

# Clarendon Hill Development Project

June 9, 2022





# Proposed Development

Total of 591 Units

- 295 Market
- 296 Affordable















1. VIEW OF NEW STREET "A" FROM NORTH STREET



2. VIEW OF TOWN HOMES AND BLDG A FROM NORTH STREET



3. VIEW FROM ALEWIFE BROOK PKWY LOOKING SOUTH TO TOWNHOMES AND BLDG A



4. VIEW OF NEW STREET "B" FROM POWDER HOUSE BLVD



# Proposed Development



4. VIEW OF A/B ARCHWAY FROM STREET "3"



# Proposed Development



1. VIEW OF BUILDINGS D & E ACROSS PARK



# Proposed Development



2. VIEW OF BUILDING B ACROSS PARK



# Proposed Development

	Phase 1A	Phase 1B	Phase 2	Phase 2	TOTAL
SUMMARY	Block E (POAH/SCC)	Block A & B (Redgate)	Building D (POAH/SCC)	Townhouses (POAH/SCC)	
Replacement Units	130	15	43	28	<b>216</b>
Affordable (<80% AMI)	38	16	15	6	<b>75</b>
Affordable (<110% AMI)	0	5	0	0	<b>5</b>
Unrestricted	0	295	0	0	<b>295</b>
<b>Total Units</b>	<b>168</b>	<b>331</b>	<b>58</b>	<b>34</b>	<b>591</b>



# Why Clarendon?

- Sustain and strengthen the existing Clarendon Hill community
  - Residents of the original 216 affordable housing units will have the right to return to Clarendon Hill when the project is complete, at the same affordable rent.
  - The 1-to-1 replacement of these 216 deeply affordable units ensure affordability in perpetuity.
  - Moving this project forward now will help ensure residents can be in their new homes as soon as possible.
- Provide new housing options to Somerville families
  - The project will create 375 new mixed-income units to reduce Somerville's housing deficit and facilitate connections with the wider Somerville community.
  - Eighty of these new apartments will be permanently affordable homes.
- Reflect resident and community input
  - Active resident and community involvement since 2016 has been critical in identifying goals and developing designs that achieve those goals.



# Why Clarendon?

- Invest in safer streets and transit equity
  - Clarendon Hill is surrounded by three busy, high-speed roadways; roadway improvements will make possible the calm, safe, neighborhood environment envisioned by the City and Clarendon residents.
  - It will also improve physical access to the surrounding community and allow safe access to the large, green, open space at the Mystic River Reservation across the street.
- Create new community green space
  - The development team will construct a new 0.4 acre public park at the center of the redeveloped site accessible to all members of the community.
- Upgrade and modernize utility connections
  - Accommodate the increase in density with a focus on electrifying the buildings' heating and cooling systems to ensure long-term sustainability.



# Project Timeline

3/1/2016	SHA calls for development proposals
5/15/2016	SHA selects team (POAH/SCC/Redgate)
10/1/2016	First resident meeting
2017-2019	Additional resident meetings
2/1/2017	CPA application submitted
4/1/2017	State PEHO Grant Awarded
11/14/2017	CPC funding recommended
5/31/2018	Council approves home rule petition
7/1/2018	Tenant Relocation Agreement finalized
8/9/2018	State approval of modified home rule petition
9/30/2020	ZBA unanimous approval
12/7/2021	City Council approves DIF plan and bond
4/27/2022	CPC reconfirms approval of CPA funding

# Public Funding for Clarendon through the City of Somerville

- CPA bond – \$4 million – dedicated to workforce affordable units on-site
- DIF bond – up to \$10 million – dedicated to infrastructure work on-site and off-site
- Earmark of state ARPA funds – \$250k
- MassWorks funded intersection work - \$4.9 million
- Permit fee waiver – (approx. value \$1.5 million)



