

City Council report on the year-end status of the Affordable Housing Trust Report by Will Mbah

Meeting of the City Council 12 February 2026

Introduction and Summary

This is my final report as Council representative on the Affordable Housing Trust. It presents a year-end update of the activities and financial situation of the Trust and highlights two trends of revenue decline and cost escalation, which will require City Council oversight in the coming months.

During 2025, the Trust continued to distribute funds, which the city has received from the Community Preservation Act tax surcharge and housing linkage payments under zoning. These funds are supplemented by the grants from federal Housing and Urban Development. Taken together the funds have allowed the city to add an average of 20-25 new units of affordable housing each year. These units have been in projects, developed by non-profit and other developers, which have gone beyond the required 20% inclusionary units.

While this activity of aggregating and distributing funds as subsidies for new unit development will continue, there are two trends evident at the end of 2025, which will require careful Council oversight. First, maintaining the in-flow of linkage and grant revenue to the Trust will be difficult if the regional real estate market decline continues and if threats by the federal administration to cut-back grant funding are realized. Second, escalating construction costs have required the Trust to substantially increase the per unit subsidy, necessary to achieve affordable rents or prices. This will limit the future output of the Trust to a smaller number of new units each year.

The Revenue Model of Trust Operations

Although the Somerville Affordable Housing Trust Fund (SAHTF) was first created in 1989, its recent structure of financial activities began in 2015 when several sources of revenue were combined to provide subsidies as loans and grants to individual projects. Each year the trust has received funds from:

- Fractional payments from residential development projects and housing linkage fees from commercial projects, required by the Zoning Ordinance; and
- Community Preservation Act (CPA) housing account receipts from the 1.5% property tax surcharge.

In addition, each year the federal government has provided grant monies for housing under:

- Community Development Block Grant (CDBG) and the HOME program.

In a few years of strong city budget surplus and the COVID response grants, the city has added:

- Free cash and ARPA/COVID grant monies to the Trust accounts.

Thus, during the years from 2015 to 2021, the aggregate of funds grew incrementally from about \$3 million to \$5 million. (See Table 1, below) The trust made grants and low interest loans to developers, who agreed to fix the rents or sale prices of units for households at the 30%, 50% and 80% average mean income levels.

On average, all of the projects were able to achieve affordability with a subsidy from the Trust of \$150,000 to \$250,000 per unit. Most of the projects also were eligible for the state programs of tax-exemption, adding about \$50,000 per unit more to the subsidy.

In 2022, 2023 and 2024, the revenue expanded significantly with the addition of COVID recovery and ARPA funds, transfers of free cash from the city budget and a high level of linkage payments from the large lab and commercial projects then under construction. Trust revenue reached over \$10 million in each of those three years. Under new guidelines, the Trust added a program of subsidy for projects with “workforce” housing – units for families with income up to 110% AMI.

In 2025, however, Trust revenue has returned to the \$5 million level. (The revenue numbers are detailed in Table 1, below)

Affordable units produced with Trust assistance

Over the years from 2015 to 2025, the city has been able to “buy” an average of 20-25 new affordable units in individual projects each year with its combined funds of \$5 million per year. The numbers are shown on Table 2, below, in the years when construction was completed and occupancy permits granted, so the arrived sporadically. In the same years, the regular Inclusionary Housing program in the Zoning Ordinance has yielded 30-60 units per year on average. So the city has made slow but steady progress toward its goal of having a stock of units, restricted by deed to the affordable income levels.

As shown on Table 2, the output of units assisted with direct subsidies has been realized in four categories:

- 147 units in 21 three, four or five unit buildings were acquired and rehabilitated under the 100 Homes program, financed primarily with CDGB grants;
- 259 units in 15 projects of new construction or rehabilitation of larger buildings with Trust loans and grants were completed and occupied by the end of calendar year 2024;
- 54 units in two projects with Trust grants have received their Certificates of Occupancy in 2025 and have households now moving in.

Finally, looking forward there are another:

- 300 units to be constructed in six projects, for which the Trust has committed funds for property acquisition and construction. These future projects are in various stages of the planning/zoning and construction pipeline today.

