

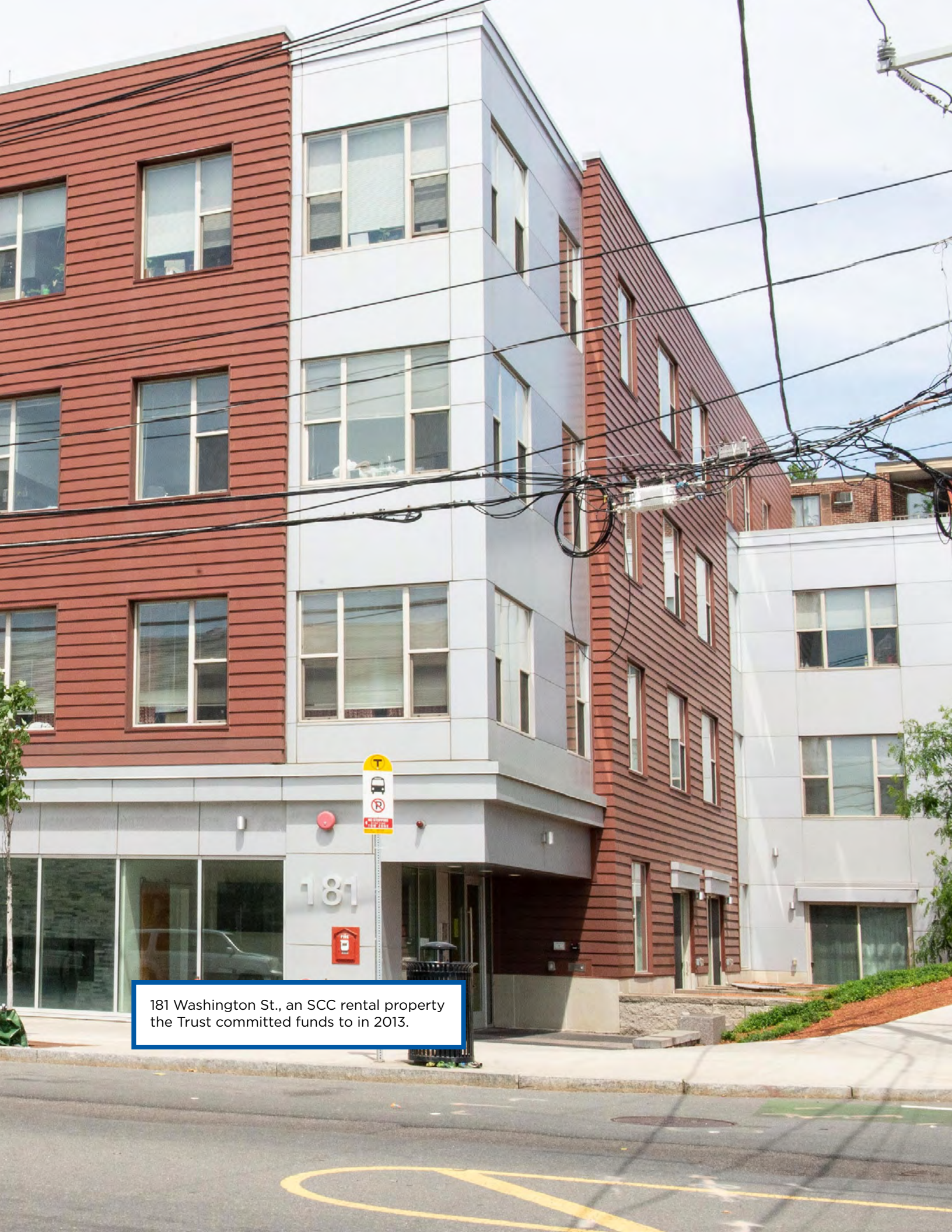


City of Somerville, Massachusetts

AFFORDABLE HOUSING TRUST FUND

Fiscal Year 2018 and 2019 Report





181 Washington St., an SCC rental property the Trust committed funds to in 2013.



City of Somerville, Massachusetts
SOMERVILLE AFFORDABLE HOUSING TRUST FUND

Katjana Ballantyne
Mayor

Andrea Shapiro, *Managing Trustee*

Trustees
Brielle Calderan
Mary Cassesso
Michael Feloney
Kathryn Gallant
David Gibbs
Donna Haynes
Councilor Charlotte Kelly
Jessica Turner

December 2022

RE: Somerville Affordable Housing Trust Fund - Fiscal Year 2018 and 2019 Report

Dear Mayor Ballantyne and Honorable City Councilors:

I am pleased to share the enclosed report on Somerville Affordable Housing Trust Fund's Fiscal Year activities during FY18 and FY19.

Founded in 1989 by Somerville ordinance, the Affordable Housing Trust Fund began program activities in 1991. Since that time, the Trust has worked to fund the creation of affordable housing units and support affordable tenancies in neighborhoods throughout Somerville. Since the Fiscal Year 2017 Annual Report, the Trust has continued to benefit from consistent increases in revenue - primarily from the City's 2012 adoption of the Community Preservation Act as well as linkage and fractional payments from commercial and residential development in Somerville.