# Discussion

# **DIF background slides (for reference)**



# **DIF 101:**

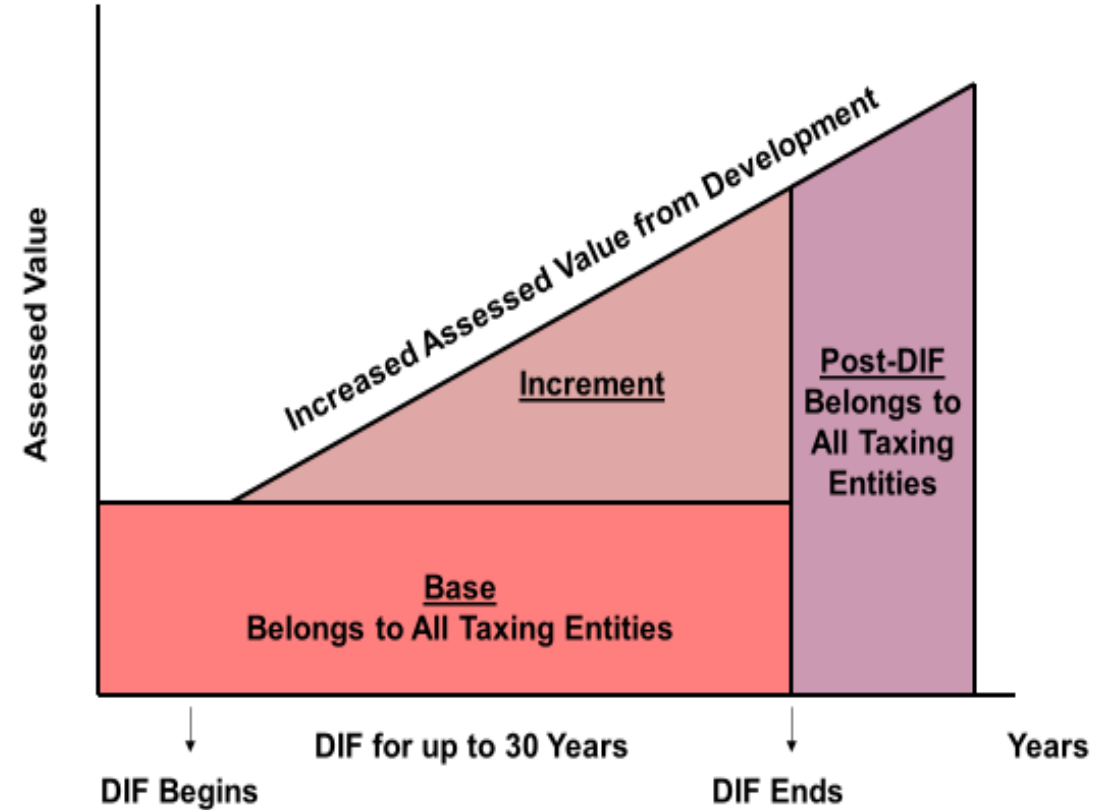
## **What is District Improvement Financing?**

# What is DIF?

Tool used to encourage economic development:

- DIF was created in 2003 and is authorized under MGL Chapter 40Q and with implementing regulations at 402 CMR 3.00 et seq
- The DIF program is regulated at the local level through a community's legislative body
- DIF geography tax base is locked at the beginning of DIF period with future tax increment used to secure issuance of bonds

## How does DIF work?





# How is DIF used?

## Uses of DIF proceeds:

- Debt service on project infrastructure costs, e.g. road improvements, streetscapes, sewer, etc.
- Eminent domain takings
- DIF related administrative costs, e.g. legal, financing, etc.

All money not used for DIF related expenditures reverts to the General Fund.

