

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	216
Affordable (<80% AMI)	38	16	15	6	75
Affordable (<110% AMI)	0	5	0	0	5
Unrestricted	0	295	0	0	295
Total Units	168	331	58	34	591

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 ensure that these 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

Estimated Annual Debt Service - General Fund - DIF Bond

Total Infrastructure Amount	\$10,000,000				
Amortization Period	30 Years				
Bond Anticipation Note Period	5 Years				
Tranche #1 -FY23	\$4,000,000				
Tranche #2 -FY24	\$3,000,000				
Tranche #3 - FY25	\$3,000,000				
TOTAL P&I	\$18,853,100				
Fiscal Year	P&I		Tranche 1	Tranche 2	Tranche 3
2024	\$80,000		80,000		
2025	\$157,500		90,000	67,500	
2026	\$225,000		90,000	67,500	67,500
2027	\$225,000		90,000	67,500	67,500
2028	\$225,000		90,000	67,500	67,500
2029	\$418,810		283,810	67,500	67,500
2030	\$564,167		283,810	212,857	67,500
2031-2053 each year	\$709,524 per year		283,810	212,857	212,857
2054	\$425,714			212,857	212,857
2055	\$212,857				212,857

Estimated Annual Debt Service CPA Bond

Total Infrastructure Amount	\$4,000,000
Amortization Period	20 Years
Level Debt Service	
Total Principal & Interest	\$6,017,587
Fiscal Year	P&I
2024-2043 - each year	\$300,879 per year

Discussion

DIF background slides
(for reference)

DIF 101:

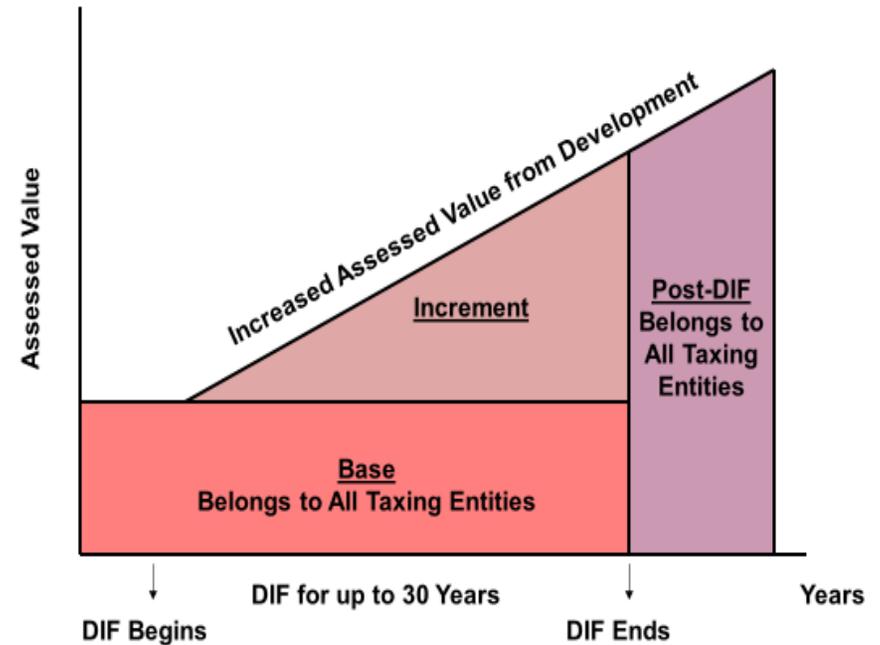
What is District Improvement Financing?

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.

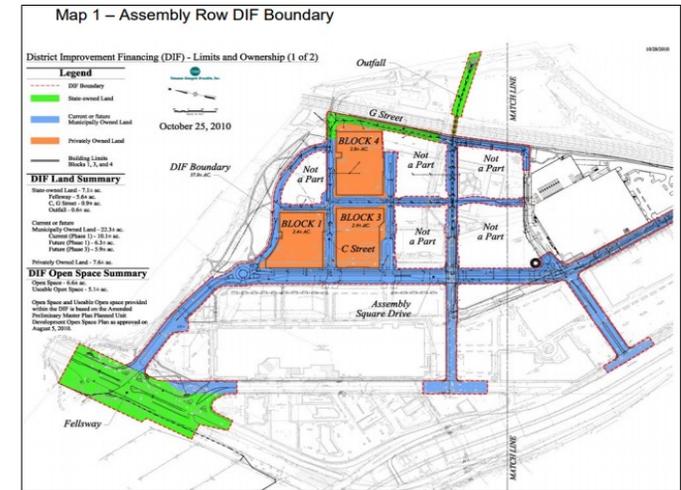
All money not used for DIF related expenditures reverts to the General Fund.



