



CITY OF SOMERVILLE, MASSACHUSETTS CLERK OF COMMITTEES

May 21, 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. | Alderman at Large | Present | |
| Mary Jo Rossetti | Vice Chair | 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 | |
| Lance L. Davis | Ward Six Alderman | Present | |
| Stephanie Hirsch | Alderman At Large | Present | |
| Wilfred N. Mbah | Alderman at Large | Absent | |
| Mark Niedergang | Chair | Present | |

Others present: Greg Bialecki - Gate Residential Properties, Cory Mian - POAH, Joe Macaluso - SHA, Michael Glavin - OSPCD, David Shapiro - Law, Annie Connor - Legislative Liaison, Tim Snyder - Mayor's Office, Peter Forcellese - Legislative Clerk.

The meeting took place in the Aldermen's Chamber and was called to order at 6:02 PM by Chairman Niedergang and adjourned at 10:03 PM.

Public Hearing (#205685, 205250 & 205906)

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.

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

Approximately 52 people spoke on the matter of the Clarendon Hill reconstruction project, with 46 speaking in favor of the proposal and 17 speaking against, as follows:

In Favor

- The current units are not fit to live in and the buildings should be condemned
- There is not enough affordable housing
- Conditions at the current facility are deplorable and getting worse every year because tax dollars went elsewhere
- Residents of Clarendon Hill have worked for the past 2 years to reach an agreement with the developers and they are thankful for their willingness to work with them
- Clarendon Hill residents and the state fully support this project
- The residents who need this housing should be the number one concern of all parties
- The design process and public engagement has been open and very successful
- The residents deserve safe and clean homes
- If the Home Rule Petition is not approved and passed, the housing/facility will not be improved
- Cambridge federalized their public housing to take advantage of federal funds, but Somerville cannot do that due to the number of undocumented people living here
- This is needed and is a regional resource
- Public housing is underfunded, therefore it's difficult to keep it in good condition
- This project is an innovative opportunity to redevelop public housing
- Additional affordable units are being added along with an increased housing stock
- This is a unique moment in time to build more affordable units and improve the quality of life in the city
- The for-profit side brings about \$100 million to affordable housing
- There are complicated nuances involved and the agreement isn't perfect, but it should be approved
- This plan is unique and one of the most gentrification efforts seen
- If this isn't approved, there are other communities who would be anxious to take the state funding
- The current residences have roaches, mice and mold resulting in many residents suffering from asthma
- the current facility is over 70 years old
- This development would be a great addition to the neighborhood

- Take advantage of this opportunity as resources are scarce
- A majority of the jobs will be paid the prevailing wage

Opposed

- Organized labor is not against low income housing, but they don't agree with the way this project is being presented
- Developers should be held accountable to provide good housing and good jobs
- Put this project on hold since it's a bad deal for the city
- It's not fair that Redgate is not negotiating with the building trades
- Residents deserve the best housing possible - built by union labor
- Concerned about workers' rights
- In this progressive city, how can this project be called progressive?
- Trade unions can make this project work
- Workers are being short-changed
- Residents need to know that they're getting a quality product, built by trade union members
- Amend the Home Rule Petition to include provisions for paying the prevailing wage and bidding competitively
- Paying the prevailing wage is a standard of integrity
- Put good wages before profits
- Concerned about the trade-offs the city is making
- When a developer rolls in, Somerville puts its values aside
- People should be paid reasonable wages
- The rules aren't being applied to everyone
- This sets a bad precedent for labor laws
- The Board of Aldermen should demand more from the development team
- The city should not be subsidizing the development
- 54 affordable units are being removed from the state forever
- More information is needed regarding Section 8 regulations
- Why isn't the city telling the developer to build more units?
- There are alternatives and the project should be put out to bid
- Don't rush into this - the state funding will still be available later on

- The award agreement should incorporate all of Somerville's values
- Redgate is acting as if it has the city over a barrel and they could find a way to make this work if they wanted to
- Union labor has the expertise to build these units
- The building trades will stay at the negotiating table with the developer to make this project a 'win-win'
- Housing is a basic human right
- Redgate incorporates standards sometimes, why not here?
- Why does Redgate want to build the luxury units before the public housing?
- Why is the city partnering with someone who can be flexible, but won't?