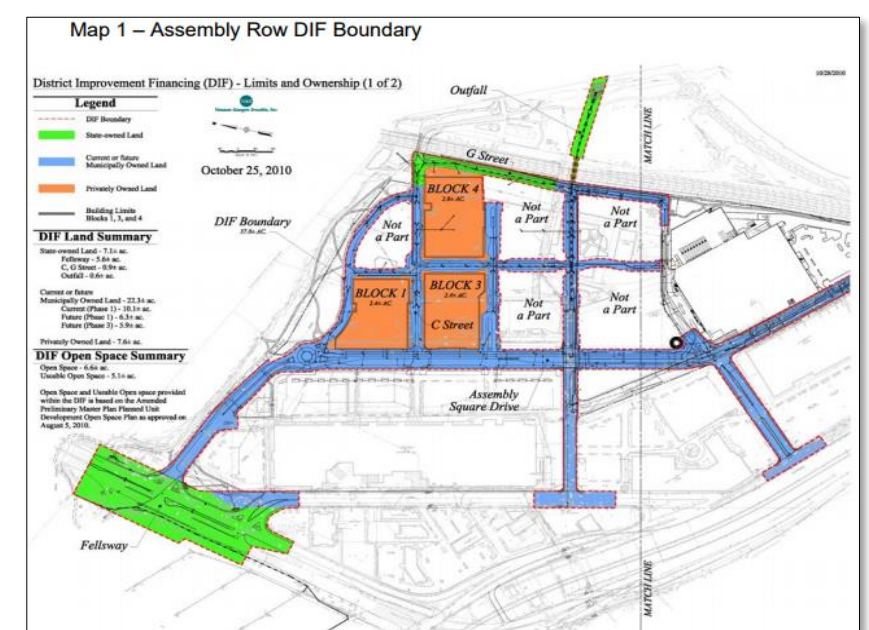




# Example DIFs in Massachusetts

## Redevelopment Initiatives:

- Assembly Square, Somerville MA
- Union Square, Somerville MA
- Downtown Quincy, Quincy MA
- City Square, Worcester, MA

