

8, March 2026

Memo:

To: Honorable Mayor Wilson and City Council colleagues

From: Councilor Wilfred N. Mbah

Subject: Budget Priorities for FY2027

Thank you for the opportunity to present my ideas for the programs and projects that should have priority for funding in our budget deliberations.

## **Introduction**

At the initial FY27 budget public hearing in February, Committee Chair Wheeler began the discussion with a caution that this year's goal will be to reduce total budget by \$5 million, given the cutbacks in federal funding and weak regional economy. This will be the first time in more than ten years that Somerville will not enjoy a generous new growth in revenue and spending. It will require us to exercise restraint in formulating our budget with emphasis on savings and restraint on the growth or expansion of programs.

A single area of exception to this general approach of spending restraint and cost cutting appears to be necessary. This is in Immigrant Services.

For all other areas of the budget, we must keep in the forefront a recognition that the city's taxpayers – residential and commercial/industrial – are all facing the pressures of higher prices and declining economic opportunities.

Because of the inflation of the city's costs for essential services and infrastructure reconstruction, we have already authorized increases in the tax rates as the result of our property valuation Classification review last November. We will also be required to hike sewer and water fees when these are presented in May. Therefore, we should not ask our residents and businesses for even larger rates and fees unless there is an immediate and strong need.

## **Priority 1: Response to the immediate needs for protection of the rights of our immigrant neighbors**

Somerville voters, residents, workers and business owners have given strong support as we have put into place the services of legal assistance, housing assistance and social supports for the foreign-born families and individuals, who have come to live and work in our community. We have welcomed and highly value the contributions that they bring, making our city culturally vibrant, intellectually stimulating and highly innovative.

Through our Sanctuary City policies and our collaborative work with neighbor cities and the Commonwealth administration, we are pledged to do the most we can under municipal authority to support and protect all our residents and workforce from actions motivated by prejudice, ignorance and fear.

As a practical matter, therefore, we must carefully review all the programs now provided by Immigration Services and related programs of our Schools, Public Safety agencies, Housing Stabilization and Health and Human Services. To the extent that any of these programs are not reaching eligible participants or are falling short of resources, equipment or staff, we should be prepared to add funding, following the recommendations of the agency professionals and Mayor's policy experts.

### **Priority 2: Maintaining the essential services of public health, safety and welfare**

Although it must be a year of spending restraint, we must be careful to continue without decline of quality and availability the essential municipal services of Schools, Public Safety, and Public Health, Sewer, Water and local streets infrastructure. We must also fulfill our basic regulatory responsibilities of construction and development oversight, licensing and consumer protection. The appropriate levels of funding for the tasks and programs must be defined by careful calibration of demand and needs, given the status of economic and social trends.

We should require of each agency a careful accounting of current needs and demands for services and projected changes, and the explanation of how their allocations of staff and resources are measured. For example, in the schools, will there be expected changes in enrollment or in the numbers of children with different needs, that will require shifts of funding or staff for various programs and services? Similarly, with real estate development and business investment in decline, how have the allocations of time and effort of the city's planners, plan and site inspectors, and design review teams been revised?

### **Priority 3: Insuring full funding for Elementary Schools Construction and Renovation**

FY27 must be the year in which final decisions are reached on the reconstruction of the Winter Hill school and its financing and funding. Most likely, we will need to convince the voters to approve a debt-exclusion ballot measure to allow its \$300 million capital financing, which will then add a yearly debt service cost of \$10 to \$12 million to our budgets for the next 30 years. Additional capital and debt service spending will also be required for essential repairs and improvements at the other elementary schools.

These investments in the schools are essential and cannot wait. They must take precedence in our capital budgeting and financing, along with completion of the sewer and water projects already underway. All other project proposals that will need capital funds – including various arts/culture, parkland, streetscape, and “community center” space projects – will have to continue if the city is able to secure alternative funding from linkage payments or grants.

### **Priority 4: Continue to fund the programs in the office of Housing Stability and subsidies for affordable unit construction, but shift the emphasis toward renter and owner assistance rather than development project subsidies.**

The problems of escalating housing costs and pressures of displacement continue to burden large numbers of renters and property owners in the city, and these trends are increasingly disruptive of Somerville as a community of diverse residents.