General Comments

- The developer has created a division between those who will make a profit and those who want to work and want affordable housing
- It's a tragedy that this issue has pitted residents against union values
- The community has been kept in the dark
- The chances of this Home Rule Petition passing in the legislature will be reduced by the unions' opposition
- The Somerville Housing Authority shares some blame for letting the condition of the existing residences get so bad
- The choice is not housing vs. union, but rather do we build this or not
- Open the developer's books and work with unions to figure out how to make up the funding shortfall

The public comment period is closed.

Mr. Macaluso addressed the committee and said that this proposal is at a critical point. The SHA has been attempting to redevelop this property for many years and this is the only package that is viable. The current facility is home to 500 long term residents, 200 of whom are children, and due to its isolation from the community has a stigma associated with it. It wasn't designed to promote healthy living and the apartments are undersized and poorly ventilated. Many of the current residents suffer from the effects of asthma and other illnesses due to mold, mildew, etc. Under this proposal, the SHA will relinquish management control over the property to the developer and management company POAH, which has the resources to guaranty that its quality will be maintained. The city is working to create new housing units. Mr. Macaluso thinks that preservation of affordable housing is extremely important. Speaking about creating more density to resolve the subsidy gap, Mr. Macaluso said that increased density means increased heights of buildings, cost, less green and open space, etc. It's important to size this development properly to create open space and a sustainable environment in which the residents will thrive. The construction and design of this development is unique and represents a mix of public and private

standards since there's no other way to accomplish this. The average construction cost per unit is \$350,000 on both the public and private sides. The question of whether the prevailing wage must be paid to workers on the private side still remains unanswered.

Mr. Bailecki told the committee that 2 years ago, his company was invited by the SHA to look for creative solutions to their problem. The proposal being presented involves compromises on all sides, but it does not require any that are unprincipled. The Redgate portion of the development will be completely privately built, supporting union labor as much as possible. He estimated that 70% or more of the entire project (both public and private) will be union labor or paid at prevailing wage. (The percentage of union labor will be 35% in the Redgate, private side of the development.) Mr. Bailecki commented that there is no private housing development in the city being built under prevailing wage.

Alderman Ballantyne wants to see this project move forward and she suggested that a list of outstanding questions be compiled and addressed. She would like to hear what the unions have put on the table and what the development team feels doesn't work for them and asked that the discussion be continued. Chairman Niedergang reported that he had a conversation with Senator Jehlen who said that this HRP is not going to pass the legislature with the kind of opposition that currently exists. He asked for ideas to solve the problem and posed this question: If the city could put up half of the shortfall, (\$5 - 10 million), through a DIF, would Redgate be willing to meet the city half way? Mr. Bialecki replied that the estimated cost to pay the prevailing wage would be \$14 million, and that Redgate would not be able to contribute an additional \$7 million to the project in addition to the \$16 million they are committed to paying for the land and to support the public side of the project.

Alderman Rossetti inquired about a court case in Lowell and asked Mr. Shapiro to look into it and inform the committee of the particulars. Alderman White is doubtful that this HRP can get passed before the end of the current legislative session and he inquired whether the state funds would carry over to the next session and if there is a way to ensure that state funds would be available. Mr. Macaluso responded by saying that he has been told by state officials, in no uncertain terms, that the funds need to be taken soon or the offer will be removed from table. Alderman White asked if an appeal could be made to a higher authority for additional funding. Ms. Mian replied that she spoke to Somerville's state delegation about additional funding and was told no. Alderman White commented that if a full court press is put on by those opposed to this HRP, it won't pass the legislature. Chairman Niedergang asked that since there is no other project under this program that is happening in the state, why not appeal to the governor for another year. Mr. Macaluso said that they could do that, however, he noted that he has learned from conversations from his counterparts in other communities that the state is now uncertain about this funding program's efficacy and may be willing to just let it die.

Alderman McLaughlin would like to hear more about utilizing the unions' pension fund, as mentioned in tonight's public hearing. He thinks that the city should be looking at building more housing and he doesn't think that the state will walk away with their funding. Alderman Hirsch commented that there are only bad options when trying to find low income housing and she implored the trade unions to consider this, as well.

