

MEMORANDUM

To: Members of the Affordable Housing Trust

Cc: Mayor Katjana Ballantyne  
Nikki Spencer, Mayor's Office Chief of Staff  
Ed Bean, Director of Finance, Auditor  
Tom Galligani, OSPCD Director  
Mike Feloney, Housing Director  
Fred Berman, OHS Co-Deputy Director

Re: Funding for the Municipal Voucher Program

From: Ellen Shachter, OHS Director  
Morena Zelaya, Housing Policy Coordinator

Date: October 12, 2022

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**The "Municipal Voucher Program" (hereafter MVP)**

**I. What is the Municipal Voucher Program?**

Mayor Ballantyne, the Office of Housing Stability (OHS) and the Housing Division are proposing a new long term rental subsidy program, the MVP, funded by the City of Somerville and the Affordable Housing Trust Fund to be targeted at some of the most vulnerable resident households in the City. OHS, the Community Action Agency of Somerville (CAAS), the Somerville Homeless Coalition and other programs are working with many immigrant families that have been assisted through various rental assistance programs but who have no realistic means of stabilizing their tenancies long term. It is our hope that the MVP will allow some of these households, and others like them, to remain safely and affordably housed in the City of Somerville.

The MVP is briefly described in this memo and in more detail in OHS' proposal for ARPA funding and an associated estimated budget which are attached hereto. The MVP would provide long term rental assistance to approximately thirty to thirty-five households. This assistance is targeted to households that are paying more than 50% of their gross income for shelter costs, are being displaced from their rental units and have received notices to quit or notices of non-renewal or are severely overcrowded. There would be a priority for households that are ineligible for federal housing programs such as Section 8 project-based or voucher program or federal public housing (due to immigration status). There is also a secondary priority, amongst those ineligible for federal housing resources, for families with children in the Somerville public schools or Somerville based pre-school programs. Program guidelines, since they would not be subject to DHCD or HUD requirements, would be more flexible than the Section 8 program and designed to try to maximize lease ups in Somerville.

Our hope would be to "project-base" as many of these subsidies as possible in Somerville units. To the extent that we are unable to identify sufficient available appropriate units for project-basing, funding would be made available for tenant-based MVP vouchers. MVP tenant selection and eligibility rules would apply whether the subsidies are project-based or tenant-based. It is intended that there be an entity or agency funded to implement the MVP in collaboration with OHS and a selected support team

of non-profit housing providers. The entity implementing the MVP during its initial stages would be a sub-contractor of ARPA funds and our hope is that the program would continue to be funded through the Affordable Housing Trust Fund as described below.

**II. Why are we coming to the Affordable Housing Trust Fund about this project at this time?**

**ARPA funds**

In order to provide initial funding for the MVP, OHS submitted an application through the City's ARPA portal seeking funding for the first three years of program development and operations. At the time of this application, however, OHS was clear that it did not make sense to fund and implement this program unless there was an on-going source of funding beyond ARPA. This program is intended to be different in kind from existing housing programs funded by the AHTF for rental arrears or short term rental assistance funding (such as the PASS programs) as it is intended to provide an on-going housing subsidy to avoid any cliff effect from termination of the housing subsidy until or unless the family is able to afford unsubsidized rent or to move into other permanently affordable housing. Initially it was understood that ARPA funding could be encumbered by 2024 and spent by the end of 2026. At this time, guidance on ARPA funding has been changed to require ARPA funds to be expended by the end of calendar year 2024. For this reason, it is imperative that we move quickly to identify future funding for the MVP so as not to lose the opportunity to use ARPA funds to kick-start this critical program.

**Funding Methods & Options**

We are proposing to partner with the AHTF to implement the MVP. The City, as further detailed in section III below, is proposing a plan by which the AHTF would allocate total funding for the MVP from its budget and the City would partially offset that cost by providing funds to the AHTF from sources such as free cash or the general fund. Attached to this memo are two charts prepared by AHTF staff Paul Goldstein that estimate the amount of linkage fees and other funding likely to come to the Trust over the next five years. As you can see from these charts, a significant increase in funding for the AHTF is anticipated going forward. These estimates do NOT include additional funds that might be gained if, after review of the upcoming linkage nexus study, the City Council decides to increase linkage fees.

The City has identified multiple sources of funding that can be allocated annually in order to ensure that the City can meet its commitment to provide direct funding for this program as described below.