As detailed in the City of Somerville's December 2021 Housing Needs Assessment, as of 2017 more than 34% of Somerville renter households were rent-burdened, paying 30% or more of their incomes toward housing, and 16.3% of Somerville renter households were severely rent-burdened, paying 50% or more of their incomes toward housing. For households aspiring to own a home in our community, the median family income (\$85,667) of Somerville residents is inadequate to afford a home at median price; in 2019, the median price of a single-family home was approximately \$850,000. Additionally, roughly 27% of established owner-occupied households were cost-burdened in 2017, paying more than 30% of their incomes for housing.

In FY17 and FY18, the Trust allocated CPA funding, funds generated through the City's linkage and inclusionary housing ordinances and funds from the repayment of past Trust loans enabled major investments in projects including:

- Redevelopment of Somerville Housing Authority's Waterworks site to yield 25 affordable units for elderly and disabled residents;
- Acquisition of 21 existing units to establish permanently affordable housing as part of the 100 Homes initiative;
- Beginning the construction of 11 homeownership units at 163 Glen Street, eight (8) of which were to be sold to low- or moderate-income households; and
- Acquisition and rehabilitation of two (2) units at 88 Wheatland Street by Somerville Community Corporation, which were then sold to income-eligible first-time homebuyers.

The Trust Fund also supported housing affordability and stability programs in FY18 and FY19, including:

- Somerville Homeless Coalition's Prevention and Stabilization Services (PASS) Program for rental assistance;
- Leasing Differential Programs administered by the Somerville Homeless Coalition and Heading Home; and
- Tenancy Stabilization Programs administered by Community Action Agency of Somerville, Just-A-Start and Somerville Homeless Coalition.

To provide a brief update on current-year areas of activity that will be expanded on in an ensuing report – in the summer of 2022 the Trust engaged with a consultant specializing in community-based work to prepare a Strategic Plan with specific benchmarks and program objectives. This effort will help guide Trust investments in our community's affordable housing in coming years. Leveraging available funds and continuing to build and strengthen partnerships will help maximize the Trust's impact in an ever more challenging housing market.

Please note that annual reports for the Trust reflect the order in which financial reviews are conducted by an external accounting firm; the most recent of these reviews was completed in August 2021 for Fiscal Years 2018 and 2019.

As we look toward the start of a new calendar year, we look forward to continuing our work with local non-profit partners and City divisions to increase the supply of affordable housing and help keep Somerville residents affordably housed. Thank you for your ongoing engagement in and support of the Affordable Housing Trust's efforts to advance housing affordability in Somerville.



Andrea Shapiro
Managing Trustee

TABLE OF CONTENTS

SOMERVILLE AFFORDABLE HOUSING TRUST FUND Fiscal Year 2018 and 2019 Report

1.	BACKGROUND AND MISSION.....	2
2.	FUNDING SOURCES.....	4
3.	FUNDING USES	8
4.	OTHER FY18-19 HIGHLIGHTS AND RELATED UPDATES	12
5.	FINANCIAL REVIEW AND FINANCIAL STATEMENTS.....	15

An aerial photograph of a city, likely Somerville, Massachusetts, showing a mix of residential and commercial buildings. A large white rectangular box is overlaid on the top half of the image, containing the title and introductory text. The background shows a dense urban area with various rooflines, trees, and a distant city skyline under a hazy sky.

1. BACKGROUND AND MISSION

The City of Somerville established the Affordable Housing Trust Fund in 1989 for the purpose of funding the creation, preservation, and support of affordable housing for low- and moderate-income households. For over 30 years, the Trust has helped increase the supply of housing units with rents or mortgage payments in reach of those who otherwise would be priced out of Somerville. Through the loans and grants it has administered, the Somerville Affordable Housing Trust Fund has supported an array of programs and projects. In doing so, the Trust has served as one of the main vehicles for addressing housing affordability challenges in Somerville.

At the time of this report's preparation, the Trust is working with consultant JM Goldson to complete preparation of a Strategic Plan. The last Strategic Plan, completed in 2014, was commissioned so that the Trust could consider its work in the wake of resident approval of the Community Preservation Act (CPA) in 2012. That strategic planning effort yielded the following objectives and benchmarks:



Objectives and Benchmarks:

1. Create rental housing for Somerville residents with incomes up to 110% of Area Median Income (AMI).
2. Make special efforts to ensure housing opportunities that are permanently affordable for residents with household incomes below 30% of AMI and between 31% and 50% of AMI.
3. Create homeownership units that are permanently affordable for residents with household incomes below 110% of AMI.
4. Support affordability for first-time homebuyers with incomes below 110% of AMI through loans such as closing cost and down-payment assistance that can supplement and further other city initiatives.
5. Preserve existing affordable housing and encourage innovative efforts to acquire and preserve unassisted stock for affordable housing.
6. Be a voice for affordable housing in Somerville and encourage awareness through public forums and outreach, and promoting innovation through use of its grants and loans.
7. Ensure that any housing created is affordable for the long term through the use of deed restrictions, particularly on rental and homeownership development projects.
8. Be a unique and flexible source of financing, providing funds that other programs cannot.
9. Effectively leverage state, federal, and private funds particularly by being the first dollars in to demonstrate local commitment.
10. Support projects and programs with measurable goals and positive outcomes.
11. Support housing stability for households with incomes up to 80% of AMI through a variety of activities such as eviction prevention and homelessness prevention as well as foreclosure prevention for households with incomes up to 110% of AMI.
12. As opportunities arise, support development projects that foster community development goals as documented in SomerVision and other City plans, including transit-oriented development, mixed-use and mixed-income projects, and sustainable design as well as goals of the Community Preservation Committee, as described in the Community Preservation Plan.