Mr. Brian Doherty of the Metropolitan Building Trades Council was invited to speak about what the unions can put on the table. He told the committee that they are happy to put everything on the table and that they have engaged many options to help the project, including the use of union

pension funds, signing a project labor agreement and providing counsel to figure out contractors that would be a good fit for this project, budgets and timelines. Mr. Bialecki said that the union wanted to provide financing as loans rather than equity. He explained that they try to get as much bank financing as possible, about 65%, at low rates with the remaining funds coming from equity investment. He noted that the unions have several funds that could be used for investment and that he has sent information to the unions but has not yet received a response. He also stated that he has explored that opportunity before but has not been able to make it fit.

Alderman Scott said that low paying jobs aren't enough to enable people to live here and he's frustrated that Mr. Bialecki isn't willing to ask the banks about financing if the development shows lower margins. Alderman Scott asked why moving fast is so urgent and why the public housing is being built towards the end of the project. Ms. Mian responded and explained that POAH needs the funds contributed by Redgate to build their affordable housing portion, and Redgate won't pay those funds until they are approved to start on their side of the project. Alderman Ewen-Campen stated that the worst-case scenario is that this project doesn't happen. He said that the Federal Realty deal was with a private developer and that this deal is being brought forward by people interested in affordable housing. He acknowledged that this is a hard call to make, but he still thinks that it can be done with the prevailing wage being paid.

Chairman Niedergang asked about more units being built and if there was a point, or 'sweet spot', to make it worthwhile. Ms. Mian explained that increasing units would mean increasing the heights of buildings. That would require a switch from wooden structures to steel and an increase in construction cost of 50%. Going back to the drawing board to increase density is unproductive and time consuming. She also pointed out that Redgate is maxed out, so additional units could only be added to POAH portion.

Alderman Scott asked if Redgate has ever built a structure above 6 stories high and the answer was that they have not, however they have supervised some. When asked about expanding the project, Ms. Mian said that no bank or investor would give POAH funds to expand the project with Redgate acting as the supervisor. Alderman Scott asked if it would be beneficial to fund POAH and the SCC to be equity partners by using short term lending and Mr. Bialecki said if it makes sense to the city, he would consider it. Mr. Glavin commented that this idea is challenging, and he pointed out that, as currently proposed, the project is acceptable to the city. Additionally, putting more than the \$10 million into this project would be taking funds away from other projects. There may be a way to structure an equity arrangement to obtain some leverage to close the gap, but the numbers would have to be examined. Alderman White doesn't think that the city could bond to purchase an equity position.

Mr. Bialecki, responding to a question about costs said that there is an approximate 50/50 split between materials and labor for the Redgate portion of the development and Ms. Mian said that the same split applies to POAH's portion. Mr. Macaluso told the committee that the residents negotiated some finer points with the developer and that they were never at risk of not having the opportunity to return. The only way a resident would not be allowed to return would be if that party was evicted by a judge for cause. The relocations will be staggered with those having school children relocated first.

Chairman Niedergang asked the parties to continue to work towards an agreement.

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

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

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| RESULT: | PLACED ON FILE |
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205327: Discuss Preservation of Affordable Housing Inc submitting comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

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| RESULT: | PLACED ON FILE |
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205328: Discuss Ronald Cavallo submitting comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

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| RESULT: | PLACED ON FILE |
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205336: Discuss Ronald Cavallo submitting further comments re: #205250, a proposed Clarendon Hill Public Housing Project Home Rule Petition.

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| RESULT: | PLACED ON FILE |
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205407: Discuss Clarendon Residents United submitting comments re: #205250, a proposed Clarendon Hill Public Housing Home Rule Petition.Statement

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| RESULT: | PLACED ON FILE |
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205681: Discuss Our Revolution Somerville submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

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| RESULT: | PLACED ON FILE |
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205682: Discuss 9 unions submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

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| RESULT: | PLACED ON FILE |
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205896: Discuss 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.

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| RESULT: | PLACED ON FILE |
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205897: Discuss Our Revolution Somerville submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

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| RESULT: | PLACED ON FILE |
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205898: Discuss Clarendon Residents United submitting comments re: #205250, a Home Rule Petition for the reconstruction of the Clarendon Hill Housing Project.

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| RESULT: | PLACED ON FILE |
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