



CITY OF SOMERVILLE, MASSACHUSETTS CLERK OF COMMITTEES

May 8, 2018
REPORT OF THE FINANCE COMMITTEE

Attendee Name	Title	Status	Arrived
William A. White Jr.	Chair	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	
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	Present	

Others present: Alan Inacio - OSPCD, Michael Glavin - OSPCD, Rob King - Capital Projects, Frank Wright - Law, Eileen McGettigan - Law, Jim Halloran - DPW, Cory Mian - POAH, Greg Bialechi - Gate Residential Properties, Joe Macaluso - SHA, Paul Mackey - SHA, Attorney Dan Rosen - representing the SHA, Amy Stitely - MA HCD, Tim Snyder, Annie Connor - Legislative Liaison, Peter Forcellese - Legislative Clerk.

The meeting took place in the Committee Room and was called to order at 6:00 PM by Chairman White and adjourned at 10:07 PM.

Approval of the April 24, 2018 Minutes

RESULT:	ACCEPTED
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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.

Alderman Ballantyne spoke about the condition of the existing facility and said that the state suggested some creative financing to aid in the development of the site. The project has the support of the resident tenants and neighbors and was re-designed due to some major concerns, including traffic issues that will necessitate a change to the roadway at the junction of Powderhouse Boulevard and Route 16. This will

require approval of a Home Rule Petition to transfer ownership of some Department of Conservation and Recreation (DCR) and to the City of Somerville. There are many pieces involved to make this public/private project work. The city is investing funds for the project and will only distribute the funds if all of the conditions stipulated in a conditions of award document are met.

Mr. Macaluso told the committee that the Somerville Housing Authority (SHA) has been looking for opportunities to redevelop the Clarendon Hill/North Street public housing facility for ten years, noting that the cost at that time would have been \$60 million. Three years ago, the SHA made inquiries about putting out a Request for Design (RFD) for a partnership to redevelop the site. At present, the existing site doesn't relate to the neighborhood, and the desire is for the new development to fit into the neighborhood and provide the types of housing needed. The SHA was told to wait before proceeding because it was believed that there might be some funding available in the future. A Request for Proposals (RFP) eventually went out and 4 proposals were received. Additionally, a \$300,000 planning grant was awarded to the SHA from the state. The SHA's attorney for this project, Dan Rosen, explained that the SHA was undertaking a land disposition and a development project at the same time. Alderman Niedergang asked how the \$16 million price tag for land lease was arrived at. Mr. Mackey explained that all of the developers presented together and the team of Gate Residential Properties (Redgate), the Somerville Community Corporation (SCC) and the Preservation of Affordable Housing, Inc (POAH) was selected because of their expertise in the private market, their ability to build the type of housing needed and their community connection.

Cory Mian gave a presentation and said that a \$17.7 million commitment has been made by state and that nine community meetings were held. Alderman Rossetti commented that, at an earlier meeting, it was indicated that \$6 million of \$10 million distribution was coming from Somerville's Affordable Housing Trust Fund (AHTF). Mr. Glavin explained that the Community Preservation Committee (CPC) vote was for \$10 million for the '100 homes project' and that \$6 million has been used, to date, leaving \$4 million. Both Alderman Rossetti and Chairman White believe that \$6 million was approved for the '100 homes project', not \$10 million. Alderman Ewen-Campen stated that the original request was for \$10 million for the Clarendon Hill project and the '100 homes project' and that the request was severed and came to BOA for a \$6 million distribution for the '100 homes project', since the Clarendon Hill project was ready yet. Alderman McLaughlin commented that whether CPA or AHTF money is being used, that's money that won't be available now for other affordable housing projects.

Ms. Mian continued with the presentation and told the committee that there are presently 216 existing units in the complex and that the new proposal would have 539 units. Additionally, there will be a dedicated funding stream to provide services to the tenants. 196 families need to be relocated and their rents will remain the same during the entire relocation period. The projected length of time to vacate and relocate the tenants in the existing units is six to nine months and it is expected that the total length of time until the project is completed would be approximately five years. The project would fall under 40B and therefore, would not be subject to inclusionary requirements. Redgate is giving the SHA an up-front capitalized \$16 million for the land and that money will be used to develop the POAH portion of the project. Redgate, itself, would get nothing from the transaction. Twenty five of the affordable units will be mixed in with market rate units and tenants for the fifteen deeply affordable units will come from SHA's waitlist. The ten low income units will be governed by the city's inclusionary housing policy.