Photo by Victor Nascimento, City of Somerville

2.

FUNDING SOURCES

The very first source of funds for Trust activities came from a one-time capitalization by the City in 1990. To establish a recurring revenue source for future Trust activity, the City adopted a Linkage Ordinance requiring that large-scale commercial developments mitigate their impact on the potential supply of affordable housing by contributing a fee to the Trust. The City's Inclusionary Zoning Ordinance, also adopted in 1990, generates income under what are known as fractional payments, which can occur when Inclusionary projects involve calculations that do not yield a whole number of units to be produced.

Community Preservation Act Funding

The Trust's capacity to advance its mission was strengthened in 2012 with Somerville's adoption of the Community Preservation Act (CPA) through a city-wide vote. The CPA generates revenue through a 1.5% local surcharge on local property taxes and a variable annual distribution from the state's Community Preservation Trust Fund. A minimum of 10% of the CPA funds are required to be spent or set aside for the creation or preservation of affordable housing.

Somerville's commitment of CPA funds to affordable housing purposes has been significantly higher than the minimum 10 percent requirement. The Somerville Community Preservation Committee (CPC), which oversees all local CPA funds, has designated the Trust as its "housing arm," and initially allocated 45% of total Somerville CPA funds each year through FY18 to the community housing category, with the first allocation being received in FY14. In FY19, the CPC voted to increase the amount of funds allocated to the Trust to 50% of CPA funds.

Further evidence of the Trust and City's commitment to affordable housing came in the form of a CPA-backed bond for creation of affordable housing. In FY18, the Trust and CPC recommended the then-Board of Aldermen authorize issuance of a \$6,000,000 bond in support of the 100 Homes Initiative. Debt service on the bond is paid from the annual CPA allocation that would have otherwise gone to the Trust.

In FY19, the Somerville Community Preservation Committee voted to increase the amount of funds allocated to the Trust to 50% of Community Preservation Act (CPA) funds.

Through FY19, the Trust has received an average of \$1,503,701 in annual CPA funding. Exact amounts for each fiscal year appropriation through FY19 is displayed in the table below:

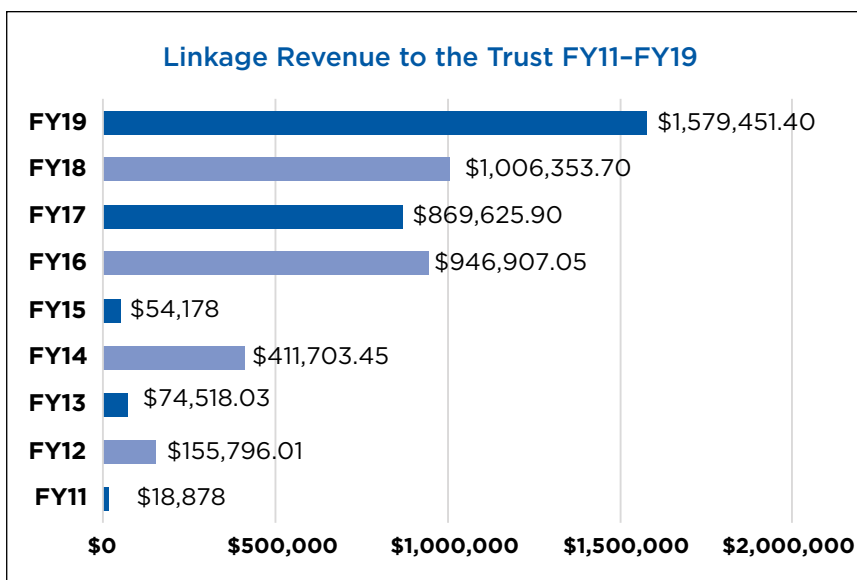
CPA Funding for Community Housing FY14-FY19	Appropriation Amount
FY14 + FY15	\$2,206,028
FY16	\$1,834,675
FY17	\$880,416
FY18	\$1,200,402
FY19	\$1,396,986
Total	\$7,518,507