Changed situation of revenue flow in calendar year 2025

Although today the pipeline of projects appears to be moving forward, two changes in the affordable housing and Trust financial structure occurred during calendar year 2025. First, the inflow of developer linkage fees ended because the construction of new laboratories and commercial projects came to end. Second, this shortfall was offset by the receipt of new money from the Community Preservation Act accounts. The voters by referendum approved an increase in the property tax surcharge from 1.5% to 3% and the Trust will see its CPA revenue increase to over \$3 million per year, re-balancing the aggregate total at \$5 million.

Third, looking forward, there is uncertainty about whether the federal funding under CDBG and HOME programs will face cutbacks.

Changed situation of construction costs and need for subsidies

Even if the Trust is able in the coming months to keep steady its \$5 million of annual funding, the trend of rising costs to construct housing will likely limit its effectiveness.

As noted above, over the years, the general amount of subsidy needed for affordable rents/prices has been \$150,000 to \$250,000 per unit. (Table 3, below, shows the details) In 2025, however, project development costs and land acquisition prices had reached levels at which the developers were requiring much higher levels of subsidy to achieve affordability.

The Trust was willing to commit funding at levels of \$300,000 and \$400,000 per unit for several of the new proposals. In December 2025, the Trust approved a total of \$3.55 million to support the project of Somerville Community Land Trust at 12 Pleasant Street. This is a six-unit, Victorian-era house, where existing tenants will be able to buy their units as condos at 50% and 80% AMI affordable prices. The total project cost will be \$5.8 million – that is an average of \$960,000 per rehabbed unit, and the sales prices will be \$250,000 or \$350,000 for the purchasers – that is subsidies per unit of \$700,000 or \$600,000. The Trust contribution has been over \$590,000 per unit.

The problem going forward, of course, is that if this becomes the standard level of required subsidy, then the \$5 million annual funding will be able to accomplish only seven or eight units per year, rather than the 20 to 30 units that have been achieved.

We as a Council and our designated representative to the Affordable Housing Trust, should pay close attention to these trends of finance.

Table 1: Main Sources of funding for Affordable Housing in Somerville

Sources: Somerville Affordable Housing Trust Fund FY2017 Report; Somerville CDBG website bi-annual Action Plans, Somerville annual budget Housing Stabilization division reports, FY22-FY23(Q3) update Housing Trust

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|-----------|---------|---|-----------|-----------|-----------|
| Comm. Develop Block Grants (HUD) ¹ | | | | | | |
| --Housing Rehab/Acquisition | | | 379,643 | 379,643 | 500,000 | 500,000 |
| --HOME special projects | | | 278,703 | 278,703 | 94,000 | 94,000 |
| Comm. Preservation Act | | | | | | |
| --Housing Reserve fund | 1,800,000 | 880,000 | 1,200,400 | 1,396,986 | 1,263,752 | 1,082,482 |
| --100 Homes bond issue | | | 6,000,000 (repaid from CPA funds each year) | | | |
| Zoning Linkage Fee payments ² | 1,092,000 | 869,000 | 1,194,000 | 1,579,000 | 1,368,000 | -?- |
| Zoning Inclusion fractional payments | | | | 492,456 | -?- | -?- |
| SAHT own revenue (revolving) ³ | | | | | | |

Table 1: continued

| | FY22 | FY23 | FY24 | FY25 ⁴ | FY26 | FY27 | FY28 |
|---------------------------------------|-----------|-----------|------------------------|-------------------|------------------------|-----------|-----------|
| CDBG (HUD) total | | | 2,489,737 | 2,489,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| --Housing Rehab/Acquire | 500,000 | 500,000 | 2,584,435 ⁵ | | | | |
| --HOME special projects | 278,000 | 278,000 | 562,798 | 562,798 | 500,000 | 500,000 | 500,000 |
| Comm. Preservation Act | | | | | | | |
| --Housing reserve | 1,491,908 | 1,618,000 | 1,405,962 | 1,475,428 | 3,000,000 ⁶ | 3,000,000 | 3,000,000 |
| --Unrestricted | -- | -- | 75,000 | 365,000 | | | |
| Linkage fee payments | 2,300,000 | 3,900,000 | 513,048 | 2,997,293 | -- | -- | |
| Inclusion fractional pay | | | 804,349 | 329,896 | -- | -- | |
| SAHT loan repay/interest ⁷ | -- | 1,740,000 | | | | | |
| Free cash to SAHT | 1,847,374 | 8,300,000 | 2,000,000 | -- | | | |
| ARPA/COVID | 3,500,000 | -- | -- | -- | -- | -- | -- |
| --HOME ARP ⁸ | -- | 1,626,742 | -- | -- | -- | -- | -- |

