

MEMORANDUM

TO: Somerville Affordable Housing Trust Fund Trustees
FROM: Paul Goldstein, OSPCD Housing Division and Trust staff
DATE: March 9, 2023
RE: \$3.5 million allocation of City funding to SAHTF for rehabilitation work on SCC properties
CC: Lisa Davidson, Housing Grants Manager, Alexis Turgeon, Housing Development Program Manager

The purpose of this memorandum is to recommend that Somerville Affordable Housing Trust Fund (SAHTF or 'the Trust'), accept \$3.5 million in City of Somerville funding for '100 Homes units' acquired by Somerville Community Corporation (SCC). The funds can be made available to support critical rehab and repairs needed at selected SCC-acquired properties, subject to Trust acceptance of the funds via transfer from the City's COVID-19 Stabilization Fund to the SAHTF. Below you will find information on the circumstances and property needs prompting this recommendation and the timing of its consideration.

On February 27th 2023 SCC submitted an application to the City of Somerville for American Rescue Plan Act (ARPA) funding to support rehab and repair at three properties which had incurred extensive damage due to either fire or water damage incurred since their original acquisition. The largest part of the request is for repairs at 657-659 Somerville Ave., a 9 unit property at which a fire in March 2021 had caused structural and interior damage to the property, rendering it uninhabitable. That amount was \$2.5 million, an amount identified through protracted negotiation with SCC's insurance carrier.

Somerville's Housing Division compliance, rehab, and development staff have been working closely with SCC for close to a year to support SCC in its insurance claim and identifying other rehab and repair work that is required in order to bring the property up to current building codes, given the extensive nature of the repair work. The remaining \$1,000,000 in SCC's ARPA request for rehab and repair funding is to address much smaller but still significant damage resulting from burst pipes and sudden heating system failure at 27 Everett Ave. and 29 Jackson Road, respectively.

These requests comprised roughly 1/3rd of the request submitted by SCC to the City on February 27th. SCC's total ARPA request, of approximately \$9.2 million, approached the total amount of \$10 million available to Somerville nonprofits in ARPA funds. In light of the size of SCC's request and community demand for ARPA funds well above the \$10 million available, ARPA staff contacted the Housing Division at the end of last week to propose an alternative approach to funding needed repair work. The Housing Division greatly appreciates and supports the ARPA team's quick and creative response, summarized below, which reflects an imminent deadline SCC faces at this point to ensure that that it can secure insurance coverage for damage eligible for insurance proceeds.

Specifically, SCC must demonstrate funding commitments for the full scope of work at 657-659 Somerville Ave., in order to enter into an agreement with a general contractor to complete rehabilitation work at the property by **March 15th**. In the event that SCC does not meet that deadline, insurance payments for damage incurred at the property could be forfeited (largely due to the prolonged period it took to ensure that the insurance carrier was offering the largest possible coverage amount it could, of \$500,000). For this reason, a funding source for the rehabilitation work had to be identified as soon as possible. City funds, via the stabilization account previously referenced, were confirmed as being available Monday, and members of the Council's Finance Committee were informed of that source at a

committee meeting Tuesday evening. Details regarding the transfer of and use of the funds are expanded on below.

The City Council will be considering a recommendation to approve the funds transfer to the Trust at this evening's City Council meeting, where Mayor Ballantyne is requesting its immediate consideration. In concert with that request for immediate consideration (rather than go through a typical referral process), Trust- and Housing Division staff likewise recommend that the Trust adopt a motion to accept the \$3.5 million we expect to be made available to the Trust. Approval of such a motion, which can be contingent on Council acceptance of the transfer to the Trust, will enable SCC to bring online 12 units of affordable rental housing (9 units at 657-659 Somerville Ave. and 3 at 27 Everett Ave.) as part of the 100 Homes Initiative.

An exciting benefit of bringing the units back online is that it would enable most (if not all) of those units to be made available to initial recipients of the Municipal Voucher Program's (MVP) vouchers. Finally, a portion of the funds will also be for rehabilitation work on SCC's property at 29 Jackson Road., which at this time is expected to yield two affordable homeownership units. Accordingly, I recommend that the Trust approve a motion to **accept the transfer of \$3.5 million in City funds to the Trust's non-CPA account, for the purposes of funding the necessary rehabilitation work at specific SCC properties, contingent on City Council approval of the transfer.**