Possible funding sources currently include free cash, the general fund, short-term rental/hotel/motel fees, and potentially a community impact fee that could be added to short-term rentals. **What is the specific funding proposal?**

**Funding proposal:**

We request, through this proposal, that all funding for the MVP flow through the AHTF. Once initial ARPA funds are expended by end of calendar year 2024, we are proposing that half of the annual program cost for 2025, 2026 and 2027 be paid from expanded revenue (as illustrated below) that will be coming into the Trust during these years. The City would pay to the Trust Fund half of the annual program costs from its free cash or general appropriations to finance the remainder of the program.

**Estimated Annual Program Costs:** [See estimated budget document for further breakdown]

2023- Start-up year: \$794,800- to be funded through ARPA

2024- Full- year with all vouchers issued (either project based or mobile): \$1,116,800.00- to be funded through ARPA

Future years add 5% annual increase:

**Post-ARPA Projected Funding Needs**

Amount of funds needed post ARPA: [Assuming an estimated 30-35 households and/or units]

Calendar year 2025	\$1,172,640
Calendar year 2026	\$1,231,272
Calendar year 2027	\$1,292,835

**Post-ARPA Funding Proposal Breakdown**

Total Funding needed	Amount from general budget and/or free cash	Amount from AHTF revenue from linkage; loan repayment; CPA etc.
FY2025 \$1,172,640.00	\$586,320.00	\$586,320.00
FY2026 \$1,231,272.00	\$615,636.00	\$615,636.00
FY2027 \$1,292,835.00	\$646,417.50	\$646,417.50

The Affordable Housing Trust Fund’s annual revenue is projected to increase significantly from FY23 through at least FY27 with annual revenue for the Fund projected to be between \$6,400,000 and \$9,884,867. This significant increase in AHTF revenue (separate from the new \$8.3 million for the New Acquisition Fund), and not inclusive of any potential linkage fee increases, presents an important new opportunity to target long term housing resources to populations not often reached through programs such as the 100 Homes program, the Inclusionary Program and other similar programs<sup>1</sup>.

Similarly, increased funding coming to the City of Somerville through projected tax revenues, building permit fees, and other sources gives the City of Somerville, OHS and the Housing Division an opportunity to make headway on the challenging goal of creating new housing affordable to those between 0%AMI and 50%AMI<sup>2</sup>. Putting funding into a program for long-term housing for our most vulnerable population serves the Administration’s goals of working toward housing equity and housing affordability. This program would be likely to primarily serve immigrants/persons of color in the Somerville community given the program’s identified priority for families ineligible for federal housing programs.

**IV. Project Timeline: Estimated one-year to full operation**

**Identifying sub-contractor to operate program**

<sup>1</sup> Tenants below 50% of AMI have generally only been able to access 100 Homes or Inclusionary units only if they have mobile Section 8 vouchers. This opportunity is not available to immigrant households ineligible for federal housing programs.

<sup>2</sup> While income limits for MVP are higher than 50% of AMI, we anticipate most program participants being between 0% and 50% AMI.

There are two possible ways to choose a contractor to operate the MVP with some questions still to be clarified:

- a) Inter-governmental contract for operation of the MVP [Estimated two to four months to identify and contract with selected entity assuming interest by at least one such entity]
    - a. If Somerville were to contract with another governmental agency such as the Somerville Housing Authority and/or Cambridge Housing Authority the transaction would be exempt from statutory purchasing requirements and would only be subject to ARPA requirements about selecting a sub-contractor to implement the MVP.
  - b) Request for Proposals for competitive selection of contractor for operation of the MVP [Estimated four to six months]
    - a. If Somerville opts to award funding for the voucher program through a competitive RFP process that would add an estimated two months to the contracting process compared to the inter-governmental approach.
- **Startup period once contract for program operation is complete** [estimated at four to six months for the development of program documents, rules, procedures prior to lease ups]
  - **Application process** (whether individual or for project-based voucher placement) 2-4 mos.
  - **Tenant Selection and Screening (whether mobile or project based)**- 2 months
  - **Lease Up Process (either individual or Project-Based)**

## **V. Conclusion**

The Mayor is very excited about the possibility of launching this groundbreaking program with the support of the AHTF. We look forward to hearing any concerns and questions you might have and to returning to the AHTF with any necessary additional information and for a decision on this funding proposal.