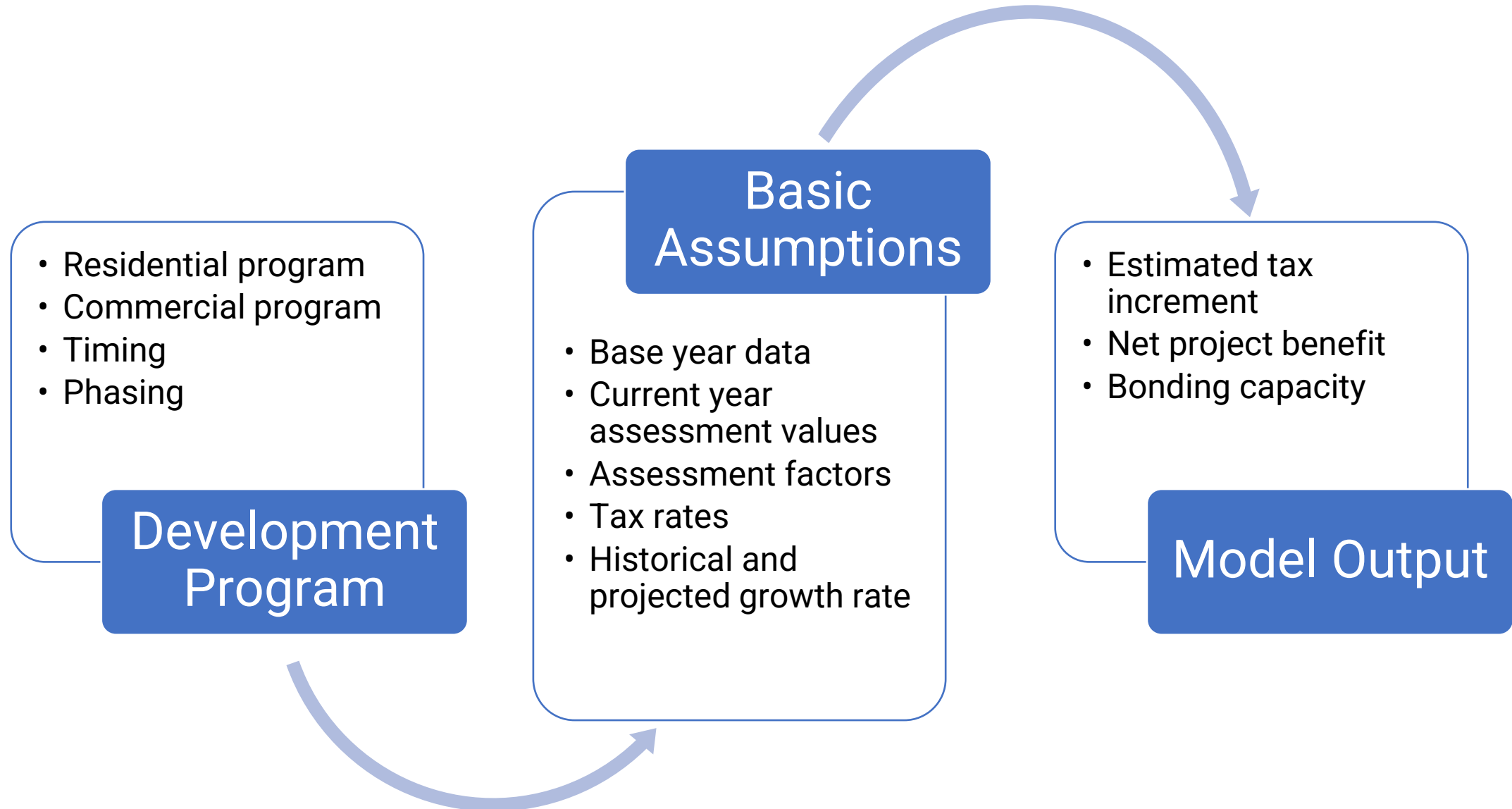




# **DIF 101:**

## **Financial Model**

# DIF Logic Model



# DIF Model – Key Assumptions & Variables

Base year is 2021

Model is “built-up” parcel-by-parcel from Assessor’s database

- Can be updated each year with latest values and parcel changes

Future Assessment Values

- Commercial (office, lab, and retail) uses on a dollar per SF basis,
- Residential uses a dollar per unit basis

Underlying base parcel valuation of development block is removed at time of new development

All values are inflated at historical rate (2% every year)

Includes internal bond tables to calculate debt service

- Size and time of bond ‘tranches’ to meet public infrastructure needs
- Includes interest only BANs (Bond Anticipation Notes)



# Key DIF Inputs/Assumptions

## Assessment Factors:

- Residential Condos - \$750,000 per Unit
- Residential Apartments - \$300,000 per Unit
- Commercial - \$240/SF
- R&D/Lab - \$900/SF
- Retail - \$250/SF
- Arts & Creative - \$240/SF
- Hotel Room - \$100,000 per Key
- Affordable Condos
  - 80% AMI - \$136,364 per Unit
  - 110% AMI - \$187,500 per Unit
  - 140% AMI - \$238,636 per Unit
- Affordable Apartments
  - 50% AMI - \$26,500 per Unit
  - 80% AMI - \$50,750 per Unit
  - 110% AMI - \$75,000 per Unit

