



KATJANA BALLANTYNE  
MAYOR

## CITY OF SOMERVILLE, MASSACHUSETTS COMMUNITY PRESERVATION COMMITTEE



### COMMUNITY PRESERVATION COMMITTEE RECOMMENDATION FOR CPA Bonding for Clarendon Hill Redevelopment

#### PROJECT DESCRIPTION

The Somerville Affordable Housing Trust (SAHT) is requesting a municipal bond issuance as part of the funding for the Clarendon Hill redevelopment project. The proposed demolition and reconstruction of Clarendon hill is a project that the Somerville Housing Authority initiated in 2015 and has been in development since that time. The SAHT voted at its March meeting to request that the CPC vote to approve and forward a recommendation for CPA bonding to the City Council in the amount of \$4,000,000.00 to help fund the project. Debt service on the bond will be taken directly from the SAHT's annual CPA allocation for Community Housing.

#### ELIGIBILITY

*Community Housing:* This project will create new housing for low and moderate income individuals and families.

#### RECOMMENDATION

On April 27, 2022 by a vote of 5-0-0 the Community Preservation Committee recommended bonding \$4,000,000 for this project, under authority of M.G.L. Chapter 44B. Debt service for this project will be paid out of the Community Preservation Act fund, Affordable Housing reserve.

| Category: Affordable Housing          | Recommended Funding Source | Amount         |
|---------------------------------------|----------------------------|----------------|
| Bond for Clarendon Hill Redevelopment | Affordable Housing Reserve | \$4,000,000.00 |

**Attachment:** Memorandum from OSPCD Housing Division re. CPA Bonding for Clarendon Hill Redevelopment, 4/20/2022

## MEMORANDUM

TO: Roberta Cameron, Community Preservation Act Manager and CPC staff

FROM: Paul Goldstein, OSPCD Housing Division and SAHT staff

DATE: April 20, 2022

RE: CPA bonding for Clarendon Hill redevelopment

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The purpose of this memorandum is to provide information regarding the above referenced project in anticipation of a recommendation from the Community Preservation Committee (CPC) to the City Council to support use of Community Preservation Act (CPA) funds in association with a municipal bond issuance as part of the funding for the project. Following the Background section of this memo, you will find project update information provided by Preservation of Affordable Housing (POAH), a member of the project development team.

### **Background**

The proposed demolition and reconstruction of Clarendon hill is a project that the Somerville Housing Authority initiated in 2015 and has been in development since that time. After years of effort, the development team is working toward a financial closing and construction start in the summer of 2022. The Somerville Affordable Housing Trust (SAHT) voted at its March meeting to request that the CPC to vote to approve and forward a recommendation for CPA bonding to the City Council in the amount of \$4 million to help fund the project, as is called for prior to City Council action.

The SAHT had previously engaged the CPC on a bonding request in 2017, which originally included both the Clarendon Hill redevelopment and the 100 Homes Program. A chronology of that process is outlined below:

#### November, 2017

- The SAHT voted to ask the CPC to approve a \$10 million dollar bonding request which would encompass both 100 Homes and Clarendon Hill, with the amount for each project to be determined by the Trust as the projects moved forward. The CPC approved the request for \$10 million in CPA bonding on 11/14/2017.

#### February, 2018

- Trust staff recommended that the Trust take another vote to ask the CPC to approve a CPA bonding request, solely for just for 100 Homes, as that initiative was in a position to move forward. The Trust passed a motion to approve a request to the CPC to vote to forward the bonding request to the City Council for approval. The CPC voted to do so at their meeting held on 2/28/2018.

#### April, 2018

- Following a unanimous vote by the Finance Committee, the City Council voted to approve the CPC recommendation for 100 Homes CPA bonding in the amount of \$6 million.