Alderman Davis asked how the \$16 million, 99-year lease payment compares to other projects and Mr. Glavin said that it would be above the going rate and works out to about \$8 million per acre. Alderman Davis asked the Administration to provide data on recent sales for comparison. He also requested a detailed analysis of the depth of the subsidies and what the project would look like without the 15 deeply affordable units. Ms. Mian will provide a breakdown of the \$17 million financing from 54 project based vouchers

Redgate's cost to build deeply affordable units is \$350,000, all in and the annual operating cost would be about \$9,000 to \$10,000 per unit per year. Mr. Bialechi explained loans for this type of project work differently than residential loans since banks consider the funding as a commercial loan and the developer will often refinance that loan for about 10 years. As a result, it may be more beneficial for the developer to have an interest only loan and keep refinancing it. He went on to say that normally 2/3 of the cost of building would be borrowed and noted that the deeply affordable units lower the income derived, thus working against the amortization of the loan.

Attorney Rosen was asked about what happens at the end of the 99-year lease, and he said that, at that point, the SHA would own the land and buildings, so the revenue would then go to them, i.e., the public. He also said that the lease could be renewed, e.g., during the 15th or 20th year. Mr. Rosen told the members that the restrictions on the 216 affordable units is in perpetuity, not 99 years.

Amy Stitely, Associate Director of the Massachusetts Department of Housing and Community Development told the committee that the state has \$8.5 million per year available for redevelopment of middle income housing under a new program and that the state has not pursued this type of project before. The \$300,000 planning grant awarded to the SHA was approved because of the community's support for the project. Ms. Stitely said that \$25.5 million will be available for distribution starting July 1st and if this project doesn't get underway soon, the funds might go elsewhere.

CONDITIONS OF CITY FUNDING AWARD

Mr. Glavin reported that there was a \$10 million gap in the development which led to this funding award. Chairman White expressed concern that the details aren't spelled out and inquired if the hands of the BOA, and future BOAs, might be bound by this agreement. Additionally, he would like any amendments to the agreement to be subject to BOA approval.

Ms. McGettigan stated that since the BOA didn't sign the agreement, it is not bound, however, the city is and would have to find a way to get the funds. Chairman White asked for a copy of the AHTF vote on the MOU in order to determine what has been bound.

Mr. Glavin was asked what other funding sources would be available if the BOA decided not to allow the funds to be paid and he said that there could be \$7 million available in direct funding sources, such as the AHTF, various projects in the pipeline, the home fund project, permit waivers, infrastructure or housing DIFs, however votes of other bodies would be required in addition to that of the BOA. Alderman Scott requested data on the funding stack that Mr. Glavin spoke about.

Ms. McGettigan reviewed conditions for the funding award.

- Condition #6 - was amended by adding the words "a binding", immediately following the words "Execution of"
- Condition #9 - members discussed whether language should be inserted since part of the roadway is state owned.
- Condition #10 - questions were asked about common elements
- Condition #13 - Ms. McGettigan stated that Redgate is not receiving any public funds, therefore the prevailing wage provisions don't apply, adding that just because land is public, it does not require prevailing wages to be paid.

Alderman Scott asked how funds can be kept separate if the project is all one 40B project and Ms. McGettigan explained the three things that are needed in order for the prevailing wages to be paid. Chairman White asked for a legal memorandum providing the basis for the answer that Redgate does not

have to pay prevailing wage and Alderman Davis wants to see something on point. Ms. McGettigan suggested that the BOA ask Redgate to get an opinion from DLS on the prevailing wage requirement.

Committee members asked additional questions, as follows:

- Alderman McLaughlin asked for data on the appraisal of the land
- Alderman Ewen-Campen asked to see Redgate's books in Exec Session
- Alderman Scott asked for the leverage impact of the 15 deeply affordable units
- Alderman Scott asked if the lease came with transferability
- Alderman Niedergang asked to see Redgate's pro forma.
- Alderman Scott asked for a breakdown of what conditions apply to what portions of the project
- Alderman McLaughlin asked that Ms. McGettigan review the handout of a letter from the Office of the Inspector General, dated 9-16-15.