Example DIFs in Massachusetts

Redevelopment Initiatives:

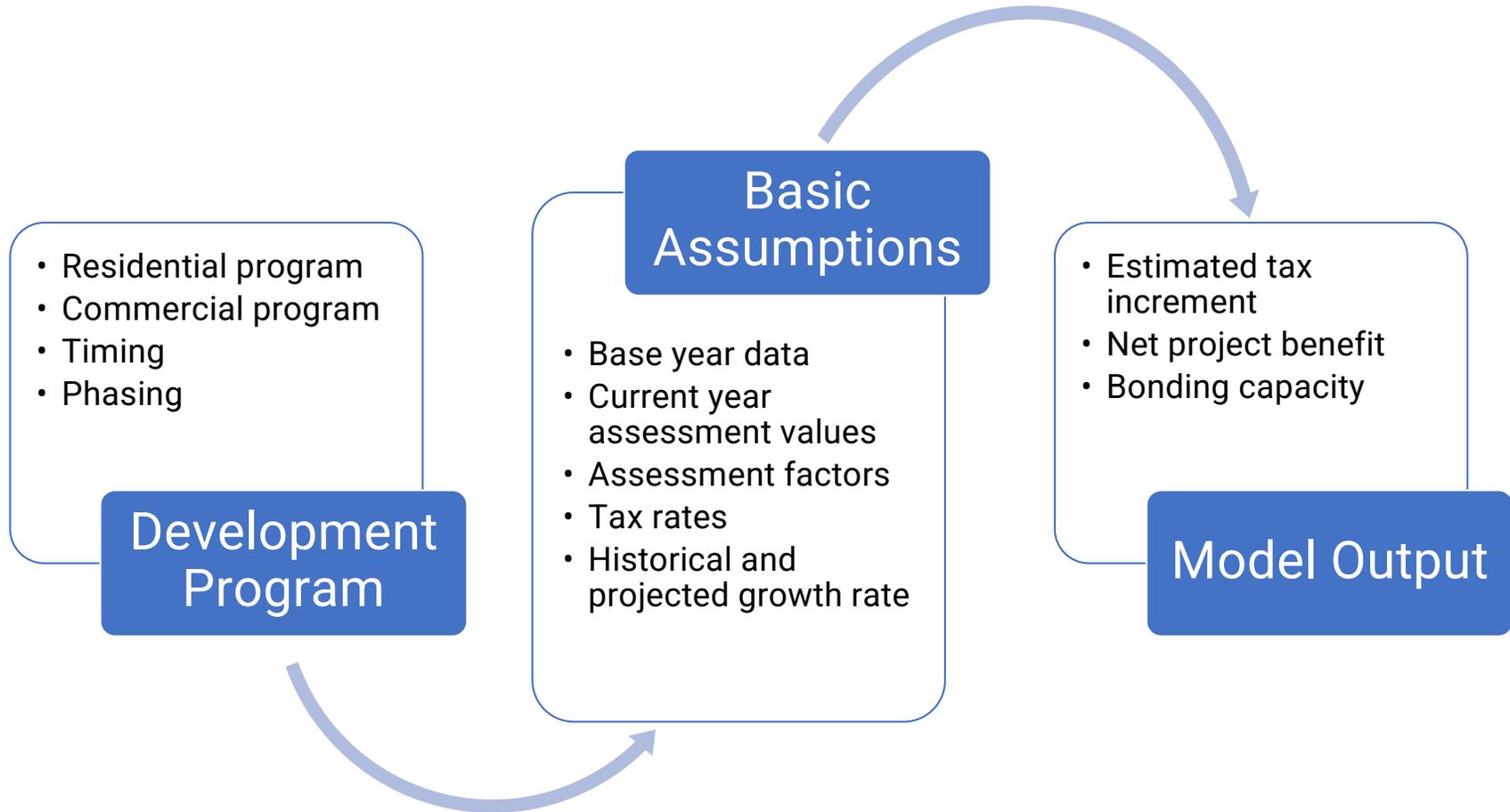
- Assembly Square, Somerville MA
- Union Square, Somerville MA
- Downtown Quincy, Quincy MA
- City Square, Worcester, MA