¹ CDBG data sourced from the Five-Year Consolidated Action Plan FY24-28 and earlier Annual Action Plans

² Zoning linkage and Zoning Inclusion fractional data sourced from Monthly Financial Reports of Somerville Affordable Housing Trust – annual numbers shown are aggregates of slightly fluctuating monthly receipts.

³ Bank interest on SAHT accounts and repayments of earlier revolving loans made by SAHT

⁴ FY2025 data up to 1 December 2024 (5 months)

⁵ Consolidated Action Plan FY24-28, at page 133

⁶ The CPA property tax surcharge was raised from 1.5% to 3.0% by referendum in the November 2024 ballot.

⁷ Data sourced from Monthly Financial Reports of Somerville Affordable Housing Trust – annual numbers shown are aggregates of slightly fluctuating monthly receipts.

⁸ One time ARPA payment for Rapid Re-housing Rental Assistance and Transitional Housing Services, see OSPCD Housing Grant Presentation 02/23/23 and CAPER FY24-29 at page 134

Table 2: Affordable Housing Production in Somerville

Sources: Somerville Affordable Housing Trust Fund FY2017 Report; Somerville CDBG website bi-annual Action Plans, Somerville annual budget Housing Stabilization division reports,

| Categories | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | future |
|--------------------------------|---------------------------|---|-----------|------------|-----------------|-----------|------------|------------------|------------|------------------|------------------|-------------------|
| All units – total stock | 31,555⁹ | | | | | | | | | | | |
| --Rental units | 20,947 ¹⁰ | | | | | | | | | | | |
| --Owner occupied | 11,239 | | | | | | | | | | | |
| | | <i>Units added each year¹¹</i> | | | | | | | | | | |
| All unit types added | | 219 | 75 | 707 | 354 | 78 | 445 | 467 | 728 | 184 | 249 | |
| Affordable units | 3,341 | 69 | 49 | 98 | 51 | | | 90 | 166 | 88 | 186 | |
| ----Rental | 3,066 | | | | | | | | | | | |
| ----Owner occupied | 112 | | | | | | | | | | | |
| ---deed restricted | 2,723 ¹² | | | | | | | | | | | |
| Inclusion units total | 172 | 21 | 3 | 31 | 51 | 14 | 35 | 80 | 146 | 62 | 127 | |
| Subsidized units | | | | | | | | | | | | |
| --100 Homes | -- | 20 | 25 | 20 | 24 | -- | -- | 28 ¹³ | | | | |
| --Individual projects | 216 ¹⁴ | 35 ¹⁵ | | | 8 ¹⁶ | -- | -- | -- | | 16 ¹⁷ | 59 ¹⁸ | 300 ¹⁹ |

⁹ OSPCD Housing Needs Assessment 2015 (LDN Consultant)

¹⁰ Sustainable Neighborhood Working Group, Report (Dec. 2015) Estimated Housing Need

¹¹ Data sourced from Somerville Building Permits data base and Planning and Zoning decisions database

¹² Sustainable neighborhoods Report (Dec. 2015)

¹³ Cumulative report by SCC

¹⁴ Clarendon Hill

¹⁵ 181 Washington Street

¹⁶ 163 Glen Street

¹⁷ 31 Tufts Street

¹⁸ 34 North St (Clarendon) and 485 Mystic Valley Parkway

¹⁹ Includes 299 Broadway, 24 Webster, 259 Lowell, 163 Glen, 297 Medford and Sewall St.

Table 3A: Per Unit Subsidies provided by Affordable Housing Trust (2015-2023)

Source: Affordable Housing Trust Fund CPA Report (Spring 2024).