## Project Description and Status Update

Clarendon Hill is comprised of 216 state-assisted public housing units, currently operated by the Somerville Housing Authority (SHA), in West Somerville on Alewife Brook Parkway. POAH, Somerville Community Corporation (SCC), and Redgate Development were selected through a procurement process initiated by RFP in March 2016 under the Department of Housing and Community Development's (DHCD) Partnership to Expand Housing Opportunities (PEHO) program. PEHO was created to support redevelopment of public housing by leveraging local and private financing with an award of DHCD capital subsid. The proposal for Clarendon Hill would replace all 216 deeply affordable public housing units and introduce increased density with new market rate and moderate-income units.

The current proposal envisions demolition of nine existing buildings and new construction of 591 total units on the site to provide replacement of all public housing units, 80 new affordable units, and market rate housing. Under this structure, the value generated by the market rate units will cross-subsidize the construction of the affordable units. The project is being completed in phases, starting with POAH/SCC's Building E (Phase 1 A), followed by Redgate's Buildings A & B (Phase 1 B), and finally completed with POAH/SCC's Building D and Townhouses (Phase 2). The full redevelopment will include 3 new streets, a new park, and 9 total buildings. Current residents have the right to return and will be temporarily relocated during construction, continuing to pay the same rent during relocation and upon return.

Consistent with the request and approval from the November 2017 meeting, the request of the CPC today is to approve the recommendation from the SAHT to bond a portion of their annual CPA funding to fund a \$4M contribution to the project to support capital costs for the construction of Building E.

The unit mix for the full site is as follows:

|                        |            | Phase 1A              | Phase 1B                 | Phase 2                               |
|------------------------|------------|-----------------------|--------------------------|---------------------------------------|
| SUMMARY                | TOTAL      | Block E<br>(POAH/SCC) | Block A & B<br>(Redgate) | Building D + Townhouses<br>(POAH/SCC) |
| Replacement Units      | 216        | 130                   | 15                       | 71                                    |
| Affordable (<80% AMI)  | 75         | 38                    | 16                       | 21                                    |
| Affordable (<110% AMI) | 5          | 0                     | 5                        | 0                                     |
| Market Units           | 295        | 0                     | 295                      | 0                                     |
| <b>Total Units</b>     | <b>591</b> | <b>168</b>            | <b>331</b>               | <b>92</b>                             |

A rendering of the proposed site plan is provided below:



Updates from 2017 presentation and timeline:

The project remains fundamentally the same as the one POAH presented to the CPC in 2017. Selected updates on POAH/SCC's affordable component include:

- Previously, POAH and SCC's 59 "moderate" income units were tied to 110% of AMI. Those units are now all 80% AMI. We believe the deeper affordability meets an acute housing need.
- The footprints of the buildings have shifted slightly, and the buildings are taller and use a different construction typology (steel and concrete).
- While construction costs have gotten more expensive requiring budget adjustments, the CPC bonding request remains the same.

The proposed redevelopment was initiated in 2016 with a series of resident and community-wide meetings to gather input and feedback and a feasibility study period with the DHCD. Over the past several years, the project team has secured a comprehensive permit under MGL Chapter 40B (September 2020), obtained financing commitments from lenders and investors, and advanced architectural designs to a high level of detail. Overall, the project has garnered broad-based support from current residents, their surrounding neighbors and other community members.

Following relocation of the current residents, the project team anticipates starting construction on the first phase (POAH & SCC's Building E) in summer 2022. To achieve a financial closing and construction start, the team will need to finalize the budget and general contractor documents, secure formal approval

from the CPC authorizing bonding, finalize lender/investor legal documents, and execute various operating agreements with DHCD. Given the strong resident, local, and state support, we feel optimistic about this proposed timeline.