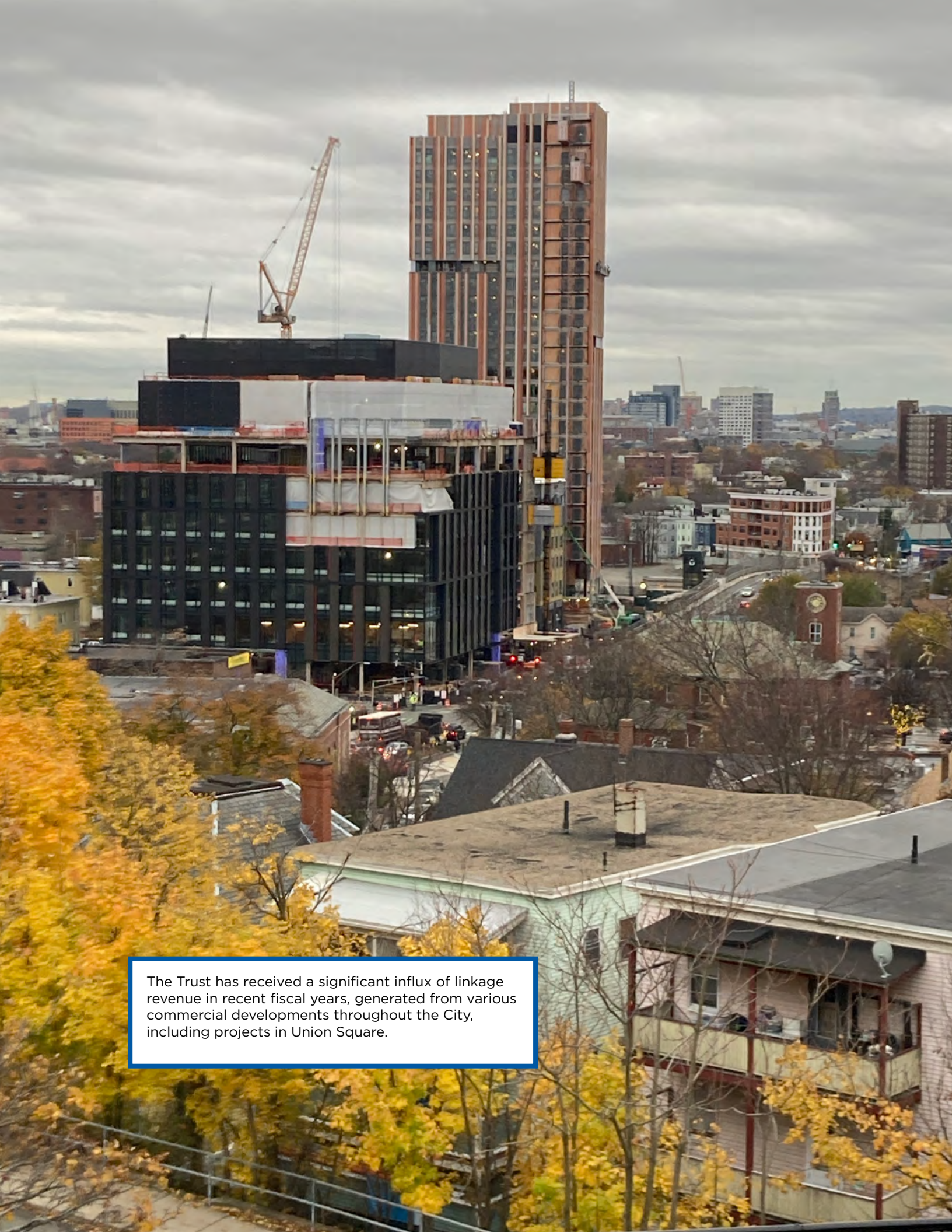
Through FY19, the Trust has received an average of \$1,503,701 in annual CPA funding.

Non-CPA Trust Fund Sources

In addition to CPA funds received in FY18 and FY19, other sources of funding include linkage revenue, Inclusionary Zoning fractional payments and loan repayments.

- Linkage revenue from commercial development.** In FY18, the Trust received a total of \$1,006,353.70 in linkage revenue. In FY19, the total from this source was \$1,579,451.40. Linkage payments, which are required of commercial real estate development projects over 30,000 square feet under the City's Linkage Ordinance, have created opportunities for the Trust to increase the availability of affordable housing.





The Trust has received a significant influx of linkage revenue in recent fiscal years, generated from various commercial developments throughout the City, including projects in Union Square.

- **Inclusionary Zoning fractional payments.** In FY18, the Trust received a total of \$188,505.30 in ‘fractional’ payments. A fractional payment is required when the number of affordable units to be created by a residential project subject to the ordinance does not total a whole number. In such cases, a formula-based payment is made to the Trust. No fractional payments were received in FY19.
- **Loan Repayments.** Payments made to the Trust in accordance with loan agreements executed in past fiscal years totaled \$31,784.60 in FY18 and \$92,855.68 in FY19. Those loans supported the creation of now-occupied affordable housing units. Loan payments made to the Trust are reinvested to support new projects, further advancing creation of affordable units in the City.

3.

FUNDING USES

In the face of continued pressure on the local and regional housing markets, the Trust worked to meet its mission in FY18 and 19 through support of several high impact initiatives.

Following recommendations from the Trust and Community Preservation Committee, the then-Board of Aldermen authorized issuance of a \$6 million bond to fund acquisition of housing units under the 100 Homes Initiative.

