



CITY OF SOMERVILLE, MASSACHUSETTS CLERK OF COMMITTEES

May 16, 2018

REPORT OF THE COMMITTEES ON LEGISLATIVE MATTERS AND FINANCE MEETING AS A COMMITTEE OF THE WHOLE

Attendee Name	Title	Status	Arrived
William A. White Jr.	Chair	Present	
Mary Jo Rossetti	Alderman At Large	Present	
Ben Ewen-Campen	Ward Three Alderman	Present	
Matthew McLaughlin	Ward One Alderman	Present	
Katjana Ballantyne	Ward Seven Alderman	Present	
Jefferson Thomas ("J.T.") Scott	Ward Two Alderman	Present	
Jesse Clingan	Ward Four Alderman	Present	
Mark Niedergang	Ward Five Alderman	Present	
Lance L. Davis	Ward Six Alderman	Present	
Stephanie Hirsch	Alderman At Large	Present	
Wilfred N. Mbah	Alderman at Large	Absent	

Others present: Greg Bialecki - Gate Residential Properties, Cory Mian - POAH, Joe Macaluso - SHA, Paul Mackey - SHA, Attorney Dan Rosen - representing the SHA, Michael Glavin - OSPCD, Tim Snyder - Mayor's Office, Annie Connor - Legislative Liaison, Peter Forcellese - Legislative Clerk.

The meeting took place in the Aldermen's Chamber and was called to order at 6:20 PM by Chairman White and adjourned at 9:42 PM.

205685: That the Director of SPCD advise this Board on any conditions to be imposed on the developers of the Clarendon Hill housing project regarding property ownership and land use, relocation of tenants, local and state approvals, financing and construction, occupancy requirements, and project design.

Mr. Bialecki gave a presentation highlighting six major questions raised by aldermen at a previous committee meeting.

Alderman Scott questioned the Mr. Bialecki's assertion that a financial return of 6.0% to 6.5% is attractive to investors and that lower rates wouldn't be since this is public housing for the public good. Mr. Bialecki explained cap rates are very different than the rates investors and lenders would invest in a bare piece of land and its anticipated development and stressed that the 6.0% to 6.5% range would be the minimum rate to attract investors and lenders.

Alderman Ballantyne spoke about Chapter 40 B and its process and asked if the intention was to apply for 40 B as one group? Mr. Bialecki replied that the intend is to file for zoning relief under 40 B as two separate ownerships of two separate buildings, i.e., Redgate and POAH Preservation of Affordable Housing, Inc). Each group has different investors with some seeking profit and others seeking tax credits. The 40 B % cap is limited to 10% distribution (repayment to investors and lenders) per year, which reflects a reasonable return on investment. If a project were to do better than average on returns, one still could not exceed the cap and any excess revenue would be held in reserve. The limitation remains in effect for as long as the owner owns the property. If the owner sells the property, any retained earnings would not transfer with the building but would revert to the seller.

Alderman Ewen-Campen is concerned about the annual revenue and how much the cost of development would increase if prevailing wages were paid. Mr. Bialecki said that the development team looked at variety of rentals, vacancy rates, etc., to arrive at their prices. Alderman Ewen-Campen argued that if revenue is increased to \$8.7 million, then prevailing wages could be paid, however, Mr. Bialecki disputed that claim and said that he stands by his numbers, adding that the carpenters' union has been an interested party and has been shown Redgate's numbers and they have no problem with them. Mr. Bialecki told the committee that 75% of the 253 market rate units will be studio and one bedroom units starting at \$2,000 per month. He pointed out that rental prices at Maxwell's Green range from \$2,000 to \$3,000 per month, with the average rent being \$2,500. Alderman Scott referenced the Maxwell's Green website and said that studio apartments there were starting at \$3,000 per month. Alderman McLaughlin stated that he does not believe that a proposed rental rate of \$2,000 per month at Clarendon Hill would last since the current rents in Somerville are higher and he suggested filling the financial gap with more units. Alderman Niedergang inquired about any projected sale of the property, noting that Somerville's real estate market is 'hot', therefore the value of the development will increase. Mr. Bialecki replied that exit pricing is always questionable, but they usually try to estimate where they might be four years from now. In this case, however, it's harder to do as it's a two-phase project and he doesn't think that this development will be a marketable parcel for about seven years. Alderman Niedergang asked why an appraisal hasn't been done yet and Mr. Bialecki replied that the parties have been working on this project for two years and aren't sure how close they are to breaking ground, adding that much depends on getting approval from Board of Aldermen. When the appraisal is done, the appraiser should be informed of the housing mix of the development. Aldermen McLaughlin and Ewen-Campen questioned the value of the property and Mr. Bialecki replied that he is confident in his numbers. Alderman Davis asked about the 20% affordable units and Mr. Bialecki explained how those figures were reached and said that the fair market value is \$9.25 million if they have to put in 20% new affordable housing. If the development is built out to their proposal, the fair market value would be \$16 million.

Redgate intends to get an opinion from the Department of Labor Standards ("DLS") sometime over the next six months as to whether they would be required to pay prevailing wages for their portion of the project. Mr. Bialecki told the committee that if Redgate were told by DLS that it would be required to pay prevailing wages, they would abandon the project. Alderman McLaughlin again suggested that more units be built and Mr. Bialecki replied that there are many ways to do this project and that after two years of work on this project, this is the only feasible way to satisfy the competing demands of a wide variety of people. He also pointed out that the window of opportunity to take advantage of state funding is short. Mr. Bialecki stated

that prevailing wage projects are usually public projects, so taxpayers pay the tab but on private projects, office space, rents, etc., are higher to cover the cost.