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

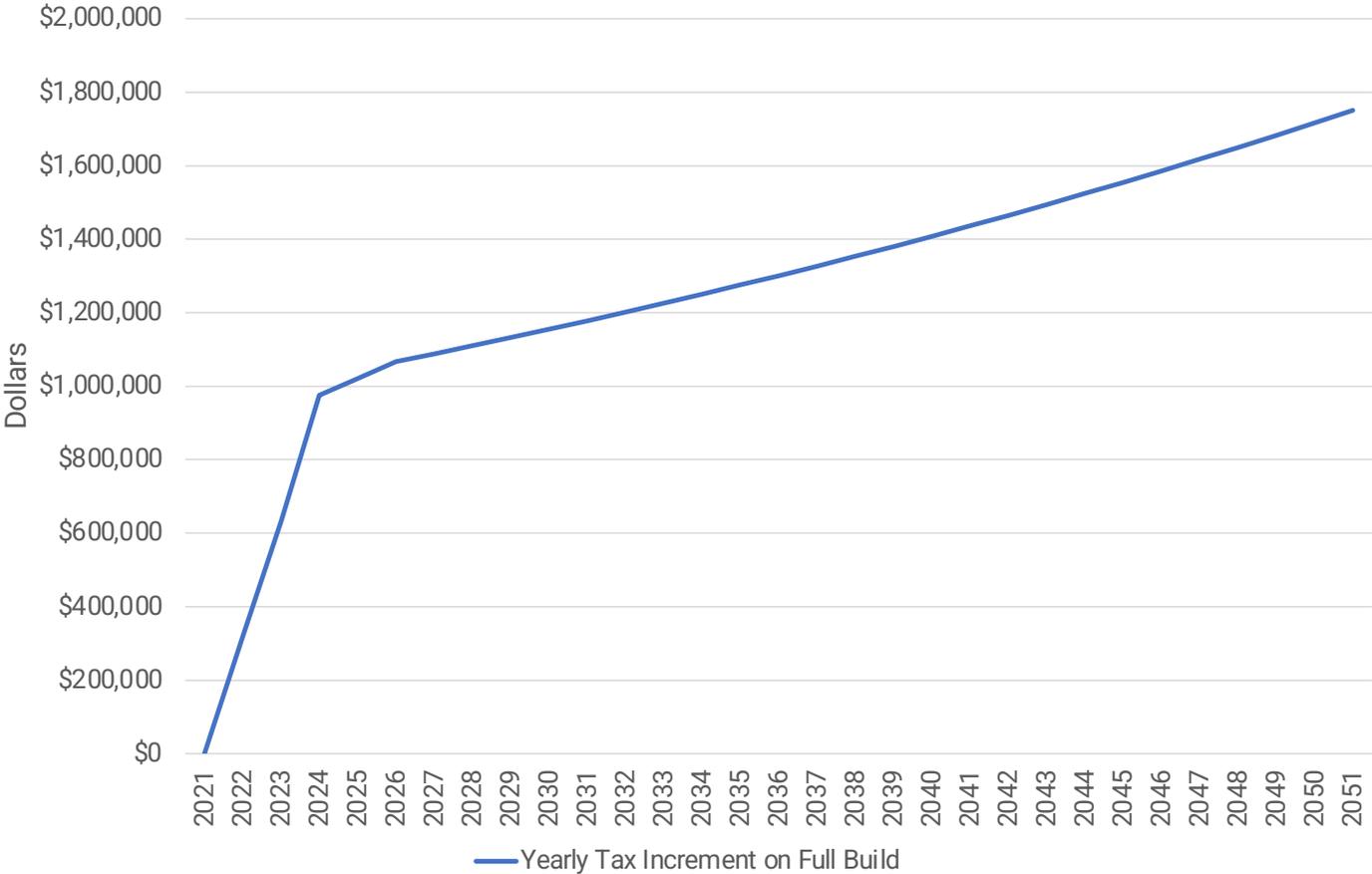
Full Build Scenario

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

Estimated increment dependent on underlying assumptions

- Dev. Program
- Assessment Values
- Interest Rates

Captured Increment on Full Build of All Phases, 2021 - 2051



Source: Somerville Assessor, RKG Associates Inc., 2021