Affordable Housing Development

Drawdowns on funds that have been previously committed to four affordable housing development projects totaled \$3,721,026.33 in FY18 and \$648,820.05 in FY19. These drawdowns supported the following projects:

- **Waterworks Phase 1** - redevelopment of a historic, formerly state-owned water-pumping facility building into 25 units of affordable housing for elderly and disabled residents, to be owned and operated by the Somerville Housing Authority.
- **100 Homes** - the acquisition and rehabilitation of seven properties for the 100 Homes portfolio located in scattered sites in neighborhoods across the City into deed-restricted affordable housing.
- **163 Glen Street** - the adaptive re-use of the former East Somerville American Legion Post building into 11 homeownership units including 8 units to be sold at affordable prices to low- and middle-income households.
- **88 Wheatland Street** - the acquisition and rehabilitation of 2 units by SCC for the purpose of reselling the units to first time homebuyers at or below 80% of Area Median Income.

In FY18, the Somerville City Council authorized \$6 million in Community Preservation Act (CPA) bonding specifically set aside for the funding of acquisitions for the 100 Homes Program.



2022

2017



At left: Taken at a groundbreaking event for the 163 Glen development project in fall, 2017. (Photo courtesy of the Somerville Community Corporation)

Above: 163 Glen Street following completion of construction. The last available affordable unit was sold to an income eligible first-time home buyer in Spring of 2022.

In FY18 and FY19, \$581,359 of CPA Trust funds, and \$480,000 of non-CPA Trust funds were committed to housing assistance programs to help Somerville low-income households secure or remain in housing that they can afford.

Program Grants

In FY18 and FY19, the Trust made funding commitments to numerous community nonprofits that administer housing programs in Somerville: \$581,359 of CPA Trust funds, and \$480,000 of non-CPA Trust funds, were committed to housing assistance programs to help Somerville low-income households secure or remain in housing that they can afford.

Prior to FY18, the Trust provided funding to several supportive services programs, who provided services such as land-lord tenant mediation and legal assistance to Somerville residents facing a housing crisis. Following guidance from the Massachusetts Department of Revenue, however, it was determined that these types of programs were ineligible for both CPA and non-CPA Trust funds, as use of those funds are required to be associated with a physical housing unit. In response, the Trust submitted a Home Rule Petition (HRP) to the Somerville City Council, which was then brought to the state legislature's Joint Committee on Housing.

The HRP would allow the Trust to fund these supportive services programs once again through its non-CPA funding source. At the time of this report's issuance, the HRP had received a favorable report from the Joint Committee on Housing, and is awaiting a vote by the legislature. Housing programs supported with CPA Trust funds included the following:

- **Prevention and Stabilization Services (PASS) Program** - Somerville Homeless Coalition (SHC) received \$199,952 of funding in FY18 to help homeless and near-homeless individuals and families obtain permanent housing and stabilize their housing situation with direct-to-tenant rental assistance through its PASS Program. The rental subsidy assisted Somerville households at risk of homelessness, or in transition out of emergency shelter system into permanent housing. Case management is also provided as part of the program using other sources of financial support. Generally, households to be served will have incomes at or below 60% of AMI. The program is designed to work with Somerville residents experiencing a housing crisis (for instance burdensome rental increases and/or losses in income) to allow them to remain in the City.
- **Leasing Differential Program** - In FY18 SHC was awarded supplemental funding in the amount of \$62,523 in support

of its FY17 Leasing Differential Program, which provided rental assistance for formerly homeless people living in 17 rental units at scattered sites throughout Somerville. These units are leased by SHC, and sublet to up to 21 homeless and disabled Somerville residents. Most have incomes below 30% of AMI. Nine clients qualified as chronically homeless as defined by HUD. Clients included families and individuals with disabilities. All beneficiaries were Somerville residents. In FY19, SHC received \$73,884 in CPA Trust funding to support continued operation of its Leasing Differential Program.

- **Homelessness Prevention Assistance Fund (HPAF)** - The Community Action Agency of Somerville (CAAS) was awarded \$50,000 in FY18 to support HPAF. In FY19, CAAS received an additional \$150,000 for its the program. The funds were used to assist 40 Somerville households who were at risk of becoming homeless to pay for startup costs (first and last month's rent, security deposits) and rental arrears to stabilize their housing situation.
- **Somerville Better Homes 3 Program** - Heading Home received \$45,000 to support leasing differential for its Somerville Better Homes 3 Program. The funds were used to assist 13 chronically homeless Somerville residents by covering the gap between HUD leasing funds and the actual cost of the rental units.

Housing programs supported with non-CPA Trust Funds included the following:

- **Tenancy Stabilization Program (TSP)** - Just-A-Start Corporation (JAS) received \$60,000 of funding in FY18 to support TSP. JAS received an additional \$60,000 for the program in FY19. Following drawdown of those funds, JAS requested and was awarded \$180,000 more in FY19 to operate their TSP over a three-year period. These funds allowed JAS to provide direct assistance to Somerville households by paying startup costs and rental arrears in order to stabilize the housing situation for an average of 24 households per year.