### Budget

An overall budget for the project is provided below:

| <b>SOURCES OF FUNDS</b>                              | <b>TOTAL</b>          | <b>Block E<br/>(PHASE 1)</b> | <b>Building D +<br/>Townhouses (PHASE 2)</b> |
|--|-----------------------|------------------------------|--|
| First Mortgage                                       | \$ 36,001,481         | \$ 23,870,000                | \$ 12,131,481                                |
| 2nd Mortgage   | \$ 1,739,130          | \$ -                         | \$ 1,739,130                                 |
| LIHTC Equity - 4%                                    | \$ 74,920,281         | \$ 48,524,957                | \$ 26,395,323                                |
| Cross Subsidy  | \$ 16,000,000         | \$ 5,150,000                 | \$ 10,850,000                                |
| MassHousing - Workforce Funds                        | \$ 5,100,000          | \$ 3,000,000                 | \$ 2,100,000                                 |
| DIF  | \$ 3,560,000          | \$ 2,000,000                 | \$ 1,560,000                                 |
| CPA  | \$ 4,000,000          | \$ 4,000,000                 |  |
| Permit Relief  | \$ 2,401,626          | \$ 1,566,846                 | \$ 834,780                                   |
| State Support  | \$ 17,700,000         | \$ 9,400,000                 | \$ 850,000                                   |
| FHLB Funds   | \$ 1,000,000          | \$ 500,000                   | \$ 500,000                                   |
| POAH-SCC Contribution                                | \$ 10,810,349         | \$ 6,425,600                 | \$ 4,384,750                                 |
| <b>Total Sources of Funds</b>                        | <b>\$ 165,782,867</b> | <b>\$ 104,437,403</b>        | <b>\$ 61,345,464</b>                         |
|  |                       |                              |  |
| <b>USES OF FUNDS</b>                                 | <b>TOTAL</b>          | <b>Block E<br/>(PHASE 1)</b> | <b>Building D +<br/>Townhouses (PHASE 2)</b> |
| SHA Ground Lease Payment                             | \$ 1,587,000          | \$ 1,587,000                 | \$ -   |
| Construction - GMP value                             | \$ 112,125,671        | \$ 72,340,000                | \$ 39,785,671                                |
| Contingency & Escalation                             | \$ 9,580,611          | \$ 5,529,603                 | \$ 4,051,008                                 |
| Intersection, Internal Roads, Utilities, Civic Space | \$ 11,340,000         | \$ -                         |  |
| Soft Costs   | \$ 20,751,539         | \$ 11,840,142                | \$ 8,911,397                                 |
| Reserves   | \$ 2,592,241          | \$ 1,697,315                 | \$ 894,926                                   |
| Overhead and General Costs                           | \$ 8,335,456          | \$ 5,017,743                 | \$ 3,317,713                                 |
| POAH-SCC Contribution                                | \$ 10,810,349         | \$ 6,425,600                 | \$ 4,384,750                                 |
| <b>Total Uses of Funds</b>                           | <b>\$ 165,782,867</b> | <b>\$ 104,437,403</b>        | <b>\$ 61,345,464</b>                         |

In addition to the capital budget, there is also a \$7.7M relocation budget and an \$11M infrastructure budget, that is funded partially by state MassWorks resources to enable redesign of the adjacent intersection at Powder House Boulevard and Alewife Brook Parkway.

### Eligibility Criteria

The redevelopment team is requesting community housing funds to preserve and create affordable housing, which are eligible uses of CPA funds. The CPA funds are directly funding the construction of the 168 units in Building E (at an average subsidy of \$23,800/unit) and are further enabling the full redevelopment of the site. This support is itself critical, and also indicates the extent to which the CPC funds are leveraging additional state and private funds.

### Sustainability Features

All of the buildings will be LEED Platinum as confirmed in the 40B Comprehensive Permit. POAH/SCC's buildings will be fully electrified with high-efficiency heat pump heating & cooling, a well-insulated and airtight enclosure, and energy-efficiency appliances and features. The introduction of new green space will allow for onsite stormwater management as approved by the City's infrastructure department, and an emphasis on pedestrian connections, bicycle parking and bike sharing, and electric vehicles promote sustainable transit.