## Assessed Value Inflation Rate

- 2.0% per year

## Bond Interest Rates:

- 4%
- 30-year term

## BAN Interest Rates:

- 2%
- 5-year term

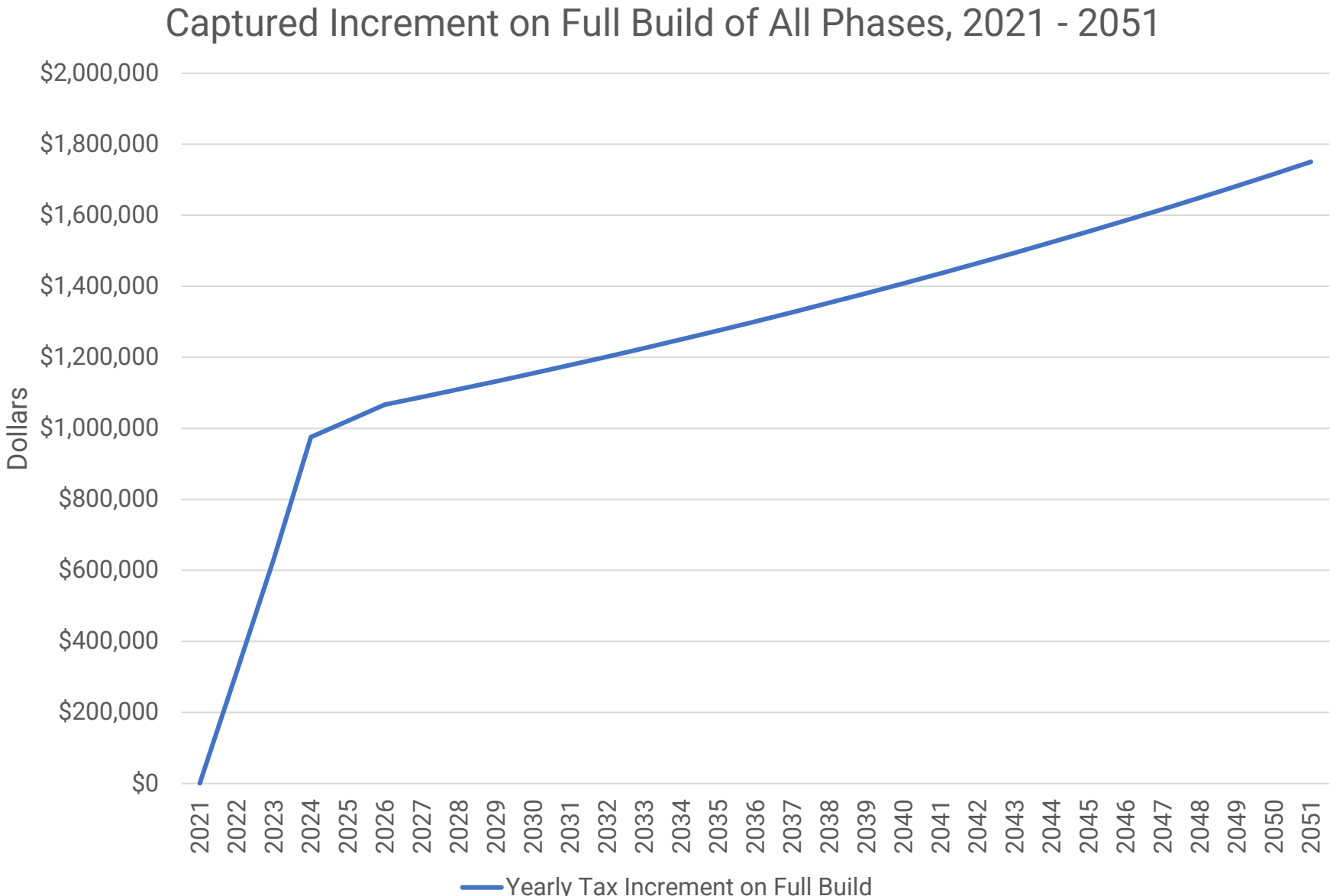
# **Analysis and Findings**

# Full Build Scenario

Estimated cumulative tax increment over 30 years is nearly \$39,000,000

Estimated increment dependent on underlying assumptions

- Dev. Program
- Assessment Values
- Interest Rates



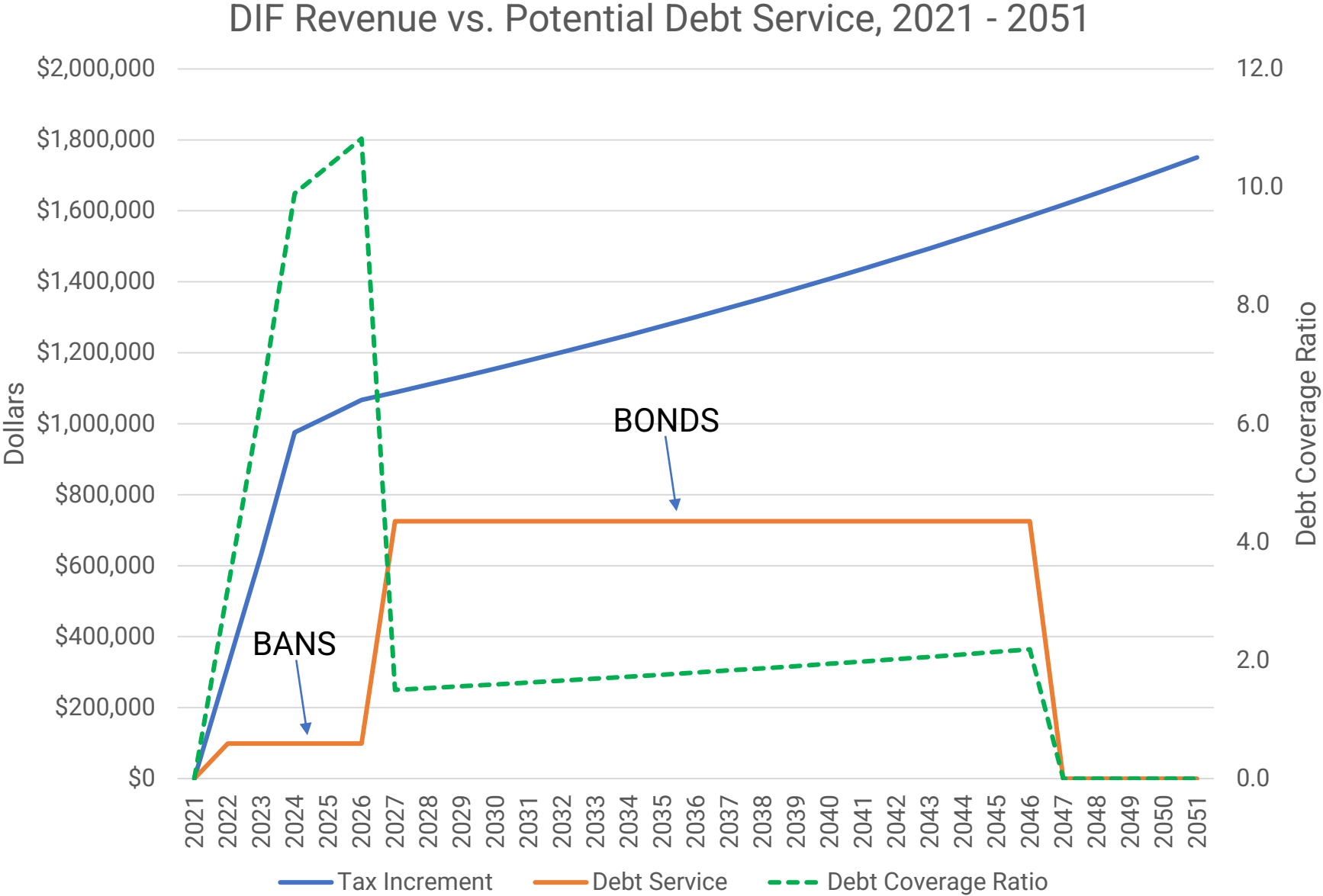


# Estimated Bonding Capacity for Infrastructure

Based on **conservative assumptions**, the upfront bonding capacity for infrastructure is estimated at about \$12.5M

Financing of infrastructure depends on the development program and market realities

**Changes to underlying assumptions will affect total bonding capacity**



# Example of Change in Interest Rates

Phases	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Total Increment	\$39 Million	\$39 Million	\$39 Million	\$39 Million
Bonds Interest Rate	4%	3.5%	3%	2.5%
Bondable Amount	<b>\$12.5M</b>	<b>\$13.3M</b>	<b>\$14.2M</b>	<b>\$15.1M</b>
Debt Service Coverage Ratio Minimum	1.5	1.5	1.5	1.5

- Debt service coverage ratio of 1.5 is conservative
- **Bondable amount is composed of a 30-year bond and 5-year BAN**
- Alignment of tax increment revenues with debt service costs is key to minimizing funding gaps