Somerville Homeless Coalition (SHC) received \$180,000 in FY19 to support TSP. These funds allowed SHC to provide direct assistance to Somerville households by paying startup costs and rental arrears to order to stabilize the housing situation for 62 households over the course of a three-year contract term.

4.

OTHER FY18-19 HIGHLIGHTS AND RELATED UPDATES

Information offered below on Trust-funded efforts illustrate the critical role housing-designated funds have continued to serve – both in enabling projects to advance into construction, and in preserving or establishing tenancies of households that would have been displaced in the absence of these development subsidies and financial assistance. Following information on FY18-FY19 funded projects are brief updates on related areas of interest from the most recent fiscal years.

- **163 Glen Street.** Somerville Community Corporation closed on the sale of the last remaining available affordable unit at 163 Glen St. in FY22. The project, which received Trust CPA and non-CPA subsidy (as well as other City funding sources), yielded a total of 11 new homeownership units sold to first time home buyers. Of those 11 units, 8 are affordable, with 6 being created with assistance from CPA funds. The project was funded through drawdowns in FY18 of \$667,482.02 in CPA Trust funding and \$25,223.95 in non-CPA Trust funds, and draw-downs in FY19 of \$190,740.05 in non-CPA Trust funding.
- **100 Homes.** Somerville’s 100 Homes Initiative is based on a partnership between the City of Somerville and the Somerville Community Corporation. Trust support sustains the initiative’s work toward a goal to create 100 new affordable units through the acquisition and renovation of existing properties. The introduction of deed restrictions on each unit ensures sustained housing affordability provided to households at a variety of income levels.

In FY18 and FY19,
21 units were added to
the 100 Homes portfolio

In FY18 and FY19, Trust funding to 100 Homes enabled the acquisition of 21 units. The program also leveraged more than \$2,000,000 in other state and City resources to facilitate the addition of these 21 units to the 100 Homes portfolio. Deed restrictions placed each of the acquired properties ensure that the units remain affordable in perpetuity.



11 Austin Street, a 100 Homes property which contains 6 affordable 3-bedroom units. The property was acquired by SCC using Trust funds provided in FY18 and FY19. (Photo courtesy of the Somerville Community Corporation)

In FY21 the Trust awarded \$1,236,452 of CPA Trust funds to support Somerville agencies operating housing assistance programs. This is the largest amount of CPA funding awarded to programs in a single year, and reflects the Trust's effort to respond to the dramatically increased level of need for such programming during the Covid-19 pandemic.

The influx of an additional \$8.3 million to the Trust for the purpose of early acquisition funding as proposed by Mayor Ballantyne will be a significant tool at the Trust's disposal. Early acquisition funding is especially needed in order to compete with market rate developers.

Related updates on major areas of activity in ensuing fiscal years (to be expanded on in the next annual report) include:

- **Fiscal Year 21.** In FY21 the Trust voted to award a total of \$1,236,452 of CPA Trust funds to local Somerville agencies who operate housing assistance programs. This was the largest amount of CPA funding awarded to housing assistance programs since the Trust began making these awards in FY15. The COVID-19 pandemic dramatically increased demand for the programs, which were funded by these awards as households in Somerville faced numerous challenges to finding and/or stabilizing housing in the wake of the pandemic.
- **Fiscal Year 22.** The Trust recently awarded \$290,000 of FY22 CPA Trust funds to support other housing assistance programs which did not receive funding in FY21, or had already spent down the entirety of their FY21 award. In FY22, the Trust has committed \$3.2 million of non-CPA Trust funds to two development projects which will be 100% affordable: 31 Tufts Street, a rental project with 16 units ranging from 50%-100% AMI, and 7 Summer Street, a newly constructed building acquired by the Somerville Community Land Trust that contains 5 home ownership units to be sold to households with incomes ranging from 80%-110% AMI.

The Trust also committed just over \$1.9 million of combined CPA and non-CPA Trust funds for SCC's proposed acquisition of 184 Broadway, a property SCC intends to add to its 100 Homes portfolio, with 4 affordable units at 80% AMI.

Finally, the influx of an additional \$8.3 million to the Trust for the purpose of early acquisition funding as proposed by Mayor Ballantyne will be a significant tool at the Trust's disposal to help fund the development and construction of affordable housing. Early acquisition funding is especially needed in order to compete with market rate developers who often are able to purchase development opportunities before the Trust's local non-profit partners even have a chance to consider the acquisition.

5.