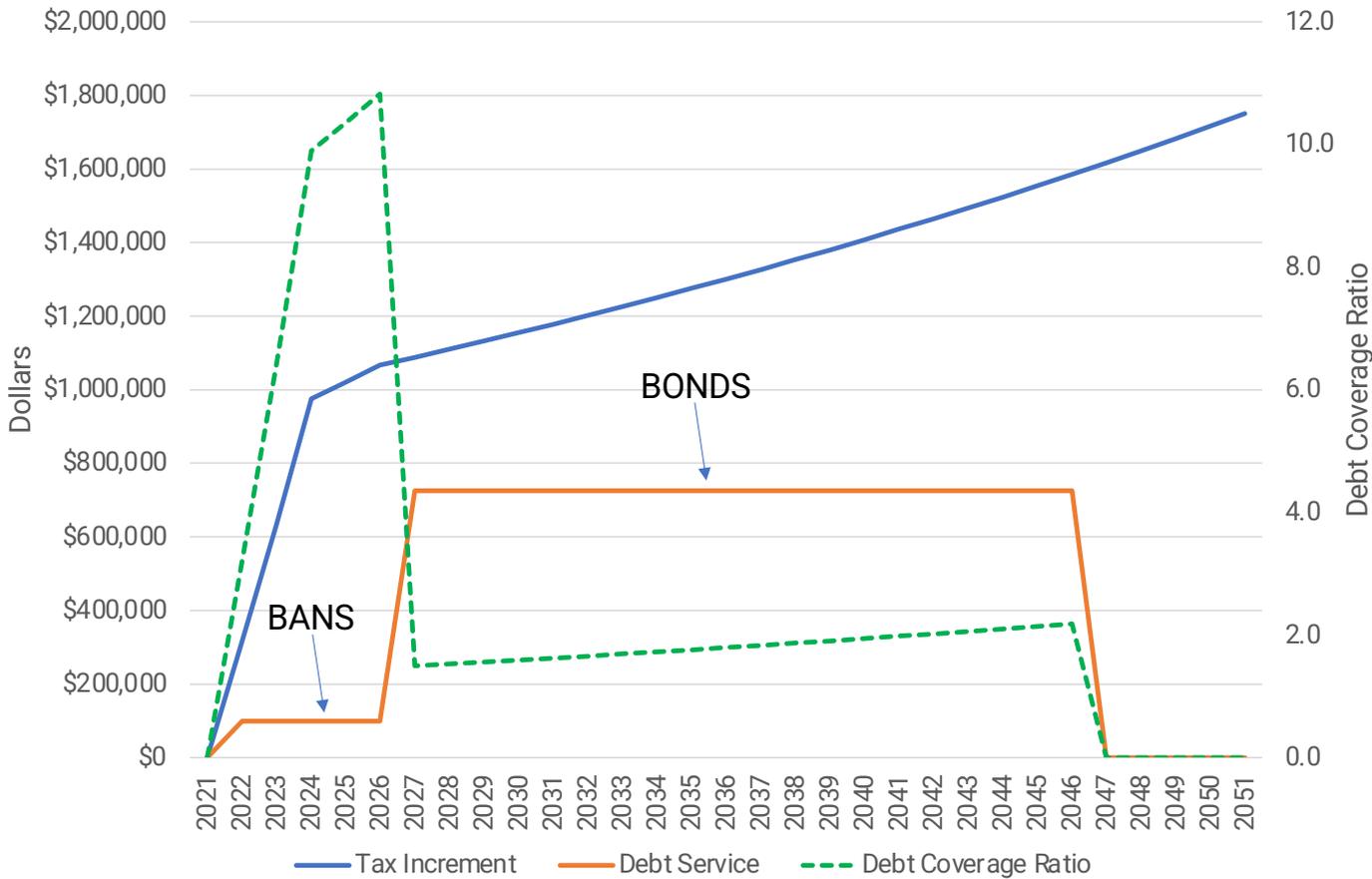
Estimated Bonding Capacity for Infrastructure

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

DIF Revenue vs. Potential Debt Service, 2021 - 2051



Source: Somerville Assessor, RKG Associates Inc., 2021

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	\$12.5M	\$13.3M	\$14.2M	\$15.1M
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