In response, the city has put into place the three-part agency structure, which in recent years has been providing services and subsidies:

- The office of Housing Stability provides assistance directly to individuals and families – renters and owners – who face eviction, displacement or arrears in rental or mortgage payments.
- Housing Development works with non-profit and private developers get projects of new and reconstructed housing underway, minimizing regulatory obstacles and finding subsidies to maximize affordable units.
- The Affordable Housing Trust aggregates revenues from linkage fees, federal grants, the Community Preservation tax sur-charge, and budget surplus “free cash,” which it then directs into subsidies that create more affordable units.

While we can and must continue to carry forward the work of all three agencies. However, in FY27 the balance of revenues that support this structure of housing assistance has changed, given the regional economic downturn. Revenue from construction project linkage payments and general fund revenue from permits and developer-related fees has fallen off. The following key indicators of budget change are shown:

	FY23	FY24	FY25	FY26	FY27
<i>Revenue</i>					
Affordable Housing Trust	\$21.6 million	\$8.6 million	\$12.6 million	\$5.1 million	<i>\$4.0 million</i>
General Fund Building permits	18.7 million	11.1 million	5.5 million	3.8 million*	--
<i>Expenditure</i>					
Housing Stabilization	\$1,193,400	\$1,413,900	\$1,491,200	\$1,721,900	--
Housing Development	1,097,900	1,350,200	1,499,900	1,468,100	--

\*Note: Building permit revenue as of 1 Feb 2026

At the same time, the escalation of construction costs has pushed much higher the amounts of subsidy that are needed to make any new unit of housing affordable. Just five years ago, the general rule was that \$150,000 to \$250,000 per unit could bring down the rent to affordable 50% AMI level. In late 2025 and 2026, the newly approved projects are requiring per unit subsidies of \$500,000 and \$600,000 to achieve the same level of affordability.

Thus, the number of new affordable units that the city can “buy” with its limited subsidy funds will fall to tiny numbers of units. The few families or individuals, who ultimately can occupy these units, will be receiving a windfall-level subsidy, while hundreds of other eligible families cannot be assisted.

Therefore, for FY27, we should carefully consider whether our limited revenues for housing may be distributed to assist more eligible families and individuals directly through Housing Stabilization, rather than concentrated to “buy” fewer than ten new affordable units. The Affordable Housing Trust can continue to make developer-subsidies for affordable units as its linkage, grant and CPA revenue may allow, but no general fund appropriations or surplus “free cash” should be anticipated.

**Priority 5: As an alternative to developer-subsidies for affordable housing unit construction, the use of the UCH-TIF mechanism should be carefully considered.**

The Economic Development Division of OSPCD has been working on a proposal to create new zones in which the UCH-TIF mechanism may be offered for new residential and mixed-use development projects. This state-authorized program allows the city to enter into an agreement with such a developer, who agrees to increase the component of affordable units in a project above the mandatory inclusionary level to 25% or more units. The project then can benefit from a discount of its property tax for a ten or twenty-year period.

In essence, the UCH-TIF provides a future subsidy of tax discount to “buy” the affordability of the units, instead of a subsidy payment from city revenue or the Affordable Housing Trust.

**Priority 6: Find savings in the budget by removing existing programs or subsidies that are resulting little-used services.**

In recent years, the city has made efforts to provide many new and experimental activities, services and “amenities,” intended to enhance community cohesion, counter disruptive social trends, and encourage participation in civic life. During the COVID pandemic period, social isolation has been perceived as a public health problem, and the city has responded by expanding social services and cultural/educational offerings for seniors, youth, and other population groups. Post-COVID, the city has prolonged these services with a re-definition of their causes and purposes. For example, most are now based on the ideas that contemporary phenomena like Artificial Intelligence and the decline in traditional voluntary organizations are continuing to isolate individuals and erode public well-being.

While many of these activities have provided worthwhile social support as the response to emergency pandemic conditions, their continuation as routine services of municipal administration may not have strong substantiation in the theoretical and methodological work of sociology, psychology and public health. Debate continues over whether programs that describe their participants as dependent individuals and groups should be replaced with activities that will revive and strengthen self-reliance and voluntary organization. As funding from ARPA, other grants and stabilization accounts for these programs runs out, we should evaluate them carefully and determine if it is necessary to move them onto the general fund expense budget.