grant until the project is 100% complete and all reporting requirements are fulfilled.

Ms. Monea noted that she created a report template for the grantees to submit with each invoice. This will simplify reporting for grantees and place the burden of certifying project completion and invoice approval in the CPA Manager's hands, which should ensure that invoices move through the City's Accounts Payable Department quickly and therefore that grantees receive checks quickly.

Mr. Franzen asked how the CPC will verify that the grantee is using funds appropriately. Ms. Monea said this would be her responsibility and that the grant report requires the grantee to report its expenditures.

Since the next CPC meeting is a public hearing, Ms. Monea asked for the CPC's permission to process the grant agreements using the system described above. Upon motion from Ms. Cafarella, seconded by Ms. Duclos-Orsello, the Committee voted 7-0 to allow Ms. Monea to process the grant agreements using the forward-funded disbursement system described above. Ms. Monea noted that the system she described allows grantees to use a reimbursement system if they so choose.

b. MOU for City projects

Ms. Monea noted that she will create a memorandum of understanding for the City departments that have received CPA funds after she processes the grant agreements for the private projects.

c. CPC conditions

The Vice Chair asked Ms. Monea for an update on the First Church project. Ms. Monea said that First Church decided not to accept the CPA award because they felt the restrictions were too strict given the amount of money awarded, in particular the preservation restriction.

Ms. Monea recommended that progress on the CPC conditions become deliverables/milestones for the project phases, referencing the material on slide 5 of the presentation. Regarding the public access requirements, Ms. Monea stated that she did not want to rush this process and would like to establish a public access agreement signed by both the CPC and the grantee. The CPC encouraged

Ms. Monea to include a draft of the public access requirement in the first project phase and to iterate on the agreement over the course of the project, similar to the process for securing a preservation restriction.

With regard to the review and comment sessions with the HPC, Ms. Monea noted that she will put grantees in touch with Kristi Chase, HPC staff, once the grant agreements are executed.

Agenda item 6: FY16 funding cycle

a. Timeline

Ms. Monea reviewed the timeline on slide 6 of the presentation. She noted that the full application deadline is difficult because the November and December will need to be rescheduled due to the holidays. The Committee members requested receiving the full applications sometime in early December. Ms. Monea said she would work to reschedule the meetings and then propose a due date for the applications.

b. Community Preservation Plan public hearings

The Committee members agreed to hold the public hearing somewhere central. They also agreed to follow the format used at the East Somerville Community School in the previous year. They agreed the content of the presentation should focus more on the projects that have been funded, including projects funded by the Trust, as well as areas where the CPC feels more project proposals are needed.

The Committee members agreed to close the written comment period the week before the Committee's July CPC meeting.

c. Updates to Community Preservation Plan

The Committee members agreed not to alter the Plan in advance of the public hearing – with the exception of updating the status of the Historic Preservation Plan – and to make changes at the July 27th CPC meeting.

d. Updates to application packet

The Committee members agreed to make changes to the application packet at the July 27th CPC meeting.

Agenda item 7: Next meeting: Public hearing on Wednesday, June 24th at 7 p.m. (location TBD)

Meeting Adjournment

Upon motion from Mr. Fager, seconded by Ms. Duclos-Orsello, the Committee voted 7-0 to adjourn at approximately 8:55.

Documents and Exhibits:

1. Meeting agenda
2. Somerville 100 Homes Initiative presentation, prepared by the Somerville Community Corporation
3. Debt service estimates for the 100 Homes Initiative as % of projected CPA revenue, prepared by Emily Monea
4. Meeting presentation, prepared by Emily Monea
5. Draft Community Preservation Act Fund FY16 budget page, prepared by Emily Monea
6. Alternative total CPA funding estimates, prepared by Emily Monea
7. Summary of FY15 CPA projects, prepared by Emily Monea