FINANCIAL REVIEW AND FINANCIAL STATEMENTS

SOMERVILLE AFFORDABLE HOUSING TRUST
REPORT ON APPLYING AGREED-UPON PROCEDURES
IN RELATION TO THE ACTIVITY OF THE AFFORDABLE
HOUSING TRUST
YEARS ENDED JUNE 30, 2019 AND 2018

SOMERVILLE AFFORDABLE HOUSING TRUST

REPORT ON APPLYING AGREED-UPON PROCEDURES
IN RELATION TO THE ACTIVITY OF THE AFFORDABLE
HOUSING TRUST

YEARS ENDED JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

Independent Accountant's Report on Applying Agreed-Upon Procedures	1
<i>Financial Statements</i>	4
Balance Sheet – June 30, 2019	5
Statement of Sources and Uses of Funds – Fiscal Year Ended June 30, 2019	6
Balance Sheet – June 30, 2018	7
Statement of Sources and Uses of Funds – Fiscal Year Ended June 30, 2018	8



100 Quannapowitt Parkway
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Management of the Somerville Affordable Housing Trust:

We have performed the procedures enumerated below, which were agreed to by you, to assist you in evaluating the accompanying Balance Sheet and Statement of Sources and Uses of Funds for the years ended June 30, 2019 and 2018 of the Somerville Affordable Housing Trust Fund. The Somerville Affordable Housing Trust Fund's management is responsible for these statements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures Performed and Results

For purposes of this engagement, we looked at the Somerville Affordable Housing Trust Fund as having two reporting elements: the Somerville Affordable Housing Trust Fund and the Community Preservation Act Fund. We will report on each element independently for each year.

Since the Somerville Affordable Housing Trust Fund is a component of City operations, the cash position of the Somerville Affordable Housing Trust Fund was not subject to examination procedures as part of this engagement.

Somerville Affordable Housing Trust Fund

- The Somerville Affordable Housing Trust Fund had \$2.6 and \$2.7 million in loans outstanding on June 30, 2019 and 2018, respectively. The Somerville Affordable housing Trust issued three loans between 2018 and 2019. Two of the three loans were selected for compliance testing. This included reviewing:
 - Original loan/promissory note
 - Examining the appraisal
 - Examining the affordable housing restrictions and covenants
 - Examining affordable housing eligibility requirements
 - Examining the check issued

The results of our testing yielded no findings. Everything was well documented and in order.

- The Somerville Affordable Housing Trust Fund expended approximately \$84,000 and \$111,000 in housing assistance and professional services during FY2019 and FY2018, respectively. A total of \$93,042 (47.9%) was selected for testing between the two years. We examined the invoice, cancelled checks, and request for payment approved by the Office of Strategic Planning and Community Development Housing personnel, if applicable.

The results of our testing yielded no findings.

- The Somerville Affordable Housing Trust Fund received approximately \$93,000 and \$32,000 in general revenues for FY2019 and FY2018, respectively. A total of \$34,000 (27.3%) was selected for testing. We examined the payment proof transaction lists, bank statements and loan repayment schedules, if applicable.

The results of our testing yielded no findings.

- The Somerville Affordable Housing Trust Fund received approximately \$1.6 million and \$1.2 million in mitigation revenues for FY2019 and FY2018 respectively. A total of \$2.3 million (83.3%) of mitigation revenue from both years was selected for testing. We examined the payment proof transaction lists, project mitigation agreements, and bank statements.

The results of our testing yielded no findings.

Community Preservation Act Fund

- The Community Preservation Act Fund had approximately \$8.0 and \$4.8 million in loans outstanding at June 30, 2019 and 2018, respectfully. The Somerville Affordable Housing Trust issued 7 loans between 2018 and 2019. Five loans were selected for compliance testing. This included reviewing:
 - Original loan/promissory note
 - Examining the appraisal
 - Examining the affordable housing restrictions and covenants
 - Examining affordable housing eligibility requirements
 - Examining the check issued

The results of our testing yielded no findings. Everything was well documented and in order.

- The Community Preservation Act Fund expended approximately \$620,000 and \$79,000 in housing assistance and professional services during FY2019 and FY2018, respectively. A total of \$200,000 (28.6%) from both years was selected for testing. We examined the invoice, cancelled checks, request for payment approved by housing personnel, if applicable.

The results of our testing yielded no findings.

- The Community Preservation Act Fund expended approximately \$245,343 and \$3,000,238 in non-profit construction loans during FY2019 and FY2018. We tested \$2.4 million or (75%) of the loan activity for both years. We examined the dockets requesting the transfer of funds to create the funding, cancelled checks, and the loan agreements between the City and the vendor.

The results of our testing yielded no findings.

88 Wheatland Street

- Management of the Somerville Affordable Housing Trust Fund (SAHTF) requested that we review documentation related to the default of the loan provided to the Somerville Community Corporation (SCC) for the purchase of 88 Wheatland Street Unit 3. Per the original loan agreement, repayment of the loan by the SCC was supposed to occur immediately after the sale of the Wheatland property to an eligible first-time home buyer. The SCC did not provide repayment as called for under the loan terms because they were experiencing temporary cashflow issues. The SAHTF attempted to resolve this matter with the SCC in the months after the sale of the property and was able to secure an agreement for repayment on April 23, 2020. The terms of the agreement stipulated that the SCC would repay the SAHTF within 48 hours of closing the refinancing transaction at 110 Walnut Street. We noted that the SAHTF ultimately received the full loan repayment on September 9, 2020.
- We noted that no public funds were ultimately lost due this loan default and that the City has requested that the SCC take steps to necessary to strengthen their financial position in order to mitigate this from occurring on future transactions.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying statements of Somerville Affordable Housing Trust Fund. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the management of the Somerville Affordable Housing Trust Fund and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Powers & Sullivan, LLC