RESULT:	KEPT IN COMMITTEE
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205122: Requesting approval of the services of the law firm Motley Rice LLC to act on the city's behalf regarding the marketing, prescribing, distribution, or sale of opioids.

Mr. Wright informed the committee that it is anticipated that the city will join in a multi-district suit against pharmaceutical companies due to the over prescription of opioids and will attempt to recover some of the associated costs, e.g., Narcan and medical benefits. The agreement is for a contingency fee to be paid to the law firm of 25% of any amount recovered, (capped at 50%). If nothing is recovered there would be no cost to the city for the firm's services. Mr. Wright pointed out that this is not a class action suit and he will provide the committee with a list of several other municipalities engaging in similar litigation. Chairman White asked that the BOA be notified when the litigation is filed.

RESULT:	APPROVED
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205518: Requesting approval for a time-only extension of the Millennium Maintenance contract by one month, until 8/31/2017.

Mr. Halloran explained that this request is for a time only extension of the current 3 yr contract due to the fact that a new contract has yet to be awarded and services are needed for 1 month. There are actually 2 separate contracts, one for sweeping and one for disposal of the sweepings. Chairman White requested that the DPW be prepared to explain the need for 2 contracts during the upcoming budget deliberations.

RESULT:	APPROVED
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205672: Requesting the acceptance of MGL c64N s3 re: a local 3% excise tax on retail sales of marijuana for adult use.

Mr. Wright informed the committee that adult use marijuana sales are scheduled to begin in Massachusetts on July 1, 2018 and in order for the city to be able to collect a local excise tax on their retail sale during the first quarter of the fiscal year, the city needs to accept MGL c64N s3 at least 30 days prior to July 1st. Mr. Wright noted that in addition to the local tax, there is also host community fee that may be negotiated.

RESULT:

APPROVED

205722: Requesting an appropriation and authorization to borrow \$500,000 in a bond for ADA building improvements.

Mr. King explained that these funds would be used for ADA improvements in municipal and school buildings as well as for the accessible lift in the Davis Square parking garage.

RESULT:

APPROVED

205723: Requesting approval to create the Boynton Yards Stabilization Fund and accept a payment to the Fund of \$60,000 from RECP V Boynton Yards Owner LLC for engineering, planning, legal, and other related expenses.

Mr. Inacio explained that this request is to create and establish the fund and that the \$60,000 payment is the first installment for water and engineering studies. Permits are in the process of being secured. Chairman White asked that the details of what is being planned be emailed to all aldermen.

RESULT:

APPROVED

205724: Requesting approval to increase the Planning & Zoning Notice Revolving Fund expenditure cap from \$35,000 to \$45,000.

Mr. Inacio reported that the revolving fund's FY-18 cap has been reached, therefore this request is to extend the cap. Members were assured that there will be ample funds to pay expenditures.

RESULT:

APPROVED

205786: Requesting the appropriation of \$97,570 from the Salary Contingency Salaries Account to various E-911 Personal Services Accounts in order to fund an agreement with SEIU/Local 888 E911 Call Takers.

Mr. Wright explained that the city has reached an agreement with the E-911 call takers that provides for a wage increase of 2% effective on 7-1-17 and another 2% effective on 7-1-19. Changes were also made to differential pay and longevity payments. Alderman Rossetti asked that, going forward, a summary of an agreement be provided to the committee when requesting funds to cover a new contract. Alderman Ewen-Campen requested a written summary of this contract.

RESULT:

APPROVED

205787: Requesting the appropriation of \$48,215 from the Salary and Wage Stabilization Fund to the E-911 Other Lump Sum Benefits Account to fund an agreement with SEIU/Local 888 E-911 Call Takers.

See the discussion of item #205786.

RESULT:

APPROVED

Handouts:

Clarendon Developer Presentation 5.8.2018 (with 205685)

Clarendon Hill Funding Conditions Letter Agmt 04.30.18 (with 205685)

Clarendon Home Rule Petition text and clarification 4.30.2018 (with 205685)

Reference Info (with 205122)