Attachment 1: CPA project subsidy information

| Project and development costs | | | | | Somerville AHFT funding | | |
|-------------------------------|-------------|-------------------|----------------------|-------------|-------------------------|------------------|----------------------|
| Address | units | Total cost | Acquisition and year | | CPA funds | Non-CPA | Per unit |
| 355 Broadway | 16 | 5,646,700 | 5,400,000 | 2017 | 3,210,800 | -- | 200,679 |
| 31-33 Cross St | 3 | 1,315,100 | 1,210,000 | 2016 | 498,000 | -- | 166,000 |
| 94-96 Grant St | 3 | 1,158,830 | 1,060,000 | 2016 | 430,000 | -- | 143,333 |
| 210 Highland Ave | 2 | 479,050 | 382,400 | 2016 | 209,078 | -- | 104,539 |
| 18-20 Illinois Ave | 2 | 1,065,000 | 775,000 | 2016 | 315,550 | -- | 157,779 |
| 293 Alewife | 5 | 1,260,000 | -- | 2016 | 683,840 | -- | 136,768 |
| 72 Marshall St | 5 | 1,636,100 | 1,200,000 | 2017 | 787,300 | -- | 157,473 |
| 35 Merriam St | 3 | 1,311,790 | 1,240,000 | 2018 | 600,000 | -- | 200,000 |
| 27 Everett Ave | 3 | 1,318,300 | 1,175,000 | 2018 | 620,000 | -- | 206,666 |
| 11-11A Austin St | 6 | \$2,690,300 | \$2,500,000 | 2018 | 473,100 | 750,000 | 203,865 |
| 21 Cutter Ave | 3 | 1,728,270 | 1,590,000 | 2020 | 1,075,000 | -- | 338,300 |
| 53 High St. | 2 | 1,290,000 | 1,200,000 | 2020 | 680,000 | -- | 340,000 |
| 184 Broadway | 4 | 1,962,400 | 1,800,000 | 2022 | 1,183,370 | 779,010 | 490,608 |
| 163 Glen St. | 8 | 4,887,200 | 1,035,000 | 2017 | 913,700 | 239,900 | 144,215 |
| 485 Mystic Valley | 25 | 13,223,600 | -- | -- | 607,000 | 200,000 | 32,000 ²⁰ |
| Clarendon Hill Ph.2 | 38 | 115,808,545 | 1,587,000 | -- | 4,000,000 | 2,000,000 | 157,890 |
| <i>299 Broadway</i> | <i>115*</i> | <i>76,284,680</i> | <i>11,400,000</i> | <i>2023</i> | <i>1,500,000</i> | <i>4,500,000</i> | <i>52,173</i> |

Table 3.B: Per Unit Subsidies, funds committed by AHFT (2024 and 2025)

| <i>Rental projects</i> | | | | | | | |
|-----------------------------------|------------|-------------------|------------------|-------------|------------------|------------------|----------------------|
| <i>299 Broadway</i> | <i>115</i> | <i>57,703,000</i> | <i>4,930,000</i> | <i>2023</i> | <i>3,250,000</i> | <i>2,500,000</i> | <i>52,173</i> |
| 259 Lowell (VNA) | 73+5 | | | 1998 | | 2,000,000 | |
| 29 Jackson Road | 2 | | 625,000 | 2017 | | | |
| 31 Tufts | 16 | 1,578,700 | 129,900* | 2022 | | 500,000 | 31,000 ²¹ |
| <i>101 Highland YMCA</i> | | | -- | -- | <i>2,500,000</i> | | |
| <i>297 Medford St</i> | <i>50</i> | <i>--</i> | <i>3,450,000</i> | <i>2025</i> | <i>3,350,000</i> | | |
| <i>Ownership (condo) projects</i> | | | | | | | |
| 9 Medford St | 14 | -- | 1,347,200 | 2019 | | | 96,000 |
| 7 Summer St | 5 | | 3,200,000 | 2022 | 1,200,000 | -- | 240,000 |
| 12 Pleasant Ave | 6 | 5,800,000 | 2,400,000 | 2024 | 2,501,000 | 700,000 | 594,160 |
| | | | | | 365,000 | | |
| <i>Sewall St.</i> | <i>6</i> | | | <i>2026</i> | | | |

²⁰ 285 Mystic Valley Parkway subsidy was city owned land contribution plus the small construction grant.²¹ 31 Tufts Street, subsidy was discounted price of city-owned land plus the \$31,000 per unit construction grant