Alderman Niedergang inquired about the meaning of the language in #13 of the Conditions of City Funding Award and Mr. Bialecki explained what is was intended to do, adding that other requirements could be added if the city required it. He also provided the background of the independent third-part consultant. Everyone on the project will be paid at least \$15 per hour and some up to about \$80 per hour. Alderman Niedergang said that he is looking for more specifics about the monitoring process, who would be doing the monitoring and how the reporting would work. Mr. Bialecki will provide additional information. Alderman Scott commented that Chapter 40 B is usually used to bypass zoning requirements to increase affordability. Mr. Bialecki explained that the development team is not asking to bypass 40 B but is seeking approval of the project by the city, adding that they are doing exactly what the statue requires and even if no new affordable housing was built, they would still be entitled to 40 B.

The committee reviewed questions that were asked at a previous committee meeting and Mr. Glavin explained a memo from Mr. Galligani regarding the values of some recent real estate transactions. Alderman Niedergang said that it would be helpful to have the figures for the Clarendon Hill parcel at values of \$16 million and \$9.25 million. Mr. Glavin will address this request and he will also find out if the listed transactions were the only ones in recent years. Alderman Ewen-Campen asked that the Ames business park transaction be included, as well.

Alderman Ballantyne asked for some time to work with the Solicitor's Office on some of the wording contained in the funding award.

Alderman Niedergang asked about competitive bidding statutes and why Redgate won't use them. He also asked Mr. Bialecki how the project would be different if they were used. Mr. Bialecki replied that prevailing wage would apply as they apply under law, but competitive bidding would not apply on either side of the project. In the case of Redgate - they are private company doing a private development. Ms. Mian told the committee that her group approached this project with the understanding that they could choose their own vendors for procurement.

Alderman Rossetti asked if Redgate has any history of paying prevailing wages and Mr. Bialecki replied that they do not, however, they use union labor that may be subbed out by a contractor to lower the wage below the prevailing wage. He also stated that his group is still meeting with the carpenters' union to negotiate wages. Alderman Rossetti asked Redgate to reconsider their position to allow a good percentage of work to be at prevailing wage.

RESULT:

KEPT IN COMMITTEE

205250: Recommend Requesting approval of a Home Rule Petition to authorize the Housing Authority to reconstruct the state funded Clarendon Hill Public Housing Project.

Attorney Rosen reviewed the language of the Home Rule Petition. The first sentence applies to development of entire site. The third sentence is derived from standard language and refers to the public works part of the project. The term "public housing" means state public housing. Alderman Ballantyne requested a breakdown of the \$10 million in support (referenced in last week's presentation), i.e., the amounts for hard cash, subsidy, etc. She also spoke about the redesign of Powderhouse Boulevard and Route 16 and said that in order to execute the plan, a parcel of land needs to be moved. Approval of that request will require a 2/3 vote of the state

legislature. The cost of the roadway redesign is not in the materials presented tonight and it is expected that the funding for the redesign will come from the state, but that's not definite.

RESULT:	KEPT IN COMMITTEE
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205906: Requesting approval of a Home Rule Petition to authorize the Division of Capital Asset and Maintenance to convey land to the Housing Authority.

RESULT:	KEPT IN COMMITTEE
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205326: Our Revolution Somerville Steering Committee submitting comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

RESULT:	KEPT IN COMMITTEE
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205327: Preservation of Affordable Housing Inc submitting comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

RESULT:	KEPT IN COMMITTEE
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205328: Ronald Cavallo submitting comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

RESULT:	KEPT IN COMMITTEE
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205336: Ronald Cavallo submitting further comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

RESULT:	KEPT IN COMMITTEE
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205407: Clarendon Residents United submitting comments re: #205250, a proposed Clarendon Hill Public Housing Home Rule Petition.

RESULT:	KEPT IN COMMITTEE
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205681: Our Revolution Somerville submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

RESULT:	KEPT IN COMMITTEE
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205682: 9 unions submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

RESULT:	KEPT IN COMMITTEE
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205896: Building and Construction Trades Council of the Metropolitan District submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

RESULT:	KEPT IN COMMITTEE
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205897: Our Revolution Somerville submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

RESULT:	KEPT IN COMMITTEE
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205898: Clarendon Residents United submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

RESULT:	KEPT IN COMMITTEE
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Handouts:

Real Estate Info

Sources of Subsidy

Votes of SAHTF and CPC

The Economics of the Clarendon Hill Redevelopment

SHA Clarendon Home Rule Petition (bill, legislation)

PBVsvsNoPBVs-1

PBVImpactEmail_01.22.2018

m-BOA-Clarendon 40B Applicant 05.09.18

m-Ballantyne Clarendon Executive Session 05.10.18

FW_ Revised Home Rule Language_Email05.14.2018

COMPARISON SHA Clarendon Home Rule Petition (bill, legislation)-1

COMPARISON SHA Clarendon Home Rule Petition (bill, legislation)

COMPARISON Clarendon Home Rule Petition text and clarification-1

COMPARISON Clarendon Home Rule Petition text and clarification

Clarendon Home Rule Petition text and clarification 5.11.2018-1

Clarendon Home Rule Petition text and clarification 5.11.2018

Clarendon Hill Funding Conditions Letter Agmt 05.10.18

BOA_Correspondence_05.14.2018_final