July 12, 2021

Financial Statements

SOMERVILLE AFFORDABLE HOUSING TRUST FUND
BALANCE SHEET

JUNE 30, 2019

	Affordable Housing Trust Fund	Community Preservation Act Fund	Total
ASSETS:			
Cash.....	\$ 4,214,779	\$ 2,314,399	\$ 6,529,178
Notes Receivable.....	2,633,181	7,971,790	10,604,971
TOTAL ASSETS.....	6,847,960	10,286,189	17,134,149
LIABILITIES			
Deferred revenue.....	2,633,181	7,971,790	10,604,971
Accrued payroll.....	118	-	118
TOTAL LIABILITIES.....	2,633,299	7,971,790	10,605,089
FUND BALANCE.....	4,214,661	2,314,399	6,529,060
TOTAL LIABILITIES AND FUND BALANCE.....	\$ 6,847,960	\$ 10,286,189	\$ 17,134,149

SOMERVILLE AFFORDABLE HOUSING TRUST FUND
STATEMENT OF SOURCES AND USES OF FUNDS

FISCAL YEAR ENDED JUNE 30, 2019

	Affordable Housing Trust Fund	Community Preservation Act Fund	Total
SOURCES OF FUNDS:			
Repayment of loans issued by Affordable Housing Trust Fund	\$ 66,305	\$ -	\$ 66,305
Interest received on Affordable Housing Trust Fund Loans....	26,551	-	26,551
Interest income.....	111,388	-	111,388
Linkage payments.....	1,579,451	-	1,579,451
TOTAL SOURCES OF FUNDS.....	1,783,695	-	1,783,695
USES OF FUNDS:			
Salaries.....	6,120	-	6,120
Housing assistance.....	77,077	143,995	221,072
Professional services.....	6,500	475,709	482,209
Non-profit construction loans.....	403,476	245,343	648,819
TOTAL EXPENSES.....	493,173	865,047	1,358,220
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,290,522	(865,047)	425,475
OTHER FINANCING SOURCES (USES)			
Transfers from City Community Preservation Act Fund.....	-	1,396,986	1,396,986
NET CHANGE IN FUND BALANCE.....	1,290,522	531,939	1,822,461
FUND BALANCE BEGINNING OF PERIOD.....	2,924,139	1,782,460	4,706,599
FUND BALANCE END OF PERIOD.....	\$ 4,214,661	\$ 2,314,399	\$ 6,529,060

**SOMERVILLE AFFORDABLE HOUSING TRUST FUND
BALANCE SHEET**

JUNE 30, 2018

	Affordable Housing Trust Fund	Community Preservation Act Fund	Total
ASSETS:			
Cash.....	\$ 2,924,257	\$ 1,782,460	\$ 4,706,717
Notes Receivable.....	2,699,486	4,836,790	7,536,276
TOTAL ASSETS.....	5,623,743	6,619,250	12,242,993
LIABILITIES			
Deferred revenue.....	2,699,486	4,836,790	7,536,276
Accrued payroll.....	118	-	118
TOTAL LIABILITIES.....	2,699,604	4,836,790	7,536,394
FUND BALANCE.....	2,924,139	1,782,460	4,706,599
TOTAL LIABILITIES AND FUND BALANCE...	\$ 5,623,743	\$ 6,619,250	\$ 12,242,993

SOMERVILLE AFFORDABLE HOUSING TRUST FUND
STATEMENT OF SOURCES AND USES OF FUNDS

FISCAL YEAR ENDED JUNE 30, 2018

	Affordable Housing Trust Fund	Community Preservation Act Fund	Total
SOURCES OF FUNDS:			
Repayment of loans issued by Affordable Housing Trust Fund	\$ 25,971	\$ -	\$ 25,971
Interest received on Affordable Housing Trust Fund Loans....	5,813	-	5,813
Interest income.....	34,171	-	34,171
Linkage payments.....	1,194,859	-	1,194,859
TOTAL SOURCES OF FUNDS.....	1,260,814	-	1,260,814
USES OF FUNDS:			
Salaries.....	6,026	-	6,026
Housing assistance.....	89,413	78,709	168,122
Advertising.....	240	-	240
Professional services.....	21,050	-	21,050
Non-profit construction loan.....	720,788	3,000,238	3,721,026
TOTAL EXPENSES.....	837,517	3,078,947	3,916,464
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	423,297	(3,078,947)	(2,655,650)
OTHER FINANCING SOURCES (USES)			
Transfers from City Community Preservation Act Fund.....	-	1,200,402	1,200,402
NET CHANGE IN FUND BALANCE.....	423,297	(1,878,545)	(1,455,248)
FUND BALANCE BEGINNING OF PERIOD.....	2,500,842	3,661,005	6,161,847
FUND BALANCE END OF PERIOD.....	\$ 2,924,139	\$ 1,782,460	\$ 4,706,599



City of Somerville, Massachusetts

AFFORDABLE HOUSING TRUST FUND

FY18 and